

**INDITEX**

annual report 2011

economic,  
social and  
environmental  
performance

## Evolution of the main indicators

	2011	2010
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### Turnover (in millions of euros)

Sales	13,793	12,527
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### Results and cash flow (in millions of euros)

Operating profit (EBITDA)	3,258	2,966
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Operating profit (EBIT)	2,522	2,290
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Net income	1,946	1,741
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Net income attributable to the parent company	1,932	1,732
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Cash flow	2,613	2,540
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### Financial and management ratios

ROE	28%	30%
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ROCE	37%	39%
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### Other relevant information

Number of stores	5,527	5,044
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Net openings	483	437
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Number of markets with commercial presence	82	77
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Number of employees	109,512	100,138
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% men/women	20.5/79.5%	19.5/80.5%
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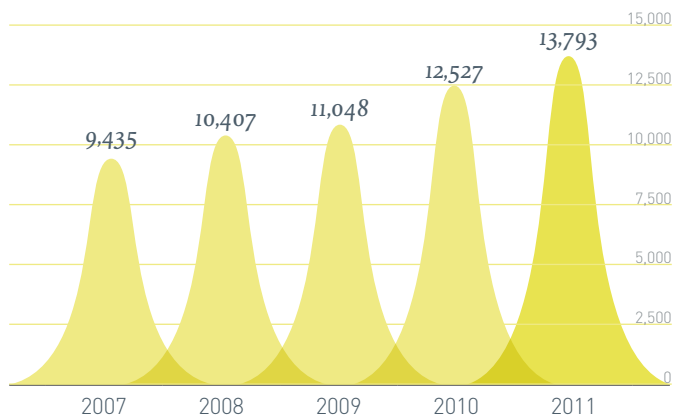
Overall energy consumption (Tj)	3,381	3,230
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Number of suppliers	1,398	1,337
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Social investment (in millions of euros)	14	11
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# Highlights

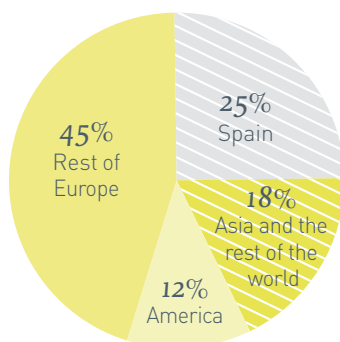
## Sales



ZARA

PULL&BEAR

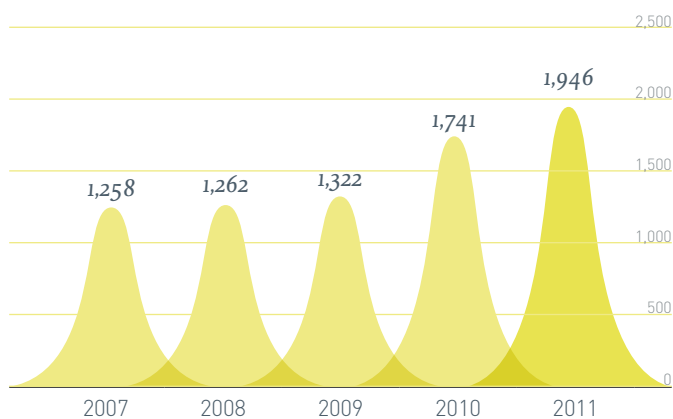
## Sales by geographical



Massimo Dutti

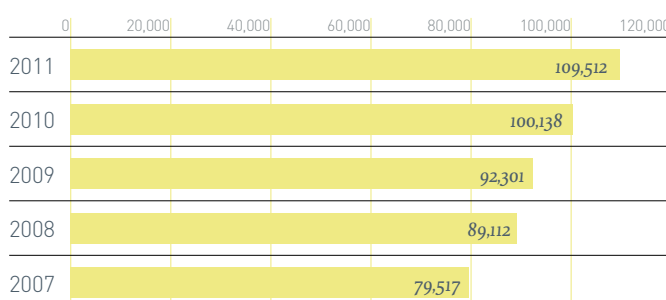
Bershka

## Net profit



OYSHO

## Number of employees



ZARA HOME

UTERQÜE

Inditex's Annual Report  
addresses its economic,  
social and environmental  
performance for the  
purposes of achieving the  
maximum transparency  
in its relationship with all  
its stakeholders



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# Letter from the Chairman

Dear friends,

I would like to start out by underlining the importance for all of us at the Inditex Group of an institutional milestone in 2011: speaking from the heart, it is an honour to have taken the reigns of the company from a man of the calibre of Amancio Ortega.

Inditex is the result of shared core values coupled with decades of daily hard work and dedication by a great team. This team and these values are unquestionably the Group's most prized asset, the foundations on which it aims to continue to build a solid future and our warranty that our thirst for a job well done and excellence continues to be instilled in all the new talent joining this communal endeavour. This year I am pleased to report that almost 10,000 new professionals have joined the Group, bringing the total headcount to 110,000.

This human dimension provides us with a global cultural wealth of which we are particularly proud. This is a company which lives and breathes fashion across all five continents and attempts to connect with each of the streets on which its stores are located. Accordingly, the Group's diversity adds to the universal image it seeks to project. By the end of 2011, the Group was present in 82 markets, having opened its inaugural stores in Australia, South Africa, Taiwan and Azerbaijan, enabling it to take the collections designed with the southern hemisphere in mind to the next level. In all, the Group opened 483 new stores in no fewer than 49 different countries.

This growth also trickled down to the chain's business headquarters in Spain, where the design, creation and product development centres are located as well as the bulk of in-house manufacturing and logistics activity. Both the corporate head office, which is about to be extended by some 70,000 square metres, and the various logistics platforms, which are also set to receive facility expansions and upgrades, including pioneering textile industry technology, continue to benefit from significant capital expenditures destined to create a substantial number of jobs.

Under the umbrella of the company's global strategy, I would like to stress the rising prominence of internet at Inditex, which has always targeted its efforts at direct contact with its customers. The various retail chains have expanded their online platforms. Online sales have been enabled in many European countries and in the case of Zara, also in the US and Japan. This gradual deployment will continue until online shopping is a reality in all of Inditex' operating markets.

Consolidated revenue at the Inditex Group rose by 10% over 2010, driven by both new store openings and same-store sales growth of 4%. This profitable growth allowed us to continue to put money back into the company, as is our philosophy, to the tune of €1,300 million. Some of the most noteworthy investments completed in 2011 included the flagship store on New York's Fifth Avenue (which opened its doors in 2012). This store's inauguration was used to present the new Zara concept: an architectural space combining beauty and utility, as well as the latest achievements on the eco-efficiency front. In sum, the store's scale and location has made it a genuine global flagship store for the Zara brand.

Continuing in the environmental vein, 2011 was the first year under the Sustainable Inditex 2011-2015 strategic environmental plan, which extends and expands the targets attained under earlier multi-year plans. The cornerstone of the new plan is the eco-efficient store program. The new stores being opened to the Group's stringent standards are achieving the highest ratings from the most demanding external certification entities. Under this ambitious program the Group intends to design and build fashion showrooms which perform to the highest energy efficiency standards, ensuring rational consumption as well as the use of certified environmentally-friendly materials, smart water and cardboard recycling processes and waste sorting.



Thanks to these initiatives, energy consumption has been cut by 20% and carbon emissions, by 30%. The plan, which is the result of years of academic research, calls for implementation of these standards in all the Group's stores worldwide by 2020.

Social sustainability is the other bedrock of our philosophy. Inditex unquestionably boasts the best textile suppliers in the world and has opted philosophically to follow a very well-defined protocol based on two core principles: (i) zero tolerance of breaches of its Code of Conduct; and (ii) empowerment of its teams to improve conditions throughout the supply chain, articulated in a clear commitment to gradual enhancement of social conditions and the creation of jobs and social wealth. Without a shadow of a doubt, we can call on the best allies, all of whom similarly engaged, in this cause.

Our involvement in international platforms such as Ethical Trading Initiative, and/or the reinforcement of our agreement with the International Textile, Garments and Leather Workers' Federation (ITGLWF), in addition to our commitment to Global Compact, have proven to be learning tools regarding the enforcement of best practices, and knowledge tools to anticipate and resolve any incidents.

Turning to 2012, I would like to underscore the assurance and conviction with which the company is approaching its global growth strategy, underpinned by significant investment wherewithal that will pave the way for continued job creation. The Group plans to start up new operations in several markets, extending the intense pace of new store openings. Online, Zara plans to launch its online store in China, while the other chains will consolidate their online presence in their existing operating markets. In the year ahead, we will make further progress on all the aspects that have made the Group one of the benchmark international players in the world of fashion.

We aim to continue to enjoy our fascinating relationship with our customers across all five continents, offer the highest standards of quality and service and sell fashion lovers everywhere reliable, socially responsible and sustainable products. I know for sure that every single person working at this company shares this unwavering calling, a determination of which I feel particularly proud.

Pablo Isla  
Chairman

# Business model

Over **21** million  
followers on  
Facebook

customers

Over **109,000**  
professionals

employees

Over **1,300**  
suppliers

suppliers

store



design



**5,527** stores in 82  
markets and five  
continents

**483** new stores all of  
which have criteria of  
eco-efficiency

The place where customers' desire for fashion meets the offers of each chain's design team.

They are the main image material for our brands: privileged locations in the main towns; meticulously conceived storefront; a unique internal and external architectural conception; precise coordination of the product and excellent customer services.



In 2011, marketing of  
over **1.9** million organic  
cotton garments

Over 1,000 professionals devoted to the design and development of products.

Each chain has its own team, whose work is concentrated on market analysis with the aim of reacting to customers' wishes in the shortest time possible.

our commercial formats

**Z A R A**

**PULL&BEAR**

*Massimo Dutti*

**Bershka**



Over **600,000**  
beneficiaries of social  
programmes

community

Over **60,000**  
investors who trust  
Inditex business model

shareholders

## manufacturing



## distribution



**250,000** chemical  
analyses of products  
**2,300** audits

Over 50% of Inditex's  
manufacturing takes place in  
suppliers from proximity.

At the end of 2011, Inditex  
had 1,398 active suppliers  
with whom it maintains stable  
relationships based on ethics  
and responsibility governed  
by the Code of Conduct for  
External Manufacturers and  
Suppliers, which must be  
accepted in order to maintain  
commercial relations with the  
Group.



The objective is to reduce  
the emissions from  
logistical activity by **20%**  
by 2020

The logistical system is  
designed to ensure constant  
renovation in the options  
available in store.

Every store in the world  
receives new models twice  
a week from the logistics  
centres of each one of the  
chains, all of which are located  
in Spain. From the logistics  
centres, the product reaches  
European stores in 24-36  
hours and those in the rest of  
the world within 48 hours.



OYSHO

ZARA HOME

UTERQÛE

A look back  
over 2011





The strategy of multi-channel global growth has been supported by the results obtained during the 2011 financial year, which are at the same time a demonstration of the strength of the business model. In this period, the sales have increased significantly by 10% reaching 13,793 million euros. The increase in the turnover and the improvement in operating efficiency have made it possible to raise EBITDA by 10%, up to 3,258 million euros. Thus, the profitability of the Group continued to improve: the net profit rose by 12% and reached 1,932 million euros.

These satisfactory results, together with the opportunities for global growth, have made it possible to re-invest the funds generated in the expansion of the Group, thus reinforcing the strategy of organic growth. During the 2011 financial year, expansion has been centred on the opening of new stores located in the best commercial areas of countries with a great potential. In this regard, the entry into five new markets is particularly important: Taiwan, Azerbaijan, Australia, South Africa and Peru, with which the commercial presence of Inditex is extended to all five continents. The last three are a reinforcement of the differentiated commercial strategy which Inditex has been applying to markets located in the southern hemisphere.

### Flagship stores

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Outstanding examples of openings in significant locations are the Zara stores in Pitt Street (Sydney), Burke Street (Melbourne) or the Taipei 101 building in the capital of Taiwan. The four-storey store in the district of Shibuya with which Bershka began its activity in Japan, and the privileged locations of this chain in Rue Saint François (Lausanne) or Bagdad Cadesi (Istanbul) are also significant. Although, without a doubt, the greatest landmark for Bershka has been the opening of its store in the centre of Berlin, which is the most advanced example of an eco-efficient store in the chain and which has achieved Platinum category in the LEED environmental certification, the highest that the US Green Building Council awards. Pull&Bear has also opened up an emblematic store in Lijbaan Street in Rotterdam. This store brings together the latest advances in the environmental sphere, in line with all the new openings of the Inditex Group, as a fundamental part of "Sustainable Inditex 2011-2015", the strategic environmental plan of the Group for the next few years and with which it aims to reduce its emissions of CO<sub>2</sub> by 10% in 2015 and by 20% by 2020.

Among other significant Group openings in 2011, the first appearance of Zara Home in Germany, with a large store in the most important commercial area in Frankfurt

(Rathenauplatz) and other stores in George Street (London) and Van Baerlestraat, next to the Museumplein in Amsterdam, are particularly significant. In this same area of the Dutch capital, Massimo Dutti has been established. Massimo Dutti also opened in Tverskaya Avenue in Moscow. In turn, Stradivarius boosted its presence in Italy in places such as the Corso Buenos Aires in Milan or the Via Roma in Turin, and Uterqüe set up on the Paseo del Born in Palma de Mallorca and in Lippenslaan, in the Belgian tourist resort of Knokke.

With an effect on the multi-channel strategy, the 2011 financial year saw the launch of internet sales in all the chains in the Group and the opening of the online Zara stores in the United States and Japan. In this way, at the close of 2011, the Group had an online commercial presence in eighteen European countries, as well as Japan and the United States.

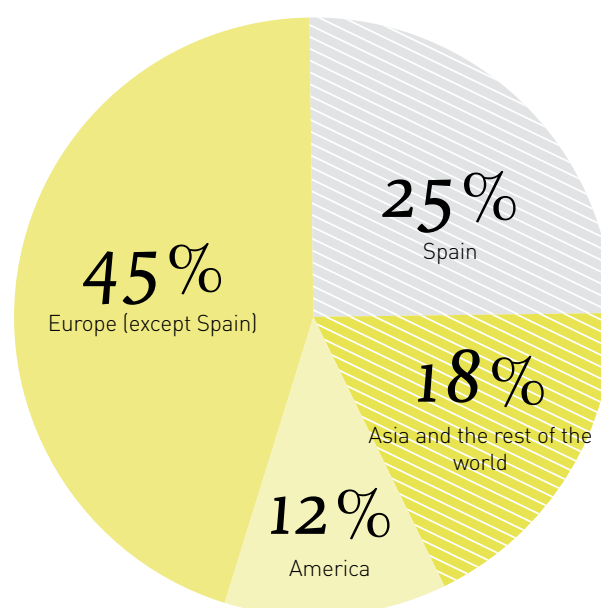
During the 2011 financial year, the growth in Inditex's commercial area has continued with 483 new stores, which brings the total at the end of the year to 5,527 stores in 82 markets. This means that the commercial area has increased by 250,000 square metres, with the result that on 31st January 2012, it amounted to more than 2,800,000 square metres. Zara continued to lead this growth: it had over a hundred net openings and contributed two-thirds of the Group turnover. The remaining chains also significantly increased their commercial presence during the financial year as they entered new markets. Let the fact that, during 2011, Inditex opened stores in 49 different markets serve as an example of the capacity of the Group to take advantage of global opportunities.

Europe and Asia remain the priority axes of the expansion of the Group. In the first case, over 200 new stores were opened during the financial year, especially in Eastern Europe. Asia, for its part, was responsible for 165 new stores and now represents 18% of company sales. The majority of the new stores (132) were in China, a country in which two of the Group commercial formats have made their debut: Oysho and Zara Home, with seventeen and five stores respectively. Thus, China now has 275 stores from all Inditex brands. Given the excellent reception of its options and given that Inditex considers China a key market, the company plans to keep up the rhythm of openings in this country over the next few years and to conclude 2012 with about 425 stores in over fifty cities.

2011 also saw the arrival of Bershka in Japan and Korea, and of Pull&Bear and Stradivarius in Korea. In turn, Zara opened three new stores in India (Bombay, Pune and Bangalore) and set up its first stores in Taiwan and Australia.

2011 meant the consolidation of Inditex's strategy of global expansion with commercial operations on the five continents and its commitment to electronic commerce

Sales by geographical area

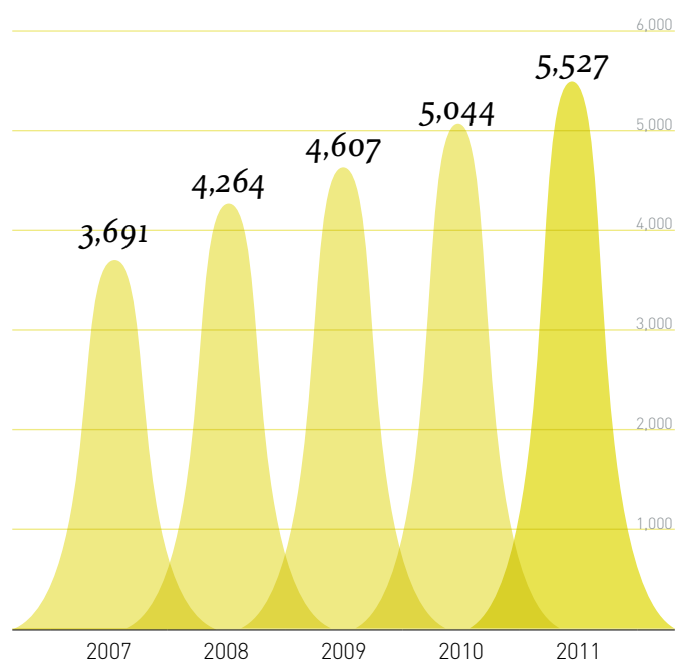


During the 2011 financial year, the Group opened over 200 new stores in Europe and 165 in Asia



Inditex has an online commercial presence for all its brands in eighteen European countries, as well as the United States and Japan with Zara

### Evolution of the number of stores



The Group maintained its commitment to employment with the creation of 9,374 new jobs in 2011

### Sustainable supply chain

In the area of Social Responsibility, in 2011 the strengthening of the activities of supervision of the fulfilment of the Code of Conduct for External Manufacturers and Suppliers continued. With this respect, membership of Inditex at the United Nations Global Compact Supply Chain Sustainability Advisory Group, and its adherence to the CEO Water Mandate, also at the initiative of the United Nations, has allowed the Group to take a step further in specific social and environmental progress, sharing and enforcing best practices on sustainability worldwide in respect of suppliers to our business model, which has been the hallmark of the Group from inception. During 2011, Inditex carried out over 2,000 audits on suppliers and manufacturers, which reflected a notable reduction in the number of suppliers in breach of several aspects of the Code of Conduct (classified as "D"). While the total number of active suppliers has increased, the number of them with a "D" classification has been reduced by 27%. Currently, 89% of Inditex's production is concentrated with A and B suppliers.

During 2011, Inditex has reinforced its control system by means of specific and comprehensive audits to monitor the ongoing improvement within factories, and awareness-raising activities were carried out with a number of manufacturers. In other markets, the mechanisms for monitoring the fulfilment of the Code of Conduct for Manufacturers have been reinforced in collaboration with trade unions, NGOs and academic and business institutions.

Likewise, the environmental strategy of the Group within its supply chain through the Inditex Green Code should be pointed out. This project encompasses assessment and environmental control criteria within the facilities of Inditex' suppliers.

During the 2011 financial year, Inditex maintained its commitment to employment and created 9,374 new jobs, with the result that at the end of the period, it was over 109,000 employees around the world. Eight out of ten had a permanent contract, with an average of 26.5 years of age in Spain. 79.5% of the staff are women. As a direct consequence of the company's global presence and vocation, the staff of Inditex is made up of professionals of 140 different nationalities. This factor contributes decisively to our diversity, which constitutes one of the principal elements of the corporate culture of Inditex.

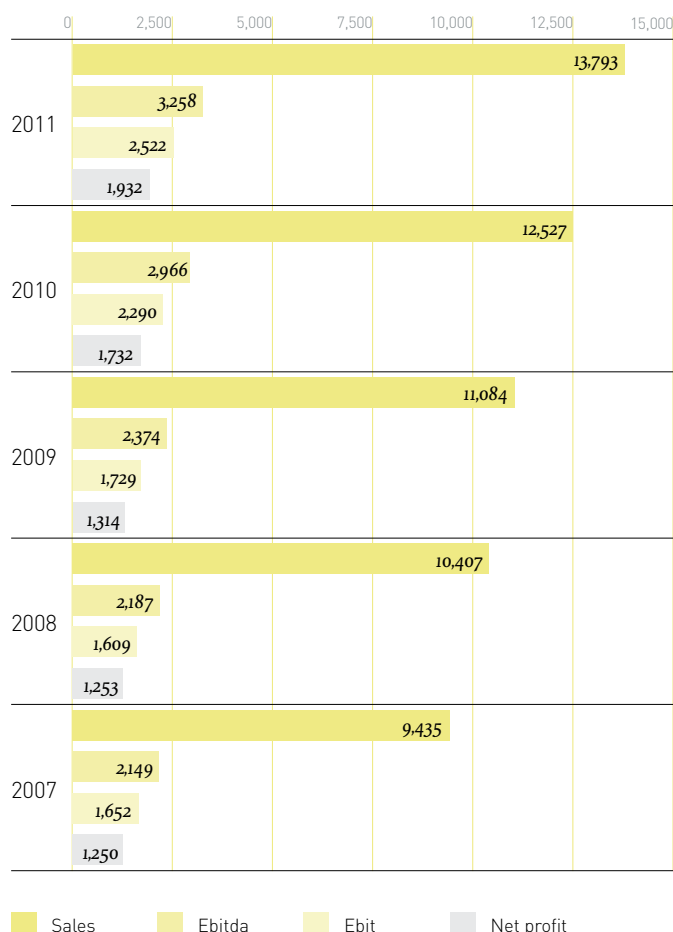
The Group's activity in the 82 markets in which it operates promotes indirect business activity through the long list of suppliers of products and services that it uses. This network is especially significant in Spain, where the Group has over 5,000 suppliers of services, store furniture or systems, among others.

## Rewards for the shareholder

In the 2012 financial year, rewards for the shareholders will undergo a considerable increase, with the support of the Group's solid financial position. At the General Meeting of Shareholders which will be held in July, the Inditex Board of Directors will propose a payment of a dividend of 1.8 euros per share, 12.5% greater than last year. By means of the combination of attractive rewards for the shareholder and re-investment in the business, Inditex guarantees, at one and the same time, its capacity to continue to grow in a profitable manner in the future, thus creating value for its shareholders, and to generate employment and wealth in its surroundings.

In summary, 2011 has for Inditex involved the consolidation of its strategy of global expansion, with commercial operations on the five continents, and a turning point in its commitment to a multi-channel presence, with the launch of online sales in all its formats. Two events related with Zara will be landmarks in next year's Annual Report: the opening of the store at number 666 Fifth Avenue in New York, both as a result of its location and due to its characteristics (over 3,500 square metres on three floors, fulfilling the criteria of sustainable construction of the Group's eco-efficient stores) and the inauguration of the online store of this chain in the Chinese market.

## Results (in millions of euros)



In 2011, the number of audits of suppliers and external manufacturers doubled

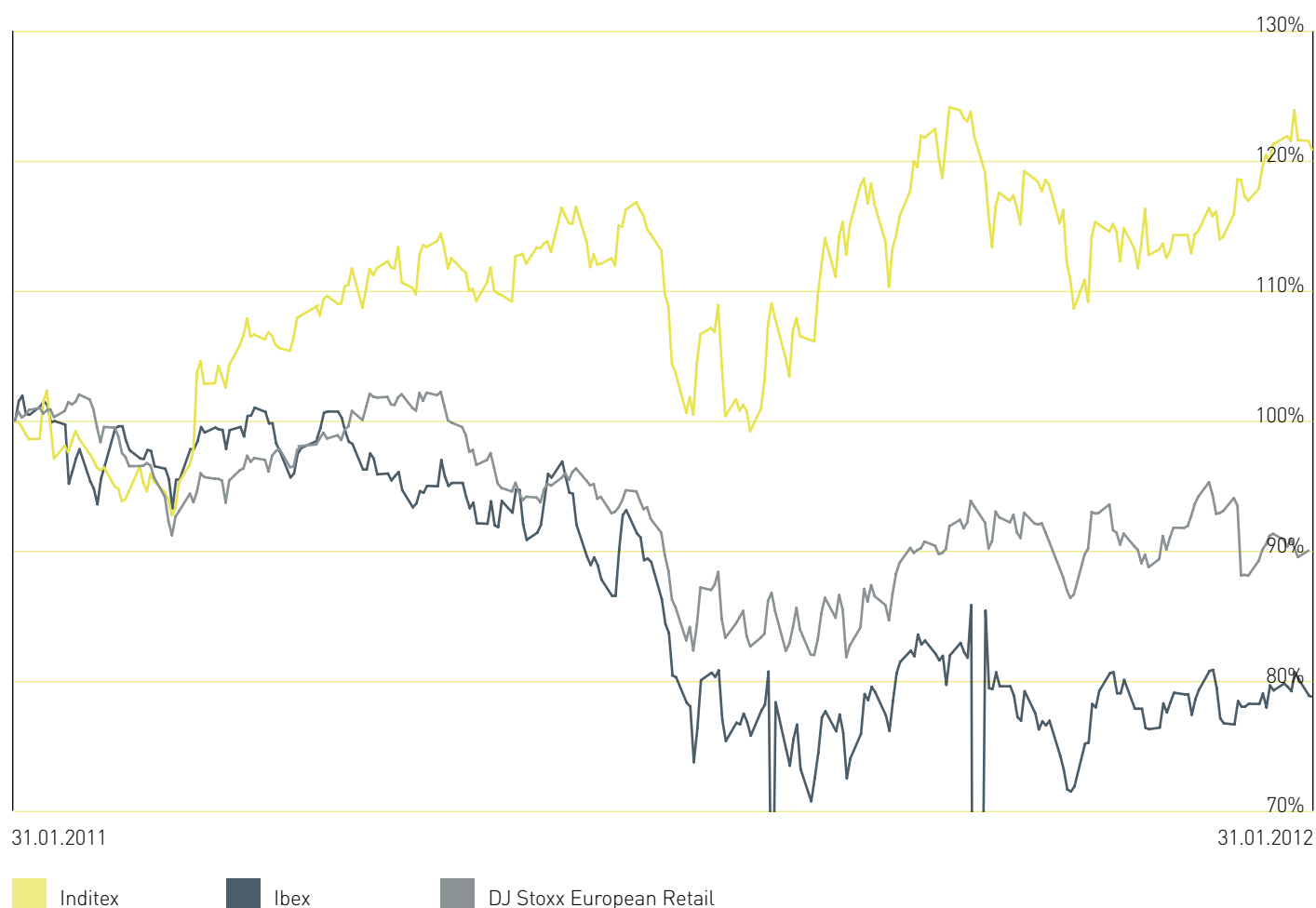
## Evolution of the main indicators

	2011	2010	2009	2008	2007
<b>Turnover (in millions of euros)</b>					
Sales	13,793	12,527	11,048	10,407	9,435
<b>Results and cash flow (in millions of euros)</b>					
Operating profit (EBITDA)	3,258	2,966	2,374	2,187	2,149
Operating profit (EBIT)	2,522	2,290	1,729	1,609	1,652
Net income	1,946	1,741	1,322	1,262	1,258
Net income attributable to the parent company	1,932	1,732	1,314	1,253	1,250
Cash flow	2,613	2,540	2,060	1,864	1,747
<b>Financial structure (in millions of euros)</b>					
Net Assets attributed to the parent company	7,415	6,386	5,329	4,722	4,193
Net financial position	3,465	3,427	2,380	1,219	1,052
<b>Other relevant information</b>					
Number of stores	5,527	5,044	4,607	4,264	3,691
Net openings	483	437	343	573	560
Number of markets with commercial presence	82	77	74	73	68
Number of employees	109,512	100,138	92,301	89,112	79,517
<b>Financial and management ratios</b>					
ROE	28%	30%	26%	28%	33%
ROCE	37%	39%	34%	36%	43%



## The share during the 2011 financial year

### Inditex vs Ibex / DJStoxx European Retail



### Market trends

Shares in Inditex saw a revaluation of 20.9% during the 2011 financial year, closing at 66.70 euros per share on 31.01.12. The average negotiated volume of shares was approximately 2.5 million per day. On 1 September 2011, Inditex entered Euro Stoxx 50, the index which includes the 50 largest companies of the Euro Zone.

The stock exchange capitalisation of Inditex stood at 41,576 million of euros at year-end, 354% above the price when it was first listed on 23rd May 2001.

In May and November 2011, the dividend for 2010 was paid out, totalling the sum of 1.60 euros per share.

During the 2011 financial year, Inditex shares grew in value by 21%, up to 66.7 euros per share

# Milestones for the year 2011

FEBRUARY ▶



## **Zara extended online sales to Denmark, Norway, Sweden, Monaco and Switzerland**

Zara's internet sales store increased its scope of action to five new European markets which must be added to the other eleven European countries in which the store has been operating since 2010 (Germany, Austria, Belgium, Spain, France, Holland, Ireland, Italy, Luxembourg, Portugal and the United Kingdom).

MARCH ▶



## **Inditex collaborated with the Red Cross for aid to Japan**

Inditex contributed one million euros (114 million yen) to the aid which the International Red Cross used to help in the emergency situation in Japan, after the earthquake and tsunami of 11th March. Inditex has seventy-eight stores in Japan, where it has been since 1998.

## **In Australia, Zara opened its flagship store in the most outstanding commercial location in Sydney and Zara Home opened its first store in Germany**

The pedestrian area of Pitt Street, in the financial centre of Sydney, is Zara's first destination in Australia. The three-storey store opened on busy Pitt St., with a facade of over 22 metres and six display windows. In the case of Zara Home, for its first store in Germany, the chain opted for Rathenauplatz, the commercial heart of Germany's financial capital.



AUGUST ▶



## **Bershka enters Germany with an eco-efficient store in the centre of Berlin**

The Bershka fashion chain has begun its commercial activity in Germany with the opening of its first store in Berlin. The store, with two storeys for sales and an impressive façade, is located on Tauentzienstraße, one of the main shopping areas in the heart of the capital and has the Platinum classification, the maximum certification for LEED environmental architecture.

SEPTEMBER ▶



## **Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe launch themselves into online sales and Zara extends its internet store to the United States**

All the fashion chains in the Inditex Group have had online stores since 6th September, the date on which Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe began their commercial activity on the internet. What is more, on 7th September, Zara began its internet sales in the United States with shipments to all 50 states.

OCTOBER ▶



## **Zara Home opened its store number 300 in A Coruña**

The fashion chain for the home in the Inditex Group opened its store number 300 in its city of origin. The new store stands out with a façade of 40 metres and has a commercial area of 600 m<sup>2</sup> spread over two floors.



APRIL

FTSE4Good

**Inditex has for the ninth consecutive year appeared in the FTSE4Good Index**

Inditex has for the ninth consecutive year appeared in the FTSE4Good Index, a market index of responsible investment of the independent company FTSE Group.

MAY

**Inditex purchased the operations of its chains in Serbia and Montenegro**

The Inditex Group bought the company, Delta Sport, which managed its fashion distribution chains in Serbia and Montenegro, which had been franchises until then.

JULY

**Tempe presents its new logistics centre in Elche with which its distribution potential will rise to over 100 million pairs of shoes a year**

The company in the Inditex Group which designs, manufactures and distributes footwear and complements for all its fashion chains (Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe) has inaugurated its new logistics platform in Elche, whose activity will gradually increase over the next few years.



NOVEMBER

**Zara opened its first stores in Taiwan and South Africa**

Zara began its activity in Taiwan with the opening of a store in Taipei 101, one of the world's tallest skyscrapers and an architectural icon of the capital of Taiwan, and in South Africa, with a store of 2,700 square metres of sales space in Sandton City, a new shopping centre in Johannesburg.



DECEMBER

**Pull&Bear presents its new concept of the eco-efficient store in Rotterdam (Netherlands)**

The store, located at number 54 Lijnbaan, the main shopping street in the city, is the largest that the company has in the world (over 1,000 square metres) and has the maximum classification of the LEED environmental certification.



JANUARY


**In 2011, Zara began its commercial activity in Peru, with which Inditex raised to 82 the number of markets in which it was present**

For its first store in Peru, Zara chose the exclusive Jockey Plaza shopping centre in Lima.



# International presence

America	Stores	Markets
Zara	207	17
Pull&Bear	46	4
Massimo Dutti	36	4
Bershka	66	6
Stradivarius	10	4
Oysho	36	3
Zara Home	18	2
Uterqüe	6	1
<b>Total</b>	<b>425</b>	<b>17</b>

 New markets in the financial year: South Africa, Australia, Taiwan, Peru, Azerbaijan

## A global company with a presence in the five continents

In 2011, Inditex opened stores in five new markets: Azerbaijan, Taiwan, Peru, South Africa and Australia. With its arrival in Australia, the Group increased its commercial presence to the five continents, and consolidated its position as a global fashion company. During this financial year, Inditex opened 483 stores in 49 markets, increasing its commercial presence in all geographical areas.

## Europe

Europe continued to be a priority region for Inditex, with 70% of its total sales, and the Group considers that there is great potential for growth there. Indeed in 2011, Europe saw 48% of the Group's new stores, including Bershka's and Zara Home's first in Germany; Pull&Bear, in Holland; Oysho, in the Ukraine; and Massimo Dutti in Lithuania. The growth in the number of stores in markets such as Poland, with 50 new stores, Russia, with 49, Romania and Turkey, with 21 each, Italy, with 17, the Ukraine, with 14 and Holland, with 8, is significant.

### Entry into new markets by chain

#### ZARA

Australia, Taiwan, Azerbaijan, South Africa and Peru

#### PULL&BEAR

Holland, South Korea and Morocco

#### Massimo Dutti

Lithuania

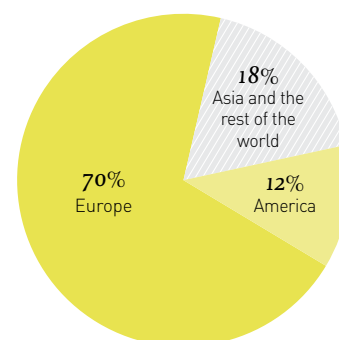
#### Bershka

South Korea, Indonesia, Morocco, Malaysia, Azerbaijan, Germany and Japan

## Europe

	Stores	Markets
Zara	1.280	39
Pull&Bear	588	28
Massimo Dutti	452	28
Bershka	629	31
Stradivarius	567	25
Oysho	393	17
Zara Home	261	17
Uterqüe	69	8
<b>Total</b>	<b>4.239</b>	<b>39</b>

## In-store sales



## Asia and the rest of the world

	Stores	Markets
Zara	343	26
Pull&Bear	113	17
Massimo Dutti	85	19
Bershka	116	17
Stradivarius	107	17
Oysho	54	11
Zara Home	31	11
Uterqüe	14	8
<b>Total</b>	<b>863</b>	<b>26</b>

## America

During this financial year, the entry into a new market, Peru, with one Zara store, and the first Oysho stores in Guatemala and the Dominican Republic, as well as Stradivarius in El Salvador and Zara Home in Costa Rica have been significant events. Mexico continues to be the main market for the company in terms of the number of stores (229 at the close of the financial year) and the United States has had, since September, the first online Zara store outside Europe, which has enjoyed a warm welcome from US consumers.

## Asia and the rest of the world

Asia is an important geographical area in the growth of Inditex. In 2011, 220 stores were opened in this region, 45% of the total Group openings. China deserves a special mention as it saw 132 new stores. In Asia, the number of new stores in Japan and South Korea, with 15 and 13 openings respectively is also important. These include Bershka's first in both markets and the first for Pull&Bear and Stradivarius in Korea.



South Korea, Indonesia and El Salvador

## OYSHO

Ukraine, Egypt, Morocco, Guatemala, the Dominican Republic and China

## ZARA HOME

Germany, China and Costa Rica

## UTERQÜE

Morocco

## Retail formats







All the chains have taken advantage of the opportunities for global growth, with products which reflect the latest trends in attractive and eco-efficient stores

Z A R A

PULL&BEAR

Massimo Dutti

Bershka



OYSHO

Z A R A H O M E

UTERQÜE






## Sales contribution by format

64.8%  
ZARA

9.5%  
Bershka

7.3%  
Massimo Dutti

6.9%  
PULL&BEAR

6.3%  


2.3%  
OYSHO

2.3%  
ZARA HOME

0.5%  
UTERQÜE

	Sales by format (*)	Contribution by format	No. of stores at 2011 year end	Net openings 2011	New markets 2011	Countries with presence
ZARA (**)	8,938	64.8%	1,830	107	5	82
PULL&BEAR	957	6.9%	747	65	3	49
MASSIMO DUTTI	1,013	7.3%	573	43	1	51
BERSHKA	1,316	9.5%	811	91	7	57
STRADIVARIUS	871	6.3%	684	91	3	46
OYSHO	313	2.3%	483	51	6	31
ZARA HOME	317	2.3%	310	26	3	30
UTERQÜE	68	0.5%	89	9	1	17

(\*) In millions of euros

(\*\*) The number of Zara stores at the close of the financial year including the Zara Kids stores



Principal indicators 2011 (in millions of euros)

Net sales

8,938

EBIT

1,725

ZARA

Contribution to  
the total sales

64.8%

Number of stores at the  
close of the financial year

1,830

Net store openings  
in the year

113

Markets

82

New markets in the  
2011 financial year

5

The sales of the largest chain in the Inditex Group grew in 2011 by 10% up to 8,938 millions euros. In this period, Zara began its commercial activity in five new markets: Taiwan, Azerbaijan, Australia, South Africa and Peru. With the entry into these last three countries in the Southern Hemisphere, the strategy of global supply is reinforced, apart from achieving a presence on the five continents. Given the climatic difference with the stores located in the Northern Hemisphere, Zara has a team of designers who create specific fashion proposals for women, men and children. The latest trends are thus reflected in garments and textiles that are suitable for both hemispheres, in options which are continually renewed.

For entry into these new markets, Zara selected emblematic stores in outstanding locations such as Pitt Street, in Sydney; Burke Street, in Melbourne; Sandton City, in Johannesburg; or the Taipei 101 building in the capital of Taiwan. In total, Zara opened 107 stores during the financial year, 30 of which were in China, where the chain already has over 100 stores.

If the previous financial year was the year of the launch of the online store, in 2011, Zara took a qualitative leap in this channel with the start of online sales in the United States and Japan, in September and October, respectively. With the 'Dear America' and 'Dear Japan' campaigns, made up of a collection of photographs of each one of the regions of each country taken by local artists, Zara presented its new online store directly to its customers in both countries, receiving a warm welcome. At the close of the financial year, the Zara online store was operating in eighteen countries with over a million visits daily. Zara.com has become one of the brand's most popular storefronts thanks to the permanent sections such as Lookbook, where the latest of the chain's articles are shown, or People!, an initiative in collaboration with the customers, who send photos of their own fashion displays from the latest Zara trends.

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







## Principal indicators 2011 (in millions of euros)

Net sales

957

EBIT

140

Contribution to  
the total sales

6.9%

Number of stores at the  
close of the financial year

747

Net store openings  
in the year

65

Markets

49

New markets in the  
2011 financial year

3

PULL&BEAR

Pull&Bear, a chain of young people's free-and-easy fashion celebrated its 20th Anniversary with 'Pull&Bear Ecologize-Me: 20 years of reinvention', a real declaration of intentions. During this financial year, the brand took its commitment to the environment to its stores and its customers with awareness-raising, manufacturers and events. The final touch to a "green" year came in December with the opening in Rotterdam (Holland) of a unique store in the matter of eco-efficiency. The chain's largest store, which consumes 30% less energy with regard to the average yearly consumption of a conventional store and reduces water consumption by 40%. It has the Platinum classification, the maximum available from the environmental LEED certification. It is the model in eco-efficiency for the new stores in the chain.

In 2011, Pull&Bear launched a store with a new image under the format of the 'loft concept'. The new stores, inspired by the lofts of New York, have relaxed decoration and spaces where the latest technologies make it possible for customers to interact and share experiences and their looks in real time through the social networks. A Coruña was the first city with this new concept of store, to which the first openings of the chain in Holland in May 2011, in Tilburg and the Hague were added. During the financial year, Pull&Bear also opened its first stores in South Korea and Morocco.

Just as for five of the Inditex chains, 2011 was for Pull&Bear the year of the launch of its online store in thirteen European countries (Germany, Austria, Belgium, Denmark, Spain, France, Ireland, Italy, Holland, Poland, Portugal, the United Kingdom and Sweden).

Among the actions in celebration of its 20th birthday, Pull&Bear made a gesture to customers who over these two decades have grown with the brand with two very special collections: 'Heritage' and 'Pull&Bear for Kids'.

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



## Principal indicators 2011 (in millions of euros)

Net sales

1,013

EBIT

238

Massimo Dutti

Contribution to  
the total sales

7.3%

Number of stores at the  
close of the financial year

573

Net store openings  
in the year

43

Markets

51

New markets in the  
2011 financial year

1

Massimo Dutti ended 2011 showing strong sales growth of 13% reaching 1,013 million euros. Over this period, the Inditex Group chain, with a range of fashion options designed for independent men and women, who are urban and cosmopolitan, opened 43 stores in 13 countries, including a new one, Lithuania, where it opened its first store in the capital, Vilnius. During this financial year, the powerful expansion of Massimo Dutti in China was outstanding, where fifteen stores were opened, many of them in towns where there had previously been no presence, such as Daqing, Shijiazhuang, Guangzhou and Shenzhen, among others, and the chain closed the year with 24 stores.

The chain opened some of its new emblematic stores in Europe, among which were one in Amsterdam, in the area of the Museumplein, and another in Moscow, on Tverskaya Avenue, one of the busiest shopping streets in the Russian capital. Nevertheless, perhaps the chain's most emblematic opening during 2011 was that of its online store. Since September 2011, Massimo Dutti has had an internet sales platform in ten European markets (Germany, Austria, Denmark, Spain, France, Ireland, Italy, Monaco, the United Kingdom and Switzerland), with a successful reception from its customers. Weeks before the launch of its online store, Massimo Dutti inaugurated on its website, 'MD Journal', a communications platform with recommendations, lifestyle keys, cultural events and news aimed at the tastes of their customers, which has become an interesting meeting point with all the internet users who love the Massimo Dutti universe.

Always attentive to the needs of its customers, Massimo Dutti makes periodical innovations both in its collections and in its stores, with the aim of advancing at the speed set by its followers. If in previous years, the chain launched the service of made-to-measure suits, during 2011, it launched 'Shoes made to order': men's made-to-measure shoes on order. With this initiative, available from a selection of stores in the chain, it offers the customer a selection of colours, materials and details of finishes to create a shoe to his taste.

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







## Principal indicators 2011 (in millions of euros)

Net sales

1,316

EBIT

159

Bershka

Contribution to  
the total sales

9.5%

Number of stores at the  
close of the financial year

811

Net store openings  
in the year

91

Markets

57

New markets in the  
2011 financial year

7

Bershka, the chain with the youngest options of the Inditex Group, closed the 2011 financial year with a strong boost to its international expansion. During this year, Bershka opened stores in seven markets -Korea, Indonesia, Morocco, Malaysia, Azerbaijan, Germany and Japan-, and closed the year with stores in 57 markets, which makes it the Inditex chain with a presence in the most countries, after Zara. In some of these new markets, such as Japan and Germany, Bershka began its activity with very special stores. For its entry into the Japanese market, in April, the chain decided on a four-storey store and an impressive glass façade delimited by yellow neon lights, in the district of Shibuya, one of Tokyo's most important shopping areas. This store contains the latest audiovisual technology and a design especially created for the occasion. Four months later, Bershka opened its first establishment in Germany with a store in Berlin, located on Tauentzienstraße. This store, starting with the interior design from the Tokyo store, took a further step by emphasising the young, avant-garde nature of the brand through the use of colour and lighting. What is more, Bershka wanted its first store in Germany to also be a standard-bearer for the chain's sensitivity to environmental matters. The result is an eco-efficient store which has achieved the Platinum category, the best that is awarded by the LEED certification, the most demanding standard for sustainable architecture in the world.

The list of emblematic Bershka stores in 2011 is completed with other important openings in superb locations such as Rue Saint François, in Lausanne (Switzerland), and Bagdad Cadesi, in Istanbul (Turkey). What is more, together with another five Inditex chains, Bershka began its commercial activity on the internet. To be exact, the online store was operational in twelve European markets (Germany, Austria, Belgium, Spain, France, Ireland, Italy, Holland, Poland, Portugal, the United Kingdom and Switzerland). For the online launch, Bershka put a mysterious question to its followers on the internet and the social networks: "Where is fashion?", which achieved extraordinary interactivity and the answer to which was revealed on the day that online sales began: "Fashion is in shop online!" Bershka.com.

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



## Principal indicators 2011 (in millions of euros)

Net sales

871

EBIT

192



Contribution to  
the total sales

6.3%

Number of stores at the  
close of the financial year

684

Net store openings  
in the year

91

Markets

46

New markets in the  
2011 financial year

3

In 2011, Stradivarius opened 91 stores, becoming one of the chains with the largest number of openings during the year. Among the eighteen countries in which the "treble clef" chain opened stores in 2011, the powerful drive of its expansion into markets such as China, Russia and Poland, with 23, 18 and 10 new stores, respectively, was outstanding. During the year, its presence in Italy was strengthened with emblematic stores in such outstanding locations as Corso Buenos Aires, in Milan, and la Via Roma, in Turin and it has started its commercial activity in three new markets: South Korea, Indonesia and El Salvador. It closed the year with a commercial presence in 46 countries.

During 2011, Stradivarius completed the renewal of its image on the internet which it had begun the previous year, with the launch of online initiatives that are close to the profile of its customers: young women with an informal and imaginative style. For them, the chain launched from Trendtation, a social network specialising in fashion, the looks competition 'Be our Stradiva', with which the brand managed to intensify its bi-directional communication with its followers. Another of the chain's most outstanding initiatives on the internet was the launch of the online Stradivas Magazine, which offers something more than a catalogue of products, with recommendations, general trends and fashion and lifestyle suggestions. Both projects were the best possible preamble for the launch of the chain's online store. Stradivarius.com began its activity on the internet in six European countries: Germany, Spain, France, Italy, Poland and Portugal.

The chain closed the year with an increase of 12% in sales, reaching 871 million euros. Following the style of social growth of Inditex, Stradivarius combines its commercial growth with actions aimed at social integration.

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





## Principal indicators 2011 (in millions of euros)

Net sales

313

EBIT

36

OYSHO

Contribution to  
the total sales

2.3%

Number of stores at the  
close of the financial year

483

Net store openings  
in the year

51

Markets

31

New markets in the  
2011 financial year

6

Oysho is celebrating its tenth anniversary full of energy and projects: six new markets, a change of logo, more attractive stores and interesting commercial initiatives. The female undergarment chain has been revolutionising the lingerie sector for ten years with proposals that are fun and sexy. The options also include casual wear, clothing to be comfortable in at home and original accessories. In this decade, Oysho has opened 483 stores in 51 countries, including six new markets that it entered in 2011: The Ukraine, Egypt, Morocco, Guatemala, the Dominican Republic and China. In the latter market, Oysho has opened 17 online stores with the powerful expansion of the Inditex Group in Asia. During the year, Oysho also began its online expansion with the launch of its internet store in ten European countries (Germany, Austria, Belgium, Spain, France, Italy, Luxembourg, Netherlands, Portugal and the United Kingdom).

On its tenth birthday, Oysho renewed its logo by giving it a more balanced and serene image. From the synthetic lines of the old version, the brand has gone on to a typography which fits perfectly with the new interior design of its stores: small enchanting boutiques, simple and welcoming.

In the commercial area, Oysho has launched a line of sports clothing in collaboration with Adidas. Oysho's GYM collection has a wide range of garments which are adapted to the specific needs of each kind of training (running, fitness, dance or yoga, among other activities). For this collection, Adidas has created sports shoes for sale exclusively in Oysho.

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





## Principal indicators 2011 (in millions of euros)

Net sales

EBIT

317

39

Contribution to  
the total sales

2.3%

Number of stores at the  
close of the financial year

310

Net store openings  
in the year

26

Markets

30

New markets in the  
2011 financial year

3

ZARA HOME

Zara Home closed the 2011 financial year with sales of 317 million euros, which is an increase of 8% with regard to the previous year. For the home fashion chain from the Inditex Group, 2011 was a year of significant openings. It opened twenty-six new stores in fourteen countries, three of which were in new markets (Germany, China and Costa Rica). Zara Home's opening in Germany and China is especially relevant for the chain. In the case of Germany, Zara Home opened its first physical store, located in Frankfurt, in Rathenauplatz, one of the busiest streets in the city. With this opening, Zara Home has responded to the continual demands of its German internet customers as the chain began online sales in this market in 2007. During 2011, it also opened stores in other German towns like Hamburg and Düsseldorf.

For its debut in China, Zara Home chose The Place Shopping Centre in Beijing, where Zara and Massimo Dutti already had a commercial presence. During the same year, the chain also opened stores in other cities such as Changchun, Tianjing and Guangzhou.

Other significant Zara Home openings during 2011 included George Street, in London, and Van Baerlestraat, next to the Museumplein in Amsterdam. In A Coruña, Zara Home opened its store number 300, a two-storey flagship in which natural light predominates, bringing out the simple and elegant character of the brand.

The chain has continued with its online expansion, with its entry into two new markets, Switzerland and Norway, closing the year with an online store in 17 European countries. Zara Home was, in 2007, the first chain of the Inditex Group to begin to sell on the internet. Over the last few years, its experience in this channel has been an indisputable reference for the launch of the online stores of all the chains in the Group (Zara, in 2010, and the rest of the chains, in 2011).

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







## Principal indicators 2011 (in millions of euros)

Net sales

68

EBIT

-8

UTERQÜE

Contribution to  
the total sales

0.5%

Number of stores at the  
close of the financial year

89

Net store openings  
in the year

9

Markets

17

New markets in the  
2011 financial year

1

Uterqüe, Inditex's youngest chain, which was only created three years ago, closed a year in which it laid down the basis for its brand and its commercial options. During 2011, the brand which is devoted to fashion accessories and a careful selection of garments in textiles and leather of excellent quality, achieved sales of 68 million euros, consolidating its position as a cosmopolitan and exclusive brand with 89 stores in some of the most select shopping areas. Thus, for example, during the year, Uterqüe reached Palma de Mallorca, with a store on Paseo del Born; in Casablanca, its first location in Morocco, or on Lippenslaan in the tourist resort of Knokke in Belgium. In this market, the Inditex Group purchased the network of Uterqüe stores (seven in total) which had hitherto operated as franchises so as to manage them directly.

During 2011, the chain transferred its headquarters from Arteixo (Galicia), where the corporate headquarters of Inditex is located, to Tordera (Barcelona), an area in which the central offices are also located and the commercial centres of Massimo Dutti, Oysho and Bershka, and where it has its logistical platform. In this new location, which is larger and nearer to its logistical operations, Uterqüe and its design and commercial teams are prepared to continue to grow globally.

For Uterqüe, just as for some of Inditex's other chains, 2011 was the year of its online commercial launch in six European markets (Germany, Spain, France, Portugal, the United Kingdom and Switzerland). For its internet store, the chain decided on a careful image with the aim of faithfully reflecting the quality of its materials and products, and a professional service to its customers, as both the quality of the products and its customer services are two key elements in the chain's identity.

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

Customers

**F**or Inditex business model, customers are at the heart of any activity. Processes of the Group revolve around its customers' decisions and needs, both from the fashion point of view and in all the other aspects that complete the purchasing experience, including quality, safe and sustainable products, local stores in the main shopping areas of cities and superb attention from the staff.

For this reason, Inditex's commitment to the customer is expressed in the social responsibility policy that inspires all the activities of the Group. From the store, where their requirements are noted; to the tables of the designers, who transform those wishes into fashion proposals; and including the production processes to make the garments and the logistical distribution, which are all carried out in accordance with the highest standards of quality, safety and environmental sustainability.

From this year onwards, this commitment by Inditex to the customer broadens its spectrum with the online launch of all the chains in the Group. The internet stores that Zara and Zara Home already had were joined by the remainder of the chains in the Group (Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe) in a range of European countries. All of them have the latest trends and the same level of rigour as in the physical stores. In fact, the internet, together with the social networks, has become one of the main barometers of customer satisfaction of all the brands in the Inditex Group. Zara's web site, for example, now has over a million daily visits and on Facebook, Inditex chains have over 21 million followers.

**Inditex's commitment to its customers is increased with interaction through online stores**



## Quality products

The commitment to our customers in the sphere of the product includes the application of the most demanding international regulations in the matter of health and safety. For this purpose, throughout the last decade, Inditex has developed two internal standards on product health and safety (Clear to Wear and Safe to Wear) in collaboration with the University of Santiago de Compostela (Spain). Clear to Wear ensures the healthiness of the product and Safe to Wear guarantees its safety. Both standards are constantly updated, for the purposes of meeting the most exacting requirements regarding product quality worldwide, and compliance thereof is mandatory for all Group's suppliers. Moreover, Inditex conducts programmes to certify implementation and supervision, and it does so in co-operation and dialogue with business associations, suppliers, manufacturers and auxiliary firms. A constant effort is made so that the procedures of analysis and monitoring are more and more rigorous, rapid and sensitive.

The acceptance of the standards on the part of the Group's suppliers is accompanied by regular inspections of the production processes and continuous analyses of the products. In 2011, over 250,000 chemical analyses of products were carried out, as well as 1,900 factory inspection visits and 17,000 tests and analyses.

This policy guarantees that none of Inditex's garments involves risks to the health or safety of the customer.

**Clear to Wear and Safe to Wear are being continuously updated to always meet the best quality standards**



### Health standard

The Clear to Wear standard – which must be compulsory and generally enforced in respect of all apparel, footwear, accessories, haberdashery and fabrics – aims at sizing the composition of each garment, to meet the most exacting quality levels.

Clear to Wear includes four kinds of provisions which are obligatory for all Inditex suppliers:

- Substances of legally limited use.
- Substances not included in any legislation, but which might mean a risk to health.
- Legally limited parameters.
- Provisions from European regulations: Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).



### Safety standard

The Safe to Wear protocol guarantees that the articles marketed by Inditex do not present any problem for the physical safety of customers. In this regard, Safe to Wear delimits the characteristics that the following elements must have when they are present in our products:

- Laces and cords in clothing for those younger than fourteen years.
- The small parts in articles for those under three years of age.
- Objects with pointed/sharp edges.
- The inflammability of products.

## Sustainable products

Inditex's commitment to responsible manufacturing inevitably includes respect for the environment. The Sustainable Inditex plan 2011-2015 brings together the objectives of the Group strategy in the matter of water and natural resources management. In the first case, it is a question of measuring and managing the water footprint of products, as well as the reduction and optimization of the consumption of water in all Inditex activities and its value chain. On the other hand, the use of textile fibres obtained from traditional production systems and of sustainable fibres which avoid the contamination of soils and water is encouraged. In this regard, Inditex is collaborating, in the framework of its *Green Code* programme, with organic and conventional cotton farmers to evaluate the environmental impact of both systems, with very positive results on the options for reuse of the waste generated.

Moreover, several chains from the Group have created lines and collections of 100% organic cotton in accordance with the OE100 standard. In 2011, Zara marketed 1.9 million units of 100% organic cotton.

In accordance with this same philosophy, Inditex purchased in 2011 over 1,000 tons of tencel, a fibre which is manufactured from eucalyptus wood and which is totally biodegradable, while at the same time being especially suitable for sensitive skin as it does not cause any cutaneous irritations.

At the Shareholders Meeting in 2011, held in July, the Chairman of Inditex, Pablo Isla, announced that the Group was supporting two of the international organisations that are most representative in boosting policies of environmental and natural resource management: Better Cotton Initiative and The CEO Water Mandate.

### Policy on the use of animal-skin products

Inditex applies standards for the responsible manufacture of its products as regards the use of elements of animal skin (*leather*) and of skin with hair (*fur*). In the first case, the Group uses skin which comes exclusively from animals raised on farms for providing food and under no circumstances from animals killed exclusively in order to market their skins. As regards fur, or skin with hair, Inditex does not use this product, wherever it comes from.

Inditex is also a member of the Leather Working Group (LWG), which develops a protocol of environmental auditing to evaluate and promote environmental practices that are more sustainable within the leather industry (more information on page 61).



*Better Cotton Initiative* is a not-for-profit association which brings together farmers, manufacturers and distributors whose activity is related with cotton and which has as its objective to ensure that cultivation is carried out in a manner which improves the living conditions for the producers and has a positive impact on the environment. The regions which currently incorporate BCI practices are India, Pakistan, Mali and Brazil, among others. [www.bettercotton.org](http://www.bettercotton.org)



Inditex is also a member of the *Textile Exchange* (TE), an NGO which encourages the most sustainable textile practices, especially regarding the cultivation of organic cotton. [www.textileexchange.org](http://www.textileexchange.org)



The CEO Water Mandate

*The CEO Water Mandate* is a programme included in the Global Compact initiative of the United Nations to promote appropriate and sustainable water management, a unique resource which is indispensable and scarce. Inditex has undertaken to guarantee and encourage sustainable solutions regarding the use and management of water in each one of the six areas covered by *The CEO Water Mandate*: direct operations, management of the supply chain, collective action, public policy, participation of the community and transparency. [www.ceowatermandate.org](http://www.ceowatermandate.org)



## Clean logistical distribution

In customer satisfaction, Inditex's rapid and effective logistics plays a key role. Inditex's distribution process is designed to ensure that the in-store options are constantly refreshed. All products, independently of their origin, are distributed to the stores from the logistical centres of each one of the chains in the Group, in such a manner that every store in the world receives goods twice a week, and each shipment includes new models. This system makes it possible to get the products from the distribution centre to European stores in an average of 24 hours, and in 48 hours to those of America and Asia.

The transport and distribution operations are carried out in their totality by external operators with the result that the greenhouse gas emissions (GHG) associated with these activities are classified as scope 3 in accordance with the criteria of the Greenhouse Gas Protocol (GHG Protocol), the international tool used by most companies and institutions to measure GHG emissions.

The Group has developed a software tool to calculate these emissions in accordance with the GHG Protocol and at the same time to propose plans for reducing them to the different logistical operators. In 2011, it was implemented at Tempe and is at the design phase for Zara.

With regard to the logistical centres, from which all shipments to all Inditex stores around the world are managed, they are all in Spain, close to the headquarters of each of the chains and, just like the corporate headquarters of each brand, they are built and managed with criteria of sustainability. All the Inditex logistics centres have an Environmental Management System which is certified in accordance with the ISO 14001 standard and all the employees have had environmental training.

In 2011, the final extensions of the logistical centres in Elche (Alicante) and Tordera (Barcelona) were completed. Both extensions were carried out on the basis of energy innovation criteria established within the Inditex IEMA (Energy and Environmental Integration) project for concepts such as insulation, lighting and efficient use of energy. The new logistics centre at Tordera (Barcelona) is one of Inditex's most important distribution centres. Made up of five buildings with a total built area of approximately 200,000 square metres, it supplies the stores of Massimo Dutti, Bershka, Oysho and Uterqüe.

The new extension to the centre, with approximately 100,000 square metres of built area, has achieved the LEED Gold Preliminary Certificate and it is hoped that in 2012 it will achieve the definitive LEED Gold

certificate. In the extension of the distribution centre, criteria of sustainability have been integrated such as the sustainable location (a plot without any significant environmental value), efficiency measures in water consumption, in energy and lighting and the use of materials that are respectful to the environment or are recycled.

**The objective is to reduce the emissions of greenhouse gases (GHG) in logistical activity by 20% by 2020, taking 2005 as the reference**



## Energy efficiency in logistics centres

Within the Sustainable Inditex 2011-2015 Plan and as an extension of the Inditex Strategic Environmental Plan 2007-2010, the Inditex Pro Kyoto project has as its general objective to reduce the CO<sub>2</sub> emissions associated with Inditex's activities of transport and distribution. Both plans include periodic improvements in the logistical centres initiated in 2007 and which include the use of efficient lighting, appropriate systems of insulation, systems of control of air-conditioning and the use of bicycles for internal movements of employees. Furthermore, in order to improve the energy efficiency renewable energies and high-efficiency tri-generation are used.

The objective is to reduce the emissions of greenhouse gases (GHG) by 20% by 2020, taking 2005 as the reference.



Bicycles for employees at the Tempe facilities in Elche (Alicante).

As part of this project, the following measures were taken in 2011:

- Transportation audits for route optimization at Pull&Bear.
- Evaluations of Tempe and Zara transport suppliers.
- Purchase of a fleet of electrical vehicles and electric motor bikes for internal use at the logistical centres in Arteixo (A Coruña), Tordera (Barcelona) and Elche (Alicante).
- Creation of charging points at all the logistical centres which have electric vehicles.
- Awareness-raising actions for the employees to encourage sustainable mobility among employees, customers and logistical operators.
- Start up of a 1 MW tri-generation plant at the logistics centre in Tordera-Palafolls (Barcelona). This energy plant uses Cummins C995 N5C natural gas motors with a low level of emissions and with electrical performance of more than 40%, which will mean a saving of 15% in the consumption of primary energy and 25% in the costs of thermal energy, preventing the annual emission of 1,400 tons of CO<sub>2</sub>.
- Beginning of the "High-Efficiency Logistics Centre" project to maximise the energy efficiency per square metre at the distribution centres which will be started up in 2012 and will make it possible to significantly reduce the use of energy, water and waste generation.

## Reuse of cardboard and recycling

Reuse of the material and recycling amount to work that is rooted in the tasks of both logistics centres and stores. One example is the reuse and recycling of cardboard. The cardboard boxes used in the transport of products from the logistical centres to the stores are reused between six and eight times. The stores return them to the logistical centres together with the plastic coat hangers and the alarms on the garments, which will also be reused or recycled if they cannot be used any more. In 2011, three millions kilograms of recycled cardboard were used.



Inditex's power consumption is detailed in the Environmental Indicators Schedule (page 259).



## Eco-efficient stores

The store is the setting in which Inditex's unique business model starts and ends, with the customer as its main asset. It is the place at which the customer's wishes are channeled, regarding both fashion and the optimum purchasing experience in a suitable environment. In this way, in all the store projects carried out by the architectural studies of the Group chains, eco-efficiency and respect for the environment are key aspects, taking into account the levels of energy consumption in the stores.

Inditex stores have the most innovative technology in energy management and saving, making it possible to reduce carbon dioxide emissions (CO<sub>2</sub>). Since 2007, over 800 eco-efficient stores have been built around the world and the objective is that in 2020 all the Group's stores should be eco-efficient. The sustainability and efficiency measures in these stores make it possible to save 30% on electricity and 50% on water consumption.

In this regard, the actions collected in the Inditex Sustainable Plan 2011-2015 relating to stores show different objectives for those that already exist and new stores.

## Eco-alterations

In stores opened before 2005, eco-alterations are being carried out to achieve a reduction in electricity consumption of up to 30%. For this purpose, the lighting is renewed, including high-efficiency lamps; the air-conditioning equipment is replaced with more efficient class A models, guaranteeing the absence of gases that are prejudicial to the ozone layer, among other measures.

Up to the present, a system of centralised control and management of lighting and air-conditioning has been installed in 318 stores. In the period 2010-11, ninety-seven stores have been renovated in Spain, and over the next four years, another 852 stores will be renovated in Spain, Portugal, France, Italy and Germany.

Moreover, all Inditex Group stores have wooden furniture with an FSC or PEFC certificate, which guarantee that the wood comes from woodlands managed in a sustainable and responsible manner, just like the paper bags and the labels used in the Group. Plastic bags are manufactured with d2w. This ingredient facilitates faster biodegradation and makes recycling easier.

## Newly-opened stores

For the Group's new stores, the work includes the implementation of an Environmental Management System and centralised control which makes possible a continual improvement of the environmental parameters, as well

as the identification of new eco-materials for building and techniques of optimization of packaging and containers. The application of these sustainability criteria has meant that several chains in the Group already have certification of the maximum possible recognition in the matter of sustainable building and energy efficiency. In 2011, the first Bershka store in Germany and the first Pull&Bear in Rotterdam (Holland) received the LEED Platinum certification, the highest award of the US Green Building Council, one of the most demanding organisations in the world in sustainable architecture.

The Bershka store in Berlin, with two sales floors and an impressive façade, is located on Tauentzienstraße, one of the main shopping areas in the heart of the German capital. Among the measures adopted in the design and construction of the store which have allowed it to obtain the LEED Platinum seal, the most important are:

- Insulation which avoids sudden changes of temperature in the interior of the premises, including 30% plant covering on the roof of the building.
- A lighting system which makes it possible to save 30% in comparison with a traditional store.
- A system of selective collection of recyclable materials and specific systems of recycling for coat hangers, alarms and transport packaging.
- The materials such as stone, flooring or surface coatings are free of contaminating substances which might be freed during its useful lifetime or as waste.
- Centralised and independent systems for measuring different consumptions, which manage to keep energy savings constant and to rapidly detect any incidents.
- A double front doorway with automatic opening which makes it possible to maintain the internal temperature with less energy use.

Tempe - the company that designs, manufactures and distributes the footwear and accessories for the eight commercial formats of the Inditex Group - has also achieved milestones in the matter of energy efficiency. Its *outlet* store, inaugurated in October 2010 in Elche (Alicante), in 2011 received the Energy Classification A granted by the Spanish Ministry of Industry, Tourism and Trade through the AVEN (Valencian Energy Agency). The A classification means that the store is at the maximum level in terms of building energy efficiency. Tempe's *outlet* store forms part of the network of stores in the *For&from* project for the integration of people who are at risk of social exclusion.

The model of the eco-efficient store is in on-going development. New characteristics and technical requirements are incorporated so as to continue improving the model's energy efficiency and reduce environmental impact both during construction and day-to-day operations of the store.

## Pull&Bear

Linjbaan St - Rotterdam - Holland

Pull&Bear began its commercial activity in Holland in 2011 with stores in Tilburg, the Hague and Rotterdam. In Rotterdam, the eco-efficient store obtained the LEED Platinum classification. The store consumes 30% less energy in comparison with the average annual consumption of a conventional store and uses 40% less water.





## Bershka

Taentzienstrasse - Berlin - Germany

The Bershka store in Berlin is the first one of this chain in Germany and has obtained the LEED certification in the Platinum category. The Bershka store in Berlin, with two sales floors and an impressive façade, is located on Taentzienstraße, one of the main shopping areas in the heart of the German capital. The store, with a commercial area of 1,500 m<sup>2</sup>, is one of Bershka's largest anywhere in the world.



## Customer Care

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Customer service is one of the fundamental pillars around which the Inditex human resources policy is built. In the periodic training sessions for the store operatives, customer care is one of the main subjects. In addition, customers have other communication channels with the Group for resolving any questions regarding products or the organisation that could not be dealt with in the store. Both the chains and the Group's headquarters have specialised professional teams who offer personalised care to all customers who require it, by phone, e-mail or post. With the aim of making the service as personal as possible, consultations are dealt with in several languages.

The opening by all the chains of their respective online store has meant a further step in customer services, with the development of specific departments for each of the countries. At the same time, the store employees of each one of the chains in the Group have received specific training in customer services online, given that purchasers can pick up the goods bought on the internet at any of the chain's corresponding physical stores.

In 2011, Inditex's different channels of customer services responded to almost 172,000 enquiries, 40% more than the previous year. These enquiries were raised by consumers via the e-mail of the different chains, Inditex.com or by telephone. As regards complaints, customers made a total of 4,577 complaints to the Spanish consumer authorities in 2011. This amounts to one complaint for every 64,619 garments on sale, a very low figure, which serves as an indicator of the level of customer satisfaction.

## Affinity Card

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The Affinity Card is the Inditex Group card and it operates as a means of payment which is valid in any of the stores of the eight chains: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe in Spain, Portugal, Italy, Greece and Mexico. Customers resident in Spain have been able to enjoy the financial advantages and the different forms of payment offered by this card for over 15 years. The Affinity Card also has holders in Mexico and Greece, where it was launched in 2007; Portugal, where it arrived one year later, and Italy, where it has been available since 2010. Adding together the cardholders from these five countries, Affinity Card already has over 1.3 million adherents.

In order to attend to the cardholders in a more individual manner, Affinity Card has a web page in each of the countries where it is available. In the case of Spain, the [affinitycard.es](http://affinitycard.es) website had more than 350,000 visits during 2011, 30% more than the previous year. Through the web site, the Affinity Card holders can make any question or suggestion known, or can take a look at the statements and movements on their cards. 115,000 persons in Spain receive the Affinity newsletter, which comes out monthly and includes information on fashion trends and the latest commercial news from the Group's fashion brands.

During 2011, Affinity Card carried out the third edition of its campaign, *Shop in the City*, which allows the Inditex Group cardholders to enjoy an exclusive advisory service on design with a professional image consultant. Over 7,000 people took part in this campaign, which recorded over 36,000 operations.



## Zara

Bourke St - Melbourne - Australia

This store is located on the main shopping street in Melbourne. Of particular interest is the restoration and rebuilding work carried out by the construction and architectural teams on the ornaments on the front, giving a beautiful commercial façade back to the city. For Zara, 2011 meant entry into five new markets: Azerbaijan, Taiwan, South Africa, Peru and Australia. With its arrival in Australia, Inditex has consolidated its position as a global fashion retailer, with a presence on five continents. This commitment to the Southern hemisphere is clearly reflected in the specific team of designers that Zara has to prepare exclusive options for this part of the world.







# Suppliers



**I**nditex selects suppliers all over the world to produce its collections and has an extensive supply chain with a presence in over 40 countries. The fact that a significant part of its supplies are carried out in areas close to the headquarters of each of the chains (where the design and logistics teams are located) makes possible a rapid and flexible response to the market.

Inditex's production needs increase each year and, for this reason, it is one of the Group's strategic priorities to ensure the sustainability of its supply chain, both through the fulfilment of the Code of Conduct for External Manufacturers and Suppliers, which has been in force since 2001, and the strictest standards for product quality, health and safety.

Inditex ensures that all its suppliers and external workshops undertake to comply with such Code. The entire Group participates in this task coordinated by the Department of Corporate Social Responsibility (CSR). In order to carry out its policy, Inditex has local Corporate Social Responsibility teams in India, Bangladesh, Turkey, China, Morocco, Brazil, Portugal and Spain, which work with the objective of offering and guaranteeing customers of any of the brands of which Inditex is made up a product which has been prepared with maximum respect for the Fundamental Employment Standards as well as the strictest requirements which are progressively added to the regulations.

The internal Corporate Social Responsibility teams, supported also by external staff, are responsible for developing programmes of various kinds, evaluating the

fulfilment of the requirements mentioned in the factories which make up the Inditex supply chain and helping with their implementation. In both cases, monitoring and guaranteeing the fulfilment of the employment conditions of the workers in the factories and also in environmental matters.

Conscious that the fulfilment of the employment and environmental legislation is a point which requires a continuous process of improvement in the textile industry, Inditex has the key support of its groups of interest, which basically include trade unions, NGOs, business associations, governments and members of civil society, who participate in dialogue platforms, clusters, the Social Council and other tools that Inditex has developed to guarantee their active participation in these activities. Inditex considers that these activities are only successful if they start off with a joint effort and that, even though it is indispensable, Inditex cannot work alone. For this reason, work goes on all over the world with independent organizations and institutions that are working for the same goals. Two of them must be mentioned in a very special way, both for their defence and encouragement of the application of Human Rights and for their contribution to the improvement of the employment conditions of the workers: *Global Compact* and *Ethical Trading Initiative*.

The participation of Inditex during the 2011 financial year in the *United Nations Global Compact Supply Chain Sustainability Advisory Group*, with the aim of pooling best practices in the sustainable management of the supply chains has made it possible for the group to advance by sharing and applying the best practices in sustainability at the world level in the matter of suppliers.

### The Inditex production chain in 2011 (\*)

Region	Suppliers with purchases 2010 financial year	Suppliers not used in 2011	New suppliers in 2011	Suppliers with purchases 2011 financial year	Suppliers ruled out in 2011 (**)	Suppliers on 31/01/2012
Africa	129	41	39	127	5	122
America	67	14	13	66	2	64
Asia	671	219	234	686	61	625
Non-EU Europe	112	27	49	134	4	130
European Union	485	139	131	477	20	457
<b>Total</b>	<b>1,464</b>	<b>440</b>	<b>466</b>	<b>1,490</b>	<b>92</b>	<b>1,398</b>

(\*) Suppliers of product producing more than 20,000 units/year. Suppliers with lower production are 0.47% of the total production.

(\*\*) Suppliers discarded for breaches of the Inditex Code of Conduct or commercial reasons.



## The monitoring and improvement of the supply chain: This is how our teams work

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Guaranteeing satisfactory working conditions for each one of the employees of Inditex manufacturers and suppliers is an indispensable and non-negotiable condition in the Group's business model. The policy of Corporate Social Responsibility at Inditex in relation with its suppliers has as its main instrument the Code of Conduct, which is binding on everybody. Apart from the express commitment to the Code by all the suppliers acceptance involves inclusion on the fulfilment programme for the Code of Conduct.

This programme is put into effect mainly via periodic audits, carried out both by Inditex's internal teams of Corporate Social Responsibility and by external auditors, whose aim it is to detect the areas in which improvements need to be introduced. Inditex applies a zero tolerance policy with certain practices, such as under-age working, forced labour or the breach of proper salary policies.

The detection of a breach involves the immediate commencement of a Corrective Action Plan, which sets objectives and deadlines. If suppliers wish to keep their business relationship with Inditex, the factories and workshops associated with them must implement those correction plans, and to do so, they rely on the direct collaboration and involvement of Inditex' CSR teams.

Inditex's objective with this policy is not only to eradicate undesirable practices in its supply chain but also to promote the continual improvement of the working conditions among its suppliers. In this regard, its commitment is expressed also in its work on international dialogue platforms such as the *Ethical Trading Initiative* (ETI), which brings together the companies, trade unions and NGOs in the struggle for improvement in working conditions at the world level, or its agreement for global action with the International Textile, Garment and Leather Workers Federation (ITGLWF).

Inditex's internal and external audit teams are made up of over 270 professionals around the world. These teams are responsible for verifying that all suppliers fulfil the Inditex Code of Conduct for External Manufacturers and Suppliers and also for guiding those who wish to have more sustainable factories. The fulfilment programme is made up of six phases:

## 1.- Raising awareness

Internal training for the teams of Inditex buyers in the matter of the Code of Conduct, and all its updated versions. It also includes training and awareness raising for all those suppliers who have shown interest in forming part of the Group supply chain. In order to carry out these activities the Corporate Social Responsibility Department has training materials which set out the contents of the *Inditex Minimum Requirements*: the set of Inditex requirements in social, employment and environmental matters as well as product health and safety.

## 2.- Self-evaluation by suppliers (pre-assessment)

A tool for self-diagnosis for Inditex's potential suppliers with which they analyse themselves in the matter of fulfilment of the Code of Conduct for External Manufacturers and Suppliers, standards of product health and safety, environmental standards and the capacity for commercial response. The supplier must sign the *Inditex Minimum Requirements* in order to be able to receive its first order from Inditex.

During 2011, updates have been added to the pre-assessment questionnaire in order to adapt to the most demanding social, environmental and employment legislation.

## 3.- Audits

Further to the adherence to Inditex Minimum Requirements, Inditex' CSR teams conduct a social audit within the facilities of the suppliers and within the factories and workshops they work with. This audit, carried out both through independent external social auditors and internal Corporate Social Responsibility teams from Inditex, includes unannounced visits to the facilities, interviews with the factory managers, employees, trade union representatives, representatives regarding health and safety; documentary review (management systems, salaries, hours worked, production, documentation of workers and licences); and review of waste management, emissions and consumption of resources, mainly.


Unauthorised subcontracting is not permitted. If there are factories that are sub-contracted by a supplier, they have to fulfil all Inditex requirements in the same way and must likewise submit to the requirements of audit and of the Code of Conduct set down for direct suppliers.

In order to detect possible cases of unauthorised sub-contracting, the Inditex Corporate Social Responsibility teams have a range of tools which serve as the basis to evaluate and compare the productive capacity of the supplier.

### Audits carried out on factories and workshops in 2011 by geographical areas

	No. of initial audits	No. of follow-up audits	Other audits (*)	Total
Africa	82	64		146
America	80	15	544	639
Asia	416	152	676	1,244
Non-EU Europe	157	23	74	254
European Union	83	13		96
<b>Total</b>	<b>818</b>	<b>267</b>	<b>1,294</b>	<b>2,379</b>

(\*) In this section, pre-assessment and process audits (prevention of sandblasting), competence visits and other requirements.

 The audits by countries are listed in the section of the Social indicators schedule (page 272).

Upwards of 50% of the aggregate production originates in proximity suppliers

In 2011, over 2,300 audits were carried out on factories and workshops

#### 4- Assignment of rating

The supplier is assigned a classification according to the degree of fulfilment of each one of the sections of the Code of Conduct evaluated in the social audit. Once the audit is carried out, Inditex divides its suppliers into four levels (A, B, C and D). During 2012 the number of D classified suppliers and the weight of their production over the aggregate production has been reduced.

##### Basic fulfilment of the Code of Conduct

**Supplier A:** Complies with the Code of Conduct.

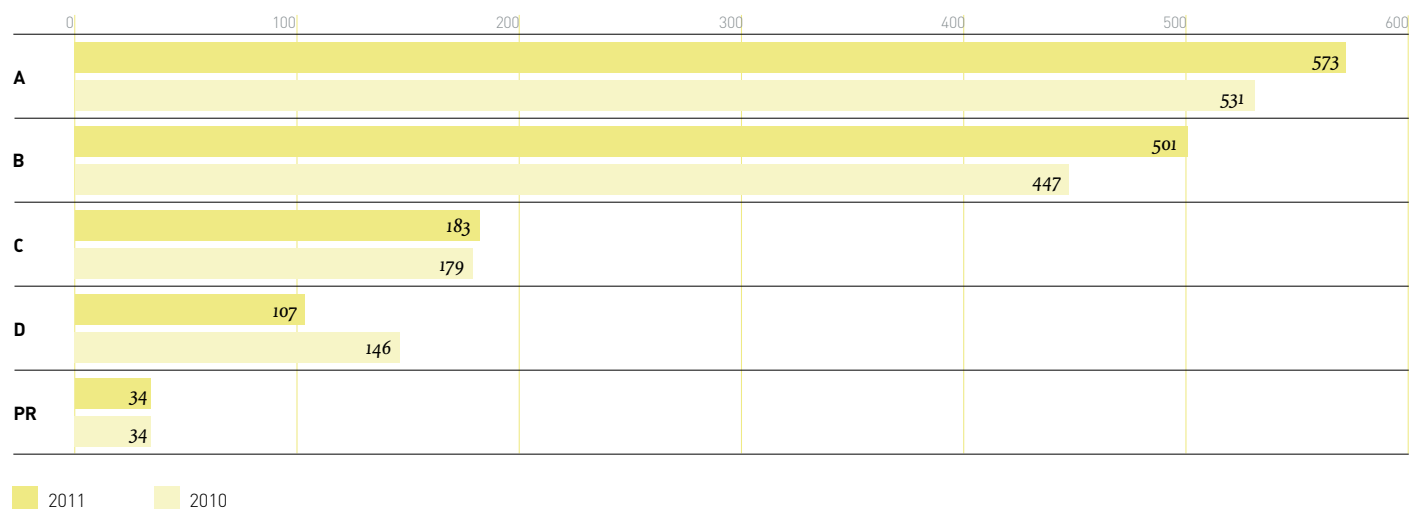
**Supplier B:** Breaches a non-relevant aspect of the Code of Conduct.

**Supplier C:** Breaches a sensitive aspect of the Code of Conduct.

**Supplier D:** Breaches a critical aspect of the Code of Conduct.

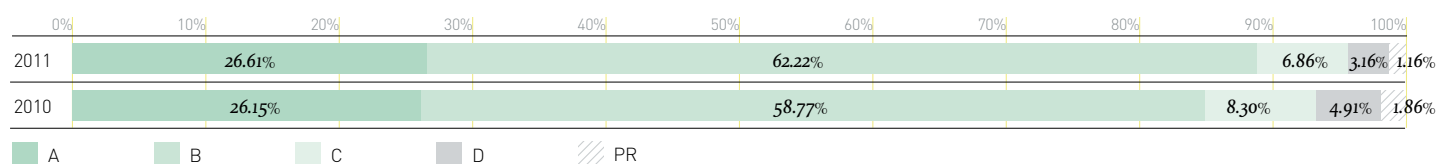
**PR Supplier:** In an auditing process

##### Rating of active suppliers on 31/01/2012



Rating of suppliers by region is detailed in the Social Indicators Schedule (page 274)

##### The production of Inditex in 2011 by rating





## 5- Application of corrective action plans

Inditex's philosophy is to grow and improve together with its suppliers, with the result that the social audits are always completed with proposals for solutions to the breaches detected. Inditex's Corporate Social Responsibility teams actively support suppliers interested in continuing to work with the Group with corrective action plans which have as their objective remedying the breaches. All the parties involved (factory managers, local and international trade unions and the Inditex Corporate Social Responsibility teams, among others) participate in these plans.

## 6- Monitoring programmes

After drawing up the specific corrective action plans for the supplier, audits are established for monitoring purposes which include unannounced visits to verify that the improvements agreed have been carried out within the deadlines set. According to the level of rating obtained by the supplier in the initial audit, the monitoring audits are carried out in different periods.

As a consequence of the correction plans, the classifications of the Inditex suppliers improve as the duration of the relationship with our Group continues. Among the suppliers whose relationship with Inditex is less than one year, the sum of the A and B classifications is less than 40% of the total. This percentage rises to 57% with the suppliers who have been working for the Group for at least two years and to 77% among those who have been working for at least three years. The volume of production from suppliers classified as A or B rises every year, reaching a total of 89% in 2011.

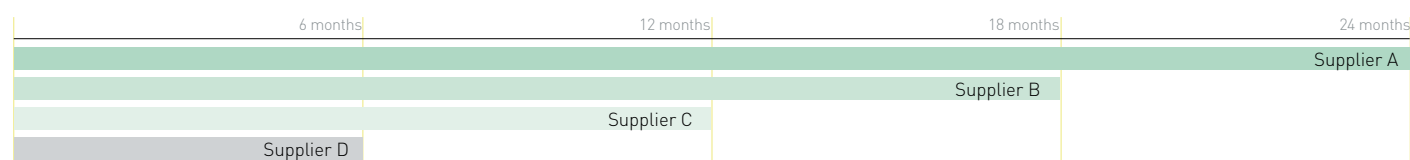
## Protocol for the Prevention of Child Labour

One of the most relevant points in the strategy for the implementation of the Inditex Code of Conduct for External Manufacturers and Suppliers is the prevention of child labour. In 2009, Inditex designed, in collaboration with the ITGLWF, a protocol of action for the prevention of child labour in the supply chain. The protocol is based on the best practices in the industry and includes the main Conventions and Recommendations established by the International Labour Organization (ILO) in relation with the prevention of child labour. Furthermore, it is in line with the UN framework, 'Protect, Respect, Remedy'.

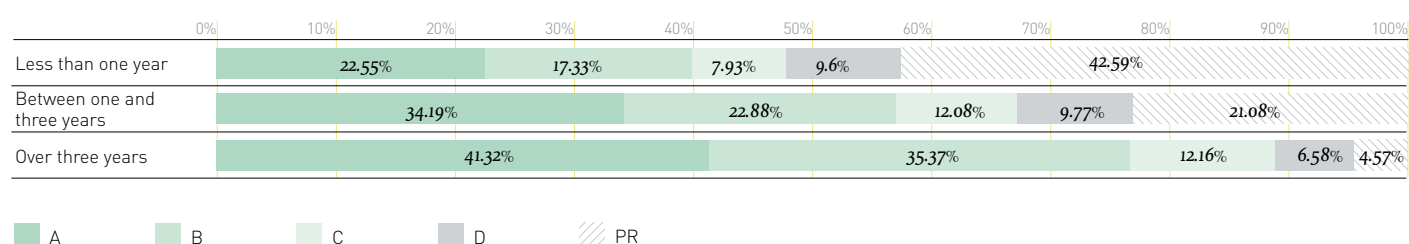
Likewise, in 2012, Inditex will go more deeply into aspects such as:

- Training of internal social auditors in techniques of social auditing.
- Establishment of pilot projects in the matter of monitoring and prevention of child labour.
- Implementation of processes of improvement of the procedures and systems of formal management in suppliers and manufacturers which make up the supply chain.

### Period of time for the conduct of audits according to the rating



### Classification of the suppliers according to the years of commercial relations with Inditex



## Training in product health and safety

Inditex, in collaboration with scientific and technological institutions and companies, has started up a programme of training support for its suppliers on specific and relevant aspects of the Inditex health and safety protocols *Clear to Wear* and *Safe to Wear*. During the 2011 financial year, twelve training meetings have been held, attended by 358 suppliers.

Furthermore, best practice manuals for suppliers have been designed as well as guidebooks for identifying risks of dyeing for textile and leather products, procedures for the improvement of solidity to rubbing, responsible dyeing procedures, and analysis of the origin of breaches in colour solidity and the composition of textiles.

These manuals are the result of technological innovation actions aimed at resolving specific quality problems and are carried out in collaboration mainly with companies in the sectors of dyeing, printing and chemical products. The procedures developed supply technological alternatives to the methods used up to now and present important competitive advantages which facilitate the production of articles of higher quality, minimise the use of chemicals, water and energy; they fulfil the most demanding requirements of environmental control and help the garments manufactured using these processes to perfectly fulfil the provisions of *Clear to Wear* and *Safe to Wear*.

## Sandblasting techniques

The process of sandblasting consists of a process of wear, especially of *denim*, for which an air compressor is needed. This process, carried out without proper protection, represents a high risk regarding the generation of silicosis in the workers who carry it out.

The techniques of sandblasting are strictly prohibited in Inditex's working practices. In 2010, the Group carried out research with its suppliers to guarantee that only techniques which did not put their workers' health and safety at risk were used. This process eventually led in 2011 to the signature of the Call for a global ban on apparel sandblasting, promoted by the ITGLWF, and under which Inditex undertakes to:

- Prohibit the practice of sandblasting and to guarantee its eradication.
- Working with suppliers to ensure alternative methods.

During 2011, moreover, Inditex started a process of continuous monitoring of all laundries used by its suppliers, starting from the general methods of auditing which are used by its fulfilment teams and from a specific methodology for the identification of the processes of wear used in laundries.

## Compliance percentage regarding the Code of Conduct within factories and workshops associated with active suppliers in 2011

	Africa		America		Asia		Non-EU Europe		EU	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Prohibition of involuntary labour										
Prohibition of work by minors (*)										
Prohibition of discrimination										
Respect for freedom of association and collective bargaining										
Prohibition of abuse or inhumane treatment										
Compliance in the matter of hygiene and safety										
Compliance in the matter of salary (**)										
Working hours (**)										
Environmental commitment										
Work in accordance with regulations										
Management systems										

(\*) Includes the absence of proper systems of verification of the age of workers.

(\*\*) Includes the absence of proper systems of registration and communication with workers.

+90% of compliance
  +70%
  +50%
  -50%

## Environmental strategy in the supply chain

In the framework of the strategic environmental plan, Sustainable Inditex 2011-2015, during 2011 a range of actions were initiated with the objective of measuring and evaluating the sustainability of the products throughout the value chain.

### Green Code Inditex Project

Green Code is a project to give a boost to the environmental policy for application to the supply chain and industrial processes of Inditex. It forms part of the *Inditex Minimum Requirements* and includes criteria of environmental evaluation and monitoring of suppliers.

The Green Code responds to the following specific objectives:

- Getting to know in detail the specific environmental problems at each stage of production of the Inditex supply chain.
- Identifying and controlling the environmental risks associated with the supply chain.
- Establishing programmes of environmental improvement in the supply chain.
- Anticipating and giving a response to the concerns of external organisations in environmental matters.
- Anticipating and giving a response to future legislation which is more restrictive.

The Green Code project has two implementation phases. The first (2011-2012) includes the conduct of analyses of effluent and waste management processes, and the design of tools of evaluation and control of suppliers. Within this phase, in 2011, three pilot projects in Spain, Portugal and Turkey were completed to identify, measure and evaluate the value chain of a cotton T-shirt.

The results of the pilot projects satisfy a double objective. On the one hand, they define future areas or lines of action to improve sustainability of products and, on the other, they supply training to the teams for creation of products and design to get to know the environmental implications of their decisions.

In the second phase (2013-2014), plans for environmental improvement will be established with continual evaluations in the supply chain and studies will be carried out of new alternatives for processes and chemical compounds.



In November 2011, Inditex signed to join the *Sustainable Apparel Coalition* (SAC). This organisation brings together the textile companies which share the objective of reducing the possible social and environmental impacts associated with its activity. Inditex is participating actively in the preparation of the *Sustainable Apparel Index*, which will make it possible to evaluate the environmental and social performance of all stages of the textile production process, and which will be published in 2012. Through this index, it will be possible to define priorities and opportunities for improvement in the use and quality of water, in the reduction of energy and greenhouse gases, in waste management and in the use of chemicals.

### Leather Working Group (LWG)

LWG is a working group created in 2005 to develop a protocol of environmental auditing which would make it possible to evaluate the fulfilment and the environmental practices of the tanneries and which, in turn, promotes more sustainable environmental practices in the leather industry.

LWG aims to improve the sustainability of the tanning industry, by working in a transparent manner through the participation and representation of brands, tanneries, retailers and other interested parties in the sector. The group also enjoys the participation of the main centres of excellence and research of the sector and the review of the auditing system by non-governmental organisations, academic institutions and other interested organisations. As a member of LWG, Inditex will evaluate and measure, in a rigorous manner, the technical-environmental processes of tanneries and the capacity to define improvements with its suppliers. The audits will be carried out by leather industry experts.

## Framework Agreement between Inditex and the ITGLWF

During 2011, important advances were made both in the management and in the projects carried out based on the international Framework Agreement signed between the *International Textile Garments and Leather Workers' Federation* (ITGLWF which unites 217 local trade unions in the textile sector in 110 countries) and Inditex to ensure the fulfilment of the Fundamental Labour Rights in the Inditex supply chain.

The Framework Agreement defines the environment in which the labour relations must be developed, with the firm commitment to advance towards a greater integration of the shared processes of action. For this reason, in September 2011, the "Statement of Intentions to extend the role of Trade Unions in the application of the International Framework Agreement within the Inditex Supply Chain" was signed. This agreement increases the capacity for action of the local and international trade unions as well as the mutual responsibilities when dealing with the challenges which a global supply chain involves. To be exact, through signing the above-

mentioned statement of intentions aspects such as the following were developed:

- The strengthening of the supplier monitoring system.
- Access to a detailed list of suppliers and external manufacturers on the part of the ITGLWF.
- The participation of the members of local trade unions in the processes of monitoring suppliers.
- Involvement of the members of the local trade unions in the development of the corrective action plans.
- The promotion of mature industrial relations in the supply chain starting from the application of training courses to workers, managers and trade union representatives.

During 2011, several joint interventions were carried out in the sphere of the Framework Agreement between Inditex and the ITGLWF for the protection of the Fundamental Labour Rights in the supply chain. The following are some of these interventions:

	India	Turkey	Brazil
Date of joint intervention of ITGLWF - Inditex:	25-07-2011	17-08-2011	01-09-2011
Number of workers involved	7	55	15
Date on which dispute was settled	Settled during the 2012 financial year	04-01-2012	19-12-2011
<b>Parties involved</b>			
Management of the factory/factories	✓	✓	✓
Other international frameworks present at the negotiations	✓	✓	
Local organisation of workers' representatives		✓	✓
ITGLWF	✓	✓	✓
Other agents of the third sector	✓		✓
<b>Conclusions</b>			
Compensation to the workers	✓		✓
Guarantee of the right to Freedom of Association and Collective Negotiation	✓	✓	
Start of a process of dialogue aimed at developing mature industrial relations between management and workers		✓	



## Turkey Project

One of these interventions took place in one of the most important textile-sector companies in Turkey, to be exact, in two of its factories, with over 1,000 workers each.

In late 2010, the local trade union, TEKSTF, began intense affiliation activity in the workplaces which was made more difficult in some aspects by the management, which contravened the Inditex Code of Conduct. On the basis of the Framework Agreement, the ITGLWF alerted Inditex of the situation and an intense process of work was begun jointly for the verification of the facts and to bring about talks between the parties involved, culminating in a meeting held in Istanbul with the participation of Turkish and international trade union representatives, the company and Inditex. At the end of January 2011, and after a round of negotiations between the parties, an agreement was reached with the presence of ITGLWF, Inditex, the local trade union and the management of the company in two main aspects:

1) Formal recognition of the local trade union as a valid interlocutor by the company.

2) Programming of the beginning of collective negotiation of the company agreement at the moment at which the trade union obtained the representation demanded by the Turkish legislation.

This activity is an example of the experience of implementation of the Framework Agreement for the improvement of and respect for the working conditions of the workers in the Inditex supply chain, which is added to the activities carried out with the ITGLWF in the context of the application of the Framework Agreement during 2011 in Bangladesh, India and Brazil, among others.

## Cambodia Project

In September 2010, clothing workers in Cambodia were dismissed from their jobs for having taken part in a national strike demanding an increase in the minimum salary in the sector.

Since the beginning of the conflict, Inditex, jointly with the ITGLWF, and in collaboration with the interest groups involved - C.CAWDU, GMAC and ILO-Better Factories Cambodia, mainly-, have carried out different actions on the ground with the aim of ensuring the rights of free association and collective negotiation.

During 2011, as a fruit of these actions, the peaceful resolution of the conflicts which had arisen at some of Inditex's suppliers in Cambodia was achieved through the signature of two statements of intent, which included a consensus on the following:

- The re-admission of the 164 workers who were suspended or dismissed as a consequence of their participation in the September strikes.

- Making the payments corresponding to the whole salaries of the suspended or dismissed workers.

- The withdrawal of all the charges made against the workers who had taken part in the strikes.

These agreements are intended to be the driving force for change so that, as is set down in the international protocols, the local agents - trade unions and manufacturers, mainly - are able to achieve the peaceful resolution of conflicts at the local level, relative to the mediation of the Cambodian government in the process of conciliation by means of sending the cases to an arbitration tribunal created for the purpose.

Finally, Inditex in collaboration with the ITGLWF, has designed a training plan for those factories which make up its supply chain in Cambodia with the aim of supplying both the workers and the factory management with suitable knowledge in the matter of Fundamental Labour Rights to avoid potential conflicts in the future.



## Clusters of suppliers

Currently, Inditex is promoting seven business clusters in relevant countries in its supply chain: Portugal, Morocco, Turkey, India, Bangladesh, China and Brazil. With the consolidation in 2011 of the activities of the clusters in China and Brazil, the management structures of suppliers through the model of clusters, including Spain, represents 87% of Inditex's total production.

The clusters of suppliers are defined as spaces of co-operation made up of suppliers, manufacturers, trade unions, business associations and international purchasers with the common objective of promoting a sustainable productive environment in a strategic geographical area for the development of the Inditex business model and within a framework based on the fulfilment of the Fundamental Labour Rights.

### Main activities in the clusters in 2011

#### **PORTUGAL**

After signing an agreement in 2010 between Inditex and the Portuguese Catholic University (Oporto) for the training of social auditors in Portugal, in 2011, the relations with this university have been extended for the development of activities of strengthening the supply chain. Moreover, through the local Inditex Corporate Social Responsibility office in this country, training has been given to social auditors in the methodology of verification and courses have been given to 29 suppliers on product health and safety.

#### **TURKEY**

Although the Inditex cluster in Turkey has been operative for several years, the Group gave a boost in 2011 to the Corporate Social Responsibility work in this country with the establishment of an office with a local team. Through this local team and the external agents involved in the cluster, a project of consolidation of the country's supply chain (Evliya Celebi Project) has been carried out to get to know the most sensitive matters which affect the sector. Educational projects have also been carried out:

- Training in the requirements of the Inditex Code of Conduct given to 135 factories of 34 suppliers.
- Training of social auditors in the methodology of verification.
- Training to 31 suppliers in the matter of product health and safety.

## **MOROCCO**

During this year, activities of monitoring of the supply chain have been carried out in collaboration with the internal purchasing teams and the implementation of corrective action plans in some suppliers. Regarding training, that given to local auditors on the Inditex methodology of verification and the training that has been received by the suppliers on product health and safety are particularly important.

## **CHINA**

Inditex has consolidated its activities in this country's cluster with the establishment of a permanent office for the local Corporate Social Responsibility team, and a powerful boost to the training of employees, suppliers and local auditors:

- Four training sessions to over 100 suppliers and local manufacturers.
- Conduct of 23 courses for manufacturers on their premises.
- Training to 70 local auditors.
- Training to the local purchasing team.
- Training to 64 suppliers in product health and safety.

## **BANGLADESH**

During 2011, within the Bangladesh cluster, Inditex maintained an active strategy of participation in dialogue platforms, with the objective of achieving consensus between local interest groups about matters relating to human and labour rights in the textile industry of the country: Buyers Forum Bangladesh, ILO/Better Work Project and Fire Prevention Measures Event, among others.

Outstanding among the training activities are:

- Visit and training to 116 local manufacturers.
- Conduct of 35 training activities on labour rights for suppliers and local manufacturers.
- Training to 37 suppliers in product health and safety.
- Raising of awareness on fire prevention to 85 manufacturers.
- Classification visits to advise manufacturers on the process of implementation of the corresponding corrective action plans.

During 2011, water analysis was carried out at 116 factories to ensure the distribution of drinking water for over 235,000 workers and eight product health and safety audits were carried out in laundries, in collaboration with DyStar, one of the world's main manufacturers and distributors of textile colourants in the world. Moreover, in this year the Spectrum project came to an end, with the final payments into the pension fund for the victims of the collapse of the Spectrum Garments factory in 2005.



*Clusters detailed information in the section of the Social Indicators (page 276).*

## INDIA

India was one of the most active clusters in 2011. Bearing in mind the business fabric of this sector in India, characterised by its atomisation in small manufacturers, Inditex has since 2009 been carrying out an intense programme of identification and monitoring of unauthorised subcontracting, especially in northern India. This task continued to be carried out intensively during 2011, thanks to the work of the cluster, accompanied by classification visits to suppliers for the implementation of corrective action plans in the supply chains.

Among the training plans which were started up in 2011, there were 19 sessions for over 90 suppliers and manufacturers with the attendance of over 160 heads of manufacturing; training to 81 suppliers in the matter of product health and safety; and preparation of a health and safety manual to improve the working conditions of the workers in the embroidery sector in the north of India.

Within the cluster work has also been done on boosting, among the suppliers, the best practices related with the operation of the works councils, as well as the strengthening of the mechanisms for payment of salaries to the employees of the manufacturers in collaboration with the PSG College of Arts & Science, Department of Social Work.

## Sumangali Project

Under the Sumangali system, many young Indian women are sent to work by their families in the spinning and manufacturing factories for a period which is usually of three years. It is only at the end of this period that the worker receives the majority of her salary, which is devoted mainly to the payment of the dowry when she marries.

During 2011, Inditex made a special effort to deal with the Sumangali practices in the textile factories in southern India, including the identification of risks in the matter of health and safety for women employed in the textile sector in this region.

After carrying out a programme of specific audits in this sphere, Inditex has verified that none of its suppliers in India uses the Sumangali system in its facilities. The Code of Conduct, which is obligatory for all the Group's suppliers, sets down the conditions under which the manufacturing of the garments marketed by the Group must be carried out, and expressly prohibits forced labour.

Among the research actions that Inditex carried out in 2011 to verify the absence of Sumangali in suppliers' facilities, the identification of all the spinning workers who are employed by Inditex suppliers is included. Furthermore, interviews have been carried out with ex-workers from the textile sector and with their families in their villages of origin and the payment of workers by Inditex suppliers via bank accounts has been encouraged with the aim of increasing the transparency in the system of payment of salaries.

On the other hand, in the framework of the international organisation, *Ethical Trading Initiative* (ETI) -of which Inditex has formed part since 2006 and which brings together companies, trade unions and non-governmental organisations fighting to improve the working conditions in the supply chain-, Inditex has encouraged and actively participated in the work carried out by the *Sumangali Bonded Labour Group* of this organisation. Likewise, Inditex is one of the founder members of the *Tirupur Stakeholder Forum*, an initiative encouraged by the textile industry in the south of India to eradicate these employment problems.

Currently, Inditex, together with the rest of the members of the ETI and under the aegis of this organisation, is working on initiatives to extend the process of social audits in spinning factories that the manufacturers use for production; evaluating the socio-economic behaviour of the young female workers in the spinning factories and their families; and promoting processes of improvement of the social and employment conditions in southern India with the help of local development organisations.



## Vidya Project

The Vidya Project is an initiative of the Corporate Social Responsibility teams of the Inditex Group to improve the working conditions among the suppliers in the northern region of India. In 2009, Inditex started up a programme to monitor sub-contracting in India. Out of the upwards of 100 suppliers who work in the area, the CSR team identified 24 of them in the Delhi area – not exclusive suppliers of Inditex – ranked D, the lowest as per the Group standards.

The Corporate Social Responsibility teams revealed that the risk arose in the second line of production, subcontractors, many of which were not notified to Inditex and therefore were not authorised by Inditex either. In order to begin the analysis, the Inditex teams recorded and photographed numerous examples of the conditions of the subcontractors who were alerted to the risk that was being run if part of the production were to come to these manufacturers.

All the documentation and the research materials, as well as the objectives of the Vidya project, were shared with the international platform, the *Ethical Trading Initiative* (ETI).

The Vidya Project consists of five areas of work:

- Eliminating any possibility that there might be cases of workers of less than 18 years of age.
- Ensuring the supply of drinking water at all workplaces and the periodic verification of the conditions of health of this supply.
- Introducing proper standards in all matters relating to safety and hygiene at work.
- Guaranteeing the payment of salaries in accordance with the provisions of the laws and that, in

the final instance, they should assure a decent lifestyle to the workers and their families.

- Promoting the increase in the capacity for direct production of the Inditex suppliers, in such a manner that the need for subcontracting is reduced to a minimum or completely eliminated.

The development of these plans for improvement is based on the identification of gaps in the Inditex supply chain in India by means of 700 unannounced visits to suppliers. These audits gave rise to the start up of corrective action plans for each one of the suppliers at which breaches were detected. Additionally, the Inditex Corporate Social Responsibility team organized over 400 classification visits, in which specific work was done with the suppliers to help them in the implementation of the improvements required, as well as over 70 training sessions with suppliers devoted to concrete aspects of the fulfilment of the Code of Conduct.

After two years of hard work, the seventeen suppliers on the project who are still working for Inditex have managed to rise out of the "D" Classification: three achieved the A classification in 2011; seven gained a B classification and another seven, classification C. Three of the initial twenty-four were eliminated during the process as they persisted in breaches of the Code of Conduct and another four did not continue due to commercial reasons.

Evolution of the Vidya project	PHASE I	PHASE II
Suppliers included in the project	24	17
Number of suppliers with D classification	24	-
Number of suppliers who subcontract production	24	5
Number of audits of suppliers by independent third parties	122	208
Number of visits to the factories by internal Corporate Social Responsibility teams	-	400
Number of visits carried out by external teams on the subcontractors	-	496
Number of subcontractors	222	14
Number of training sessions with suppliers	2	40
Number of training sessions with factories	-	35
Number of new machines added to the internal capacity of the suppliers	-	4,500
Number of drinking water checks carried out	-	321

## BRAZIL

In 2011, Inditex gave a boost to the activity in the cluster in Brazil after detecting unauthorised subcontracting on the part of one of its Brazilian suppliers, which was a grave breach of the Code of Conduct for External Manufacturers and Suppliers of Inditex. The Group has consolidated social and employment conditions at the facilities of its suppliers. These measures have been accompanied by giving support, together with its suppliers in Brazil, to the National Agreement for the Eradication of Slave Labour, joining the Instituto ETHOS, the creation of a telephone number for receiving complaints of irregular situations in the supply chain and the training of social auditors in verification methodology.

### Brazil Project

At the end of July 2011, the Regional Superintendency of Work and Employment (SRTE) of the Ministry of Labour and Employment (MTE) of São Paulo (Brazil) contacted Inditex, indicating that two dressmaking manufacturers had been identified in an irregular situation, which had been subcontracted by one of Inditex's suppliers in the country. According to SRTE's information, these manufacturers presented deficiencies in the facilities which involved a risk to health and safety at work, as well as irregularities regarding the registration of their employees.

Research into the facts carried out by Inditex on the days immediately subsequent to the notification discovered that these two manufacturers had been subcontracted by the supplier without Inditex's authorisation. Breaches were likewise detected of the Code of Conduct for External Manufacturers and Suppliers of Inditex relating to safety and hygiene at work, the working timetable (not adapted to the applicable legislation) and the irregular work.

Inditex and MTE demanded that the supplier responsible for the fraudulent subcontracting should immediately put this situation right. The supplier recognised that Inditex was totally unconnected with this sub-contracting and corrected the labour conditions of its subcontractors to put them at the level stipulated by the Inditex Group Code of Conduct. Given the seriousness of the breach, all business activity with this supplier was suspended.

After this situation, Inditex began the exhaustive review of the production system, both of this supplier and the remaining companies in Brazil, to guarantee that a case like this cannot be repeated. In this process of review, Inditex has reinforced its monitoring procedures in Brazil for the supply chain.

The measures started up on the ground by Inditex, working on the basis of the consensus with the interest groups involved, were set out in an agreement signed on 19th December 2011 with the Public Ministry of Employment and the Ministry of Work and Employment.

The agreement includes the proposal for the consolidation of the social and employment conditions in the supply chain of Zara Brazil.

The objective is to make a collective effort and to promote a broad commitment to society to ensure the best working conditions all along the supply chain.

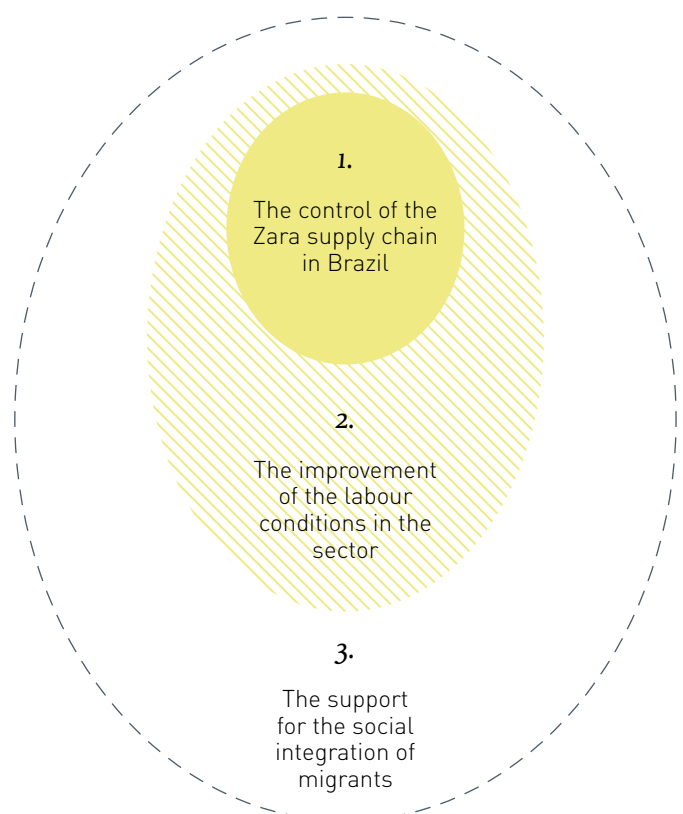
This agreement starts from:

- The verification of a problem which affects the social integration and employment regularisation of thousands of workers of immigrant origin who work in the Brazilian dressmaking industry in an irregular manner, which goes far beyond the isolated cases which it has been possible to detect and clear up in the Inditex supply chain in Brazil.

- Our conviction is that the solutions to this problem must come from collaboration between the authorities, employers, business people, trade unions and all those national and international agents who can supply efficient solutions so as to bring this social question to an end.

- The main objective of this work should be the identification, integration, protection and rehabilitation of the victims of forced labour or precarious employment, ensuring the fulfilment of the laws and that this objective forms part of Inditex's commitment to Brazilian society.

As a result of the above-mentioned agreement, a strategy of intervention based on the following three areas of action has been established:



### 1.- The control of the Zara supply chain in Brazil

This programme, which includes both suppliers and subcontracted manufacturers with the authorisation of Inditex with a total of 11,500 workers, involves collaboration with social auditing firms such as SGS, Intertek or Apcer, for the conduct of periodic social audits, among other measures. The commitment includes:

- Conduct of 150-200 annual social audits.
- Development and verification of the corrective action plans within a maximum of six months.
- Adaptation of the production capacity to the volume of orders from suppliers and manufacturers.
- Execution of the commitment to information and collaboration with the Brazilian Public Administration.
- Creation of an additional team of 10-15 external social auditors.

### 2.- The improvement of labour conditions in the sector

In collaboration with Uniethos, the Ethos Institute (study division) and Sebrae, (the Brazilian agency for support to the entrepreneur and small businessman), Inditex has begun a pilot programme with 110 companies (2,100 workers) to increase competitiveness and sustainability. This pioneer programme is centred mainly on training actions regarding business management, technique, human resources or any other subject which has an effect on the improvement of productive capacity. The collaboration with Uniethos and Sebrae involves the possibility of extending the best practices which arise from this pilot programme to all the textile sector.

Moreover, in the area of Inditex suppliers in Brazil, programmes to raise the awareness of workers and owners in the matter of labour and migrant rights, courses of professional training in the textile industry, careers guidance for young people and Portuguese courses, will be held as well as training courses in computing together with national organisations in support of migrants (CDHIC, CAMI and CPM).

### 3.- Support for the social integration of migrants

Likewise, together with national organisations for giving support to migrants (CDHIC, CAMI and CPM), activities will be carried out for the defence of the human rights of the immigrants covering 150,000 persons. Among the initiatives contemplated, the creation of a fund for food support and emergency accommodation is particularly important; hiring specialist staff for centres of attention to migrants; provision of infrastructures and equipment for the NGOs involved, legal advice to immigrants; conduct of activities of cultural promotion; and professional training to help young people to find work.



# Employees



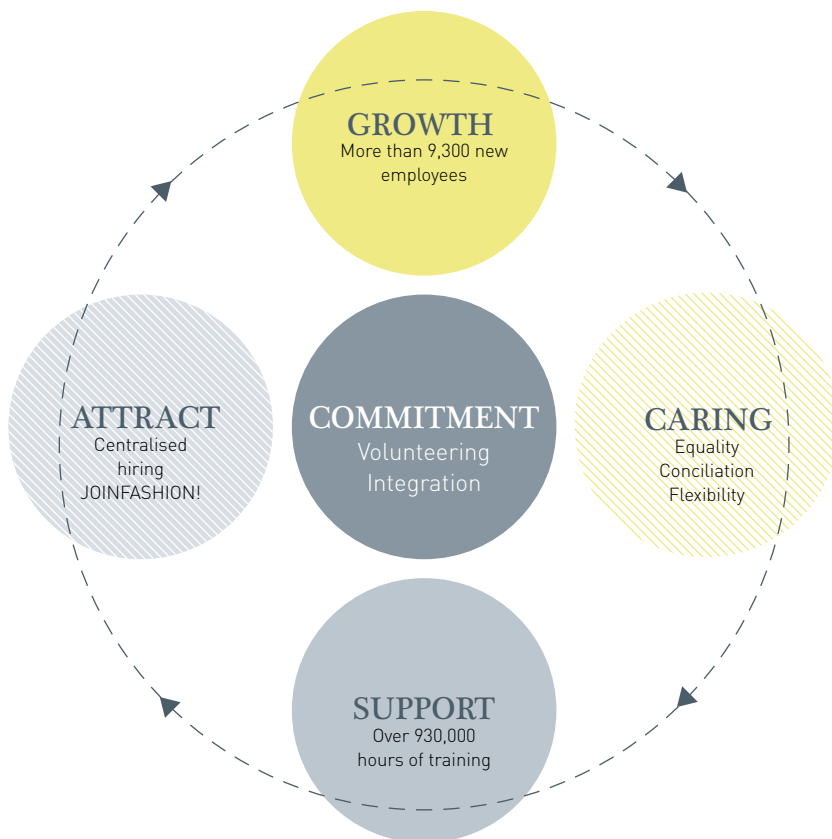
**I**nditex is an ever-growing company, and this growth also applies to its human capital. During FY2011, 9,374 new employees joined the company, thus totaling a global workforce worldwide of 109,000 people. Over and above the professional skills of Inditex staff, these people share common characteristics, essential traits that make the company a leader in fashion distribution. The average age of Inditex employees is 26.5, and they all have critical sense with regards to all procedures, internal and external. This non-conformity makes continuous innovation a fundamental pillar in the Group's business model. The average profile of any employee of the Group is defined by always being open to changes, their passion for the fashion world and a firm belief that results are achieved through team work. In order that these professionals continue rigorously, ethically, and enthusiastically pursuing their skills, Inditex is committed to a flat organisational structure and an environment that encourages people to express their ideas and exchange opinions. The integrity

of all Inditex teams is guaranteed by the Internal Code of Conduct and the Internal Directive on Responsible Staff Practices for the Inditex Group. All employees are familiar with and share these Codes and Directives from the time they start with the Group.

Likewise, the social commitment of the company and its employees, and their relationship with their surroundings is reflected in the business model: Inditex people promote social volunteerism as an engine of change.

This way of viewing company growth, in parallel with personal growth and growth of society, is a standard for many business people and young professionals. As a result, in 2011 Inditex was chosen as the best company to work for in Spain. It was chosen based on the annual Merco (Corporate Reputation Business Monitor), prepared from the opinions of students, business people, and professionals. Being recognised as a company that generates employment and creates professional opportunities for its employees is a reason for pride. Our objective is to continue working along these lines.

### How enterprise growth is understood by Inditex and its employees

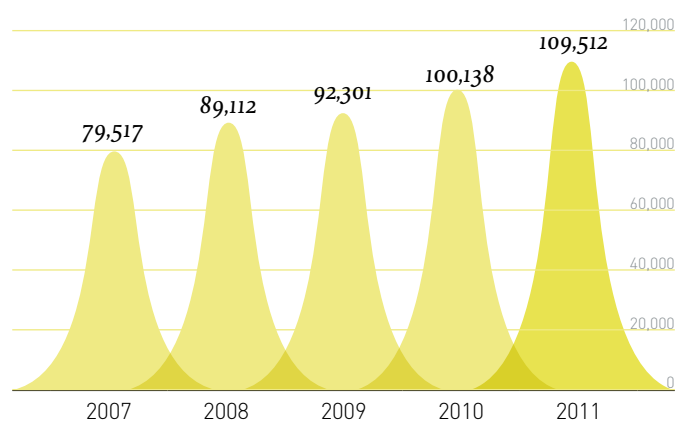


**In order to continue its growth, Inditex works to attract talent, support the professional career of its workers through continuous training, and to care about those who form part of the organisation**

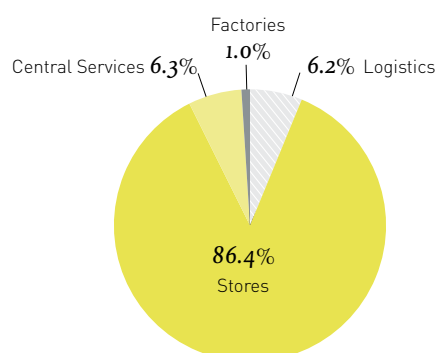
## Growth

Inditex generated 9,374 new positions throughout 2011. At year end the Group had reached 109,512 employees. The store, centre of all of the organisation's activities, is also the main employment engine and accounts for 86% of the staff. By geographic area, 82% of workers are found in Europe - the main Inditex Group market -, including Spain.

### Total number of Inditex Group employees

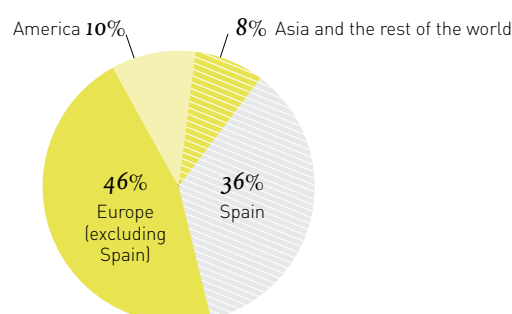


### Employees by activity in 2011 (\*)



(\*) In 2010, employee distribution by activity was the following: 87% stores, 6.1% logistics, 5.7% central services and 1.2% factories.

### Employees by geographical area in 2011 (\*)



(\*) In 2010, employee distribution by geographical area was the following: America, 10%; Asia and the rest of the world, 6.1%; Spain 39%, and Europe (excluding Spain), 44.8%.

During 2011, two of the principle milestones reached by the Group's Human Resources teams were entry into new markets and launching the online store for six of the Group's chains.

With its entry into Australia and South Africa, Inditex initiated commercial activity in two of the markets furthest from its headquarters in Spain. Its logistics teams reinforced their capabilities so as to offer these countries the same high level of service as they offer in the rest of the world. In addition, the launch in Australia and South Africa as well as Peru, increased Inditex's offering in the Southern hemisphere. The countries where it was already operating, Brazil, Argentina, Chile and Uruguay, are seeing their service reinforced as a result.

With regards to the launch of online stores for six of the Inditex chains, the experience of Zara Home and Zara in this area has provided the best starting point.

## More than one hundred new online professionals

After the online sales sites for Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe were launched, from 6 September 2011, all of the Inditex commercial formats have their own online stores. Zara Home and Zara have had internet operations since 2007 and 2010, respectively. This was one of the biggest Human Resources challenges for Inditex in 2011, likewise the start up of online Zara sales in the United States and Japan, also during 2011.

Around a hundred professionals - primarily photographers, retouchers, stylists, sales people, and customer service professionals - were added to the group in 2011. On the other hand, 21% of the professionals in the online department team pertain to internal promotions: people from the chains that have moved to online store management.

The growth of the group in Southern hemisphere countries like Australia, South Africa, and Peru has been accompanied by a strengthening of the area's design teams



## Distribution of Inditex Group employees by country

### EUROPE

Germany	3,553
Austria	733
Belgium	1,635
Bulgaria	359
Croatia	507
Denmark	84
Slovakia	108
Spain	39,098
France	5,967
Greece	3,197
Holland	1,114
Hungary	545
Ireland	714
Italy	5,276
Luxembourg	105
Monaco	33
Montenegro	81
Norway	151
Poland	3,277
Portugal	5,977
UK	4,165
Czech Republic	331
Romania	1,301
Russia	5,645
Serbia	373
Sweden	408
Switzerland	686
Turkey	2,748
Ukraine	840
<b>TOTAL</b>	<b>89,011</b>

### AMERICA

Argentina	756
Brazil	1,936
Canada	942
Chile	603
USA	2,755
Mexico	4,254
Uruguay	186
<b>TOTAL</b>	<b>11,432</b>

### ASIA AND THE REST OF THE WORLD

Australia	300
Bangladesh	29
China	5,260
South Korea	745
India	317
Japan	2,288
South Africa	130
<b>TOTAL</b>	<b>9,069</b>

### TOTAL

109,512

## Attract

### A new way to attract talent



In 2011, Inditex renovated support for the hiring process through the Joinfashion! project. This innovative recruitment tool required re-invention of the Inditex Group's people management style. The objective was to maintain continuous evolution, continuous adaptation to all those who will belong to the Inditex team in the future, as well as to those who belong today.

[www.joinfashioninditex.com](http://www.joinfashioninditex.com) is the main channel for Joinfashion! All Group job offerings are centralised and presented there in an artistic style in keeping with the company's fashion image. Starting with the home page, this web site exudes the elements that characterise working at Inditex: energy, talent, difference, challenges, and inspiration. All of the work offers are associated with videos that communicate the Inditex work philosophy and the essence of its business model. This is done with professional testimonies from different areas of the business like stores, product, and logistics among others.

In 2011, Inditex enhanced its talent attraction process with the opening of a new selection and training centre in Moscow. The centre has a dynamic Joinfashion! type image and is added to those already existing in Madrid, Barcelona, and London. Using these centres, the different Inditex Group chains take their philosophy and way of working to all those people interested in becoming part of the Group.

There have been personnel selection pilot events in other cities, such as Fashion Night in Paris, in order to take the Group philosophy closer to the those passionate about fashion and interested in joining the company. On 1 October during Fashion Week in Paris, the Zara Opera store became a job fair for a few hours. Before, interested candidates sent their CVs to a special web site for this purpose, and those selected were interviewed at the

store. After the success of this event, the Group plans to duplicate it in different cities throughout 2012.

The Inditex Human Resources teams are convinced that universities are one of the places where creative talent is concentrated. Inditex launched the Cantera project in 2010 in order to reach this young innovative talent. The Cantera project targets recent graduates and 14 European universities participate. Recent graduates from these universities can select a specific four to six month training plan in the Inditex Group's commercial and design areas. The young people selected are always guided by an internal tutor and review all areas of activity related with these fields. Upon finishing the training period they may begin a professional career with the company. A total of 65 students had participated in this project at the close of 2011.

### In 2011 Inditex strengthened the process for attracting talent by opening a new selection and training centre in Moscow, adding to those already in Madrid, Barcelona, and London



Part of the Inditex HR team in A Coruña.



## Support

### Personal and professional development

Many of Inditex's current managers began their professional careers with the Group as store employees, or in technical or entry-level positions. Inditex, conscious that the professional and personal growth of its workers translates to positive business development, believes in the talent of people and their capacity to develop themselves within the organisation. As a consequence, training and internal promotion are key to the Group's business model, based on continuous innovation and teamwork.

In 2011 Inditex gave 930,000 hours of training in Spain with 32,000 attending. Internal training plans are adapted to the requirements of each professional profile found in the organisation. Among them are the following:

- Orientation programme for new employees: composed of *'a la carte'* plans in line with the professional profile; if indeed they all have a common denominator, they spend a training period in a store, independent of the job to be occupied within the organisation.

- Risk prevention: the emergency and first-aid areas received more than 38,000 hours of training in 2011.

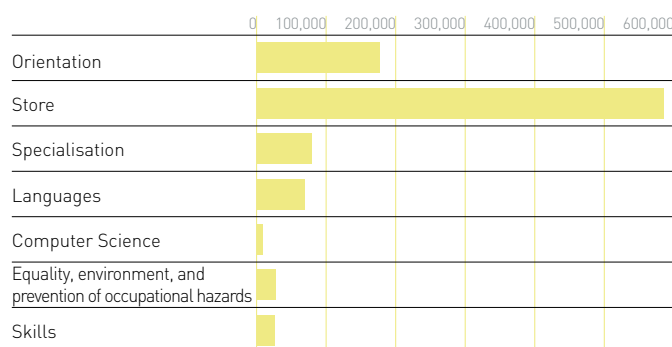
- Environment: specific training for all employees with regard to the specific implications the global environment problem has on their job. It includes video productions and sensitisation material, online training for branches, news letters with regards to new technologies and environmental experiences.

- Skills: the investment made in the area of logistics for skills training is notable. More than 500 people attended communications, leadership, time management, and stress management sessions for a total of more than 8,000 hours.

- Store management
- Specialisation
- Languages
- Computer Science

In addition to the training plans developed by the Human Resources department, the CSR teams organise training on product health and safety subjects in order to eliminate potential risks in the design and manufacturing processes. During fiscal 2011, there were 17 specialised courses taught to 678 people.

### Distribution of training hours in Spain (\*)



(\*) From 1 January through 31 December 2011

### Store training

Given that 86.4% of the Inditex staff works in stores, it follows that more than 80% of the Group's training investments targets store personnel. The most frequent and eminently practical training activities address customer service, products, trends, prevention of occupational hazards, and continuous learning through the Store Management Terminal (TGT). There are also daily meetings where the supervisor deals with subjects such as sales techniques, caring for garments, and customer requirements.

To make training more homogeneous and assure its quality, each chain has specific instructive materials such as the Store Organisation Manuals, which are constantly updated. These manuals detail all aspects of store work, from environmental impact to operating the cash register.

In addition to the Group's general plans, every year each chain and country carries out specific training activities depending upon their needs. In 2011, there was special attention paid to the Infactor project executed in Italy. One hundred and six store managers and supervisors from different Group chains participated in a training activity intended to maximise professional skills. In Poland, 350 people took part in the *Career Designers* programme. Fashion work shops and meetings with trainers have been used to develop participant skills in order to internally fill store supervisor positions. In 2011, 29 store sales people who participated in the *Career Designers* programme were promoted to managers and another six were given positions in the Group office in Poland.

More than 1,300 students from 690 Spanish and French commercial education centres were trained as sales people for Group stores as a complement to their theoretical training.

## Classroom training

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Classroom training is another of the training blocks designed by the Group to improve the professional skills of its employees. During 2011, the Inditex School gave courses for new managers with missions to support the expansion of the group in China. There were also instructive courses for internal promotion, focusing on improving the performance of current managers. In addition, the Inditex School continued offering its programme with a commitment to hire in collaboration with the Comunidad de Madrid and SOC (Catalunya Employment Service). Of the 140 students who participated in 2011, 75 were hired, and 90% continued with the Group.

## Internal promotion

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From its beginnings, Inditex has encouraged the creation of suitable working environments so that employees can develop their professional skills and grow within the company. In fact, the vast majority of store managers started in the Group as shop assistants, this is evidence of team management which evaluates performance in all jobs and of attitudes appropriate for obtaining the best results.

In 2011, more than 1,000 people were promoted to different positions of responsibility within stores or within the Inditex structure in Spain. Generally, each year around 10% of the Inditex Group staff participate in internal potential-developing programmes. The fact that 75% of vacancies occurring during fiscal 2011 were filled through internal promotion shows Inditex's commitment to the professional development of its workers.

**Each year, 10% of the Group's staff participates in internal programmes for developing potential**



# Caring

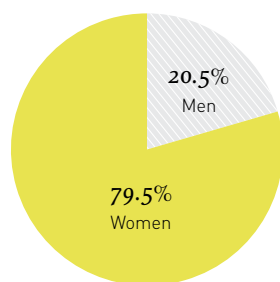
## Equality, multiculturalism, and conciliation

Diversity is intrinsic to the essence of Inditex. There are more than 140 nationalities (30 in the central office) and 40 languages co-existing among the Group's 109,512 employees. All believe in equal opportunity in the selection process and internal promotion. The criteria for evaluation, development, talent, and work dedication are unique and equal for the entire staff.

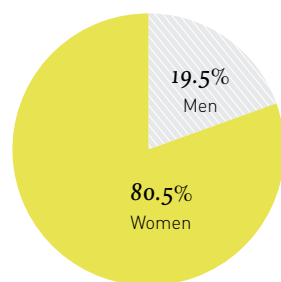
Women make up 79.5% of the workforce, the other 20.5% being men.

### Employees by gender

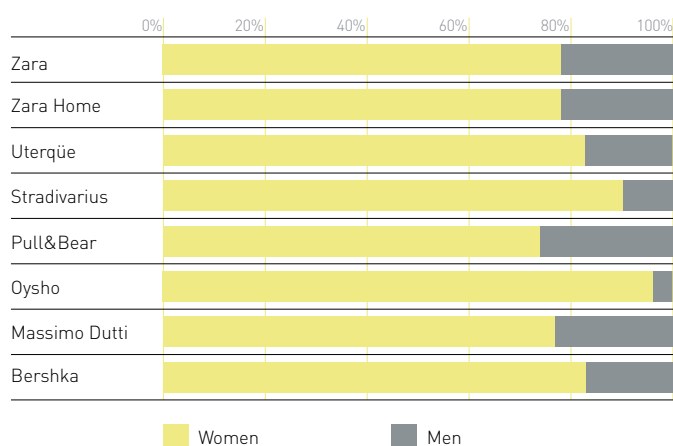
In 2011



In 2010



### Employees by gender in each commercial format (%)



Inditex has an explicit commitment to equality and non-discrimination. This commitment to equality was endorsed in 2006 with the ratification of the Equal Diversidad Activa Project, co-financed by the European Commission and managed by the Spanish Coordinator from the Women's European Lobby and the Carolina Foundation. The objective is to encourage companies to implement measures reducing imbalances between men and women.

In addition, Inditex has an action protocol for confronting gender discrimination and sexual harassment. A report from any employee results in an internal investigation being launched in order to understand and verify the facts, and if appropriate, to hold those responsible to account.

During fiscal 2011, Inditex continued along the same lines as previous years incorporating equality plans in the Group chains. Protection of the victims of gender violence and conciliation between family and work life have been keys for the organisation's activities. To follow-up on its implementation, nine employees from the different chains have been made equality agents and ensure correct execution of social plans.

Inditex constantly works to improve all aspects of the balance between work and family life; such as protection of pregnant and nursing women, prevention of occupational hazards during pregnancy, balancing the work day with caring for young and dependent children, or in the case that the employee would like to be able to work and study or do volunteer service. To do this, the Group contemplates a series of leaves during which a person can maintain their position. The leaves could be for studying, for social volunteering, or special volunteering.

In 2009 Inditex took a qualitative step in this area by signing a Global Agreement with the UNI Global Union. The UNI Global Union certifies respect for the Group's workers' rights in each of the countries where it operates, as well as the organisation's sustainable growth.

## Merco Personas 2011



MERCO (Corporate Reputation Business Monitor) has been evaluating the reputation of companies that operate in Spain since 2000. Specifically, Merco Personas, prepares a ranking of the best companies to work for based on variables such as professional development, motivation, working environment, pride in belonging, promotion of creativity, and salary. In 2011, Merco Personas identified Inditex as number one on the list of the best 100 companies to work for in Spain. The survey included more than 12,000 people. They highlighted the potential of the Group as an employer as well as how employees identify with company objectives.

## Expansión y Empleo Awards for Innovation in Human Resources

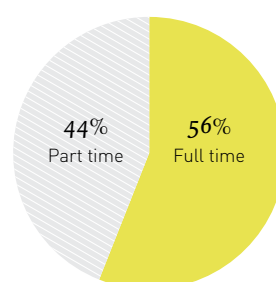
In 2011, the IE Business School Expansión y Empleo awards recognised the President of Inditex, Pablo Isla, for providing the most support to the efforts of the Human Resources department of his company in Spain.

## Labour policy

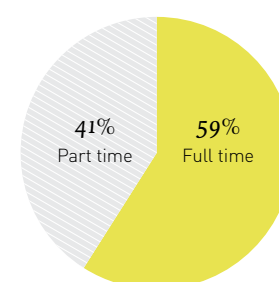
Flexible working hours are one of the main aspects of the Inditex business model. It is reflected in people management policies, facilitating personal and educational development of its employees outside of work. The Group offers positions with different work hours in order to facilitate, to the extent possible, stable work shifts.

### Staff distribution in Spain by working day

In 2011



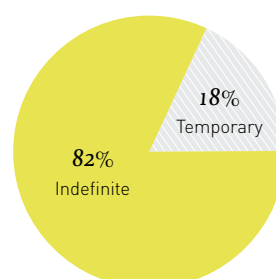
In 2010



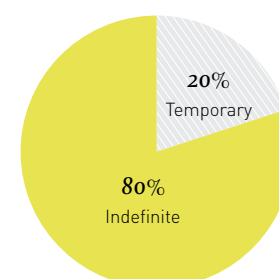
Inditex is committed to stable job creation. In 2011, permanent contracts represented 82% of all contracts, as compared to 80% in 2010.

### Staff distribution in Spain by contract type

In 2011



In 2010



## Compensation policy

All areas of Group activity, independent of their direct or indirect relationship with the store, are committed to responding to the demands of customers. This means that apart from the variable portion of the salary associated with sales for store employees, those who work in logistics and production also have elements of pay linked with productivity. Many jobs in the corporate structure also have a variable component to their salary. Employees of the Group's central services have part of their variable compensation tied to common quantifiable objectives, and another part of the variable portion at the discretion of those responsible for area objectives and specific projects.



(in thousands of euros)	2011	2010	Var. %
Fixed and variable salaries	1,843,020	1,651,462	11.6
Inditex contributions to Social Security	391,158	357,967	9.3
<b>Total personnel expenses</b>	<b>2,234,178</b>	<b>2,009,429</b>	<b>11.2</b>

## Health and safety

Caring about employees also means providing the best atmosphere for them to work in and providing the appropriate health and safety measures in the work environment. The measures developed by Inditex for the Prevention of Occupational Hazards are especially significant in its factories and logistics centres. Some of the actions taken in 2011 are the following:

- Preventative and therapeutic plan for factories and pattern teams in A Coruña: the courses and treatment session include Preventative Care intended to help the worker form regular habits of physical activity, greater vitality, to prevent discomfort caused by certain postures, and to develop relaxation therapies; and Therapeutic Care focusing on prevention and treatment of musculoskeletal injuries, reducing occupational illnesses, and correcting bad postures.

- INDICAE document manager to assemble risk information and share between Inditex and its suppliers.

- Bershka and Zara participated in an Ergonomic Hazard Reduction programme sponsored by the government of Catalonia. It focused on work accidents deriving from musculoskeletal disorders, repetitive movements, and unnatural postures.

- Continuation of the implementation of an Internal Occupational Health and Safety Management System (SIGSST) under the OHSAS 18.001:2007 standard, initiated in fiscal 2010. Inditex has also taken the following steps:

- Follow-up audit for European Platform SIGSST started.

- Audit for Bershka Logística certification started.

- Implementation of SIGSST begun for the Leon Platform and Pull&Bear Logística, the Meco Platform and Zara Home Logística, Zara Logística, and factories.





## Social Commitment

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### Volunteering

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One of Inditex's main priorities is active participation in the society where it operates its business, it is committed to that society's improvement. In addition to the social activities carried out by the Corporate Social Responsibility area (see the chapter on Community, page: 84), Inditex employees propose and participate in diverse volunteer social projects with the support of the company, showing its on-going commitment and motivation.

Given the constant activity of Inditex employees volunteering in the social action environment, Inditex wanted to facilitate and strengthen these selfless acts by employees and in 2011 created a communal tool: Inpulse Project.

**In 2011, Inditex donated 286,000 euros and 1,300 work hours so that employees could carry out their volunteer projects**

## Inpulse Project

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Inditex launched the volunteer and social action portal Inpulse as a response to employee demand. Inpulse has an internal web site where all Group brands publish information about the assistance programmes they are developing. They receive suggestions, comments, and personal help from employees.

During the year the new Inpulse programme was "The Big Idea", a social or environmental projects contest for employees. More than 200 employees presented their projects for collaboration with different non-profit social organisations or entities. The Inditex Social Council selected twelve of these projects and provided the necessary resources, both financial and time, to be able to execute them with direct participation of Group employees. In its first phase, Inditex donated 286,000 euros for the twelve projects and their promoters dedicated more than 1,300 work hours to carry out their social projects.

The subjects of the winning programmes are diverse. They range from organising a sewing factory for women at risk for social exclusion (*Artisan Hands Project*) to bringing poor children with serious diseases from countries like Mauritania, Equatorial Guinea, Madagascar, and Morocco to be treated in Spain. During the pre and post surgical periods they live in the homes of volunteers (*Travel for Life*).

In addition to the initiatives proposed by the employees themselves, Inditex works in the area of social inclusion of vulnerable groups. As such, the *Salta* and *Jeunes* projects were continued in 2011 and offered work opportunities to many people.

## The Salta Project

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Inditex started *Salta* in 2010 in collaboration with the Barcelona Raval neighbourhood Surt association. It is an integration and training programme for women at risk of social exclusion. During fiscal 2011 it completed its third programme and with it the addition of 40 people to the staff of the eight Group chains in Barcelona. All of them participated in a training process that includes trends, sales skills -taught by volunteer employees-, and three weeks of in-store practice. 2012 will see the project's fourth programme as well as its arrival in Madrid.

## Jeunes Project

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During fiscal 2011, Zara France continued its *Jeunes Project* solidarity programme in collaboration with Force Ouvrière labour union. It has completed its 9th cycle. The purpose of the project is to provide the opportunity for work to underprivileged youth in the Paris metropolitan area. The director of Inditex France, Jean Jacques Salaun, was recognised with the Légion de Honor for his work which includes 50 young people hired by Inditex. This decoration is the most important recognition in France for extraordinary merit achieved within civil or military areas.

## Other activities

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The Inditex chains carried out numerous social activities during 2011; solidarity breakfasts, toy collection, activities and collaboration with the International Red Cross, ONCE, and the Spanish Association Against Cancer (AECC), among others.



## Integration

To complement the creation of direct and indirect employment generated by our operation, Inditex carries out various activities intended to place especially vulnerable people into the workforce.

### Stylepack Programme

The Inditex logistics centre in Zaragoza has housed a special employment centre since 2010. It provides jobs for twelve people with physical or intellectual disabilities. The workers, who are constantly supervised by two monitors, work primarily at applying and removing alarms, reading tickets with store order terminals, and printing price stickers. The help and willingness of all Inditex employees at the centre is making it possible to completely integrate these people into the daily work routine.

There are also integration projects at the stores. Currently in A Coruña, Bilbao and Madrid there are people with Down's syndrome working in some Group stores in a project to both provide them with jobs and personal achievement. Those included in this project have a tutor who analyses their development and integration with the rest of the staff.



Unai is part of a integration project at a Zara store in Bilbao.


### for&from programme

This project involving integration of disabled people into the work force was launched in 2002 by Inditex's will to provide innovative and sustainable solutions related to its business model and that generate financial and social impact. Inditex, in collaboration with the Molí d'en Puigvert Foundation, the Galician Confederation of Disabled People (COGAMI) and the Pro-Intellectually Disabled Association of Alicante (APSA) have started a social project that is currently made up of five commercial establishments: a Massimo Dutti and a Bershka store in Palafolls (Barcelona); a Massimo Dutti and a Tempe store (accessories and shoes from all Inditex Group chains) in Allariz (Ourense); and a Tempe store in Elche (Alicante).

The for&from stores are managed entirely by people with some type of physical or intellectual disability. Also, the stores are completely fitted out to guarantee accessibility to any person with a physical disability. Currently, the programme provides stable employment for 37 people with some type of disability.

The experience with this project has served as a bridge for placing disabled people into the workforce. Several people have been incorporated into the ordinary Group stores through their work experience in the *for&from* establishments.

**The for&from stores are managed entirely by people with some type of physical or intellectual disability**

 Detailed information about the "for&from" programs is provided on the Social Indicators Schedule (page 277)





### for&from Tempe Elche - Alicante

The Tempe store that was inaugurated in October 2010 in Elche (Alicante) received an "A" Energy Rating in 2010 from the Ministry of Industry, Tourism, and Trade via the Valencian Energy Agency (AVEN), the first received in the Community of Valencia by a commercial establishment. This "A" rating is the maximum rating for energy efficiency in buildings. This establishment is part of the for&from project store network for the integration of people at risk of exclusion.

# Community

**C**onscious of its size and potential for growth, Inditex knows it could not pursue its activity without the collaboration of its stakeholders. In addition to all of its activities that are directly linked to the business the Group does for and with customers, suppliers, employees, and shareholders, Inditex implements its model also taking as a reference its responsibility towards local, national and international communities where it conducts its business.

The commitment is articulated by three basic areas of activity:


— Co-operation for development: education related activities as a means for transforming and promoting justice and solidarity.

— Humanitarian activities: solidarity activities focusing on protecting human life, safety, and dignity in circumstances where they are threatened by natural catastrophe or armed conflicts. Inditex's humanitarian activities encompass not just immediate intervention with emergency assistance and aid but rehabilitation and reconstruction after a catastrophe, as well as monitoring beneficiaries of the assistance programmes.

— Fostering employment: programmes for promoting employment in vulnerable groups making possible the integration of people at risk of exclusion into the workforce.

These three types of activities are carried out through specific community programmes:

- Community development programmes
- Monitoring programmes
- Emergency Programmes
- Network of universities
- Sponsorship and patronage
- Environmental programmes

 A break-down of the consolidated social investment per project and social cash-flow is found in the Social Indicators schedule (page 278)



# Social investment programmes 2011



## Community development programmes

Intended to improve people's quality of life and their surroundings through training and generation of opportunities in their communities



## Monitoring programmes

Regular humanitarian assistance projects for refugees and other displaced persons



## Emergency programmes

Plans for urgent situations to provide relief in catastrophes



## Sponsorship and patronage

Local activities linked to culture, promotion of sports and social assistance



## Employment programme

Employment programme for people at risk of social exclusion



## Network of universities

Collaborative agreements with educational programmes at universities

### Colombia Component

(Venezuela, Colombia, Ecuador and Panama)  
14,300 displaced people cared for  
333,000 euros invested

### Latin American Programme

(Argentina, Brazil, Chile, Mexico, Peru, Uruguay and Venezuela)  
23,200 pupils  
22,600 hours of training  
186,640 beneficiaries  
1.73 million euros invested

### Sponsorship and patronage

3.5 million invested in areas like cultural activities, sports, social assistance, and health.

### Morocco Programme

Medical and psychological care for 450 sub-Saharan migrants per month  
300,000 euros invested

### Emergency Unit

(Haiti, Central African Republic, Democratic Republic of Congo, Zambia, Uganda, Libya, Niger, Ghana, Ethiopia, Kenya, Somalia and Guatemala)  
Financing of the Médecins Sans Frontières Emergency Unit  
300,000 euros invested

University of Northumbria  
United Kingdom

University of A Coruña

Spain

Morocco

Ghana

Mexico

Haiti

Guatemala

Panama

Ecuador

Peru

Chile

Argentina

Uruguay

Brazil



In 2011, Inditex targeted social and humanitarian programmes throughout the world with over 13 million euros

More than 600.000 people in vulnerable areas benefitted from these social investment programmes



Inditex collaborates with prestigious international bodies like Médecins Sans Frontières, Entreculturas Foundation, and Caritas

## Community development programmes



Inditex employees believe that development begins with building a strong and participative civil society. The key to this is training. As such Inditex's community development programmes are intended to improve people's quality of life and their surroundings through training and generation of opportunities in their communities.

Inditex carries out these projects with not-for-profit organisations like the Entreculturas Foundation, Caritas, the Carolina Foundation, and their associated organisations in each country with experience in the areas of training and co-operation. The objective is to promote education as a development factor in those communities where Inditex operates with production, distribution, or sales. Currently, there are community development projects under way in seven Latin American countries (Argentina, Brazil, Chile, Mexico, Peru, Uruguay, and Venezuela), Bangladesh, India and Cambodia.

### Investment in community development projects (in euros)

Argentina	232,285
Brazil	241,577
Uruguay	55,748
Peru	353,075
Venezuela	262,991
Chile	111,497
Colombia	173,705
Mexico	303,403
Cambodia	300,000
Bangladesh	500,000
India	30,000
Carolina Foundation	137,592
<b>Total</b>	<b>2.701.873</b>

### Bangladesh programme

Inditex collaborates with Caritas in underprivileged areas of Bangladesh, the objective being to support primary education, professional training, and socioeconomic reinforcement of rural communities in marginalised areas of Dinajpur, Mymensingh, and Rajshahi. The purpose of this programme is to eliminate problems like illiteracy, malnutrition, and unemployment that affect the communities of this region.

#### The Bangladesh programme in 2011

##### Primary education

- Provision of materials for 52 preschools and primary schools.
- 4,160 children signed up for school.
- Training and contracting of 104 teachers.

##### Vocational education

144 apprentices were admitted, 128 of whom graduated and 97 of whom found work. The current rate of employment among beneficiaries is 76%.

##### Rural development

- 7,031 people consume their daily requirements of proteins from vegetable from their own home gardens.
- 9,796 people actively participate in activities related to improving their rights
- 235 people have increased their income 20% after only three months since the project started.
- 16 enterprising women have launched micro companies

**Investment by Inditex:** 500,000 euros

## Cambodia programme

Inditex collaborates with Caritas to develop 150 communities in the provinces of Preah Vihear, Kompong Thom, Siem Reap and Battambang to the benefit of more 59,500 people. The primary purpose of the programme is socioeconomic reinforcement and improvement in the population's health. The method is sustainable agriculture, improved infrastructure, and job training.

During 2011 the socioeconomic level of more than 6,500 families was improved by implementing alternative agricultural and farming methodologies as well as sustainable agriculture. Likewise, 30,000 people benefited from health intervention, reducing the infant mortality rate (60%) and severe malnutrition rates (9%).

### The Cambodia programme in 2011

1,617 farmers guaranteed nutritional security for their families through training on alternative methods.

Administering of vitamin A supplements to 51,346 children and 2,221 mothers.

Health and deworming campaigns were carried out on 42,492 children and 3,271 women.

Administering of iron supplements to 4,444 women.

668 water filters distributed

186 wells, 23 community ponds, and water pumps constructed

Restoration and improvement of 10,280 local tracks and 50 new sewer.

61 literacy manufacturers for 646 beneficiaries

20 community leaders trained on health subjects

544 community development courses

**Investment by Inditex:** 300,000 euros

## New Light Project (India)

This is a project implemented by Inditex in Calcutta (India) to promote protection and education of women and children victims of local prostitution networks by means of micro-credits and the promotion of programs to create their own income. Likewise, this project focuses on AIDS prevention and treatment, and the launching and maintenance of shelters. Inditex is committed to this project for a five-year term, with an annual investment of 30,000 euros.

## Latin American programme

Inditex has collaborated with the Entreculturas Foundation and its associates since 2002. The objective is to promote quality education in several Latin American countries (Argentina, Brazil, Colombia, Chile, Mexico, Peru, Uruguay, and Venezuela). The twenty or so projects in this programme are intended to increase educational coverage and improve its quality in vulnerable areas. They also promote access to decent employment for young people who receive professional training. The programme is organised around five pillars:

— Access to education, facilitating the conditions and infrastructure necessary for children to be able to attend class.

— Quality education, improving training of the teaching staff, and improving study plans at the schools where the programme is implemented.

— Institutional reinforcement so that local organisation can improve their management and sustainability.

— Professional training so that young people with scarce resources have adequate facilities and study plans to facilitate entry into the labour market.

— Social promotion through the support of farmers, indigenous, migrant and defense of Human Rights organisations; and proposals for improving social conditions in the communities where the programmes are active.

Currently there is an active three-year programme which has 186,640 beneficiaries. In 2011 schools were built and remodelled, educational materials were delivered, educational publications were distributed, psychological, legal, and health issues were addressed for children, young people and adults.

### The Latin American programme in 2011

168 students in internships

977 students continuing professional development after graduation

43 productive projects

Follow-up done for 228 areas and centres

22,662 hours of training

309 educational materials have been prepared

More than 23,200 people have attended training activities

**Investment by Inditex:** 1.73 million euros

## Monitoring programmes



### Investment in monitoring programmes (in euros)

Sudan	361,508
Burundi	370,701
Rep. African Republic	366,466
South Africa	375,658
Colombia, Ecuador, Panama, Venezuela	333,334
India	500,000
Morocco	300,000
Somalia	700,000
<b>Total</b>	<b>3,307,667</b>

The Inditex monitoring programmes are regular humanitarian assistance programmes for refugees and displaced people. They are linked to both emergency assistance and long term rehabilitation of communities affected by catastrophes or armed conflicts.

For this type of project, Inditex has maintained on-going collaboration with Médecins Sans Frontières (MSF) and the Jesuit Refugee Service (SJR) for several years and for specific programmes in areas like India, Somalia, Morocco, and other African countries. There is also a specific project for Colombia and other neighbouring countries (Venezuela, Ecuador, and Panama) that receive people displaced by the Colombian armed conflict.

### Morocco programme

Collaboration between MSF and Inditex in Morocco made it possible to attend to an average of 455 people a month in the Oujda area (passage area of sub-Saharan migrants to Europe) in 2011. These people have suffered the consequences of crossing the Maghreb area. Sub-Saharan migrants have received direct medical attention at the Moroccan border through this programme, including urgent medical care, planned consultations, and psychological care. The people attended come mainly from Nigeria, Ghana, Mali, and Cameroon. In 2011 Inditex invested 300,000 euros in this project.

### Somalia programme

The purpose of the Médecins Sans Frontières and Inditex project in Somalia is health assistance for the people of the state of Jowhar. In Jowhar and Mogadishu, Médecins Sans Frontières offer complete medical assistance to a population suffering the consequences of endemic violence as well as frequent natural disasters.

Within this context, the mission of the Inditex and MSF joint project is to offer free medical attention to the people of Jowhar, covering primary care, immunization, nutrition, and reproductive health.

#### The Somalia programme in 2011

Primary care for 126,714 people, including 37,803 outside visits to children under five years of age

Treatment of 1,960 cases of acute malnutrition and 5,242 cases of moderate malnutrition

Vaccination campaign for 11,544 children and 10,343 women.

**Investment by Inditex:** 700,000 euros



## India programme

The fight against infant malnutrition in the state of Bihar in northeast India is the focus of the project run by Médecins Sans Frontières (MSF) with contributions from Inditex. With this programme MSF offers quality primary and secondary care to the populace. They administer medicines, medical materials, and therapeutic ready-to-eat foods. In 2011 the medical-humanitarian organisation managed the therapeutic nutritional hospital centre and the Biraal ambulatory nutritional programme.

*"It is extremely important to call attention to children suffering from malnutrition that are outside the spotlight of emergencies".* Unni Karunakara, International President of Médecins Sans Frontières.

### The India programme in 2011

3,353 children seen: 408 were admitted to the stabilization centre and 2,945 attended to in the treatment centre.

3,033 children vaccinated

**Investment by Inditex:** 500,000 euros

## Africa programme

Inditex has been supporting the work of the Jesuit Refugee Service (SJR) in Africa since 2007. In 2011 both organisations launched projects to care for refugees, displaced and returning people in Burundi, the Central African Republic, South Africa and South Sudan. Primary and secondary educational support is provided for children and young people by building schools and distributing school materials.

### The Africa programme in 2011

More than 190,000 beneficiaries

12,952 follow-up visits to beneficiary families

School materials for 12,981 children

1,500 children and refugees with access to primary school

Health assistance for 847 refugees

Vocational education for 489 refugees

**Investment by Inditex:** 1.5 million euros

## Colombia Component programme

Official numbers place Colombia as the number one country for internally displaced people. These people move within the country as well as to neighbouring countries (Venezuela, Ecuador, and Panama) fleeing the conflict zones. Inditex has collaborated with the Latin American and Caribbean Jesuit Refugee Service (SJR) since 2008, providing service in these four countries.

### Colombia Component programme in 2011

14,281 people helped in legal and psychological areas.

664 received humanitarian assistance

3,832 young people were helped with physiological and educational needs

79 reports or articles about the Human Rights situation

459 manufacturers were taught on human rights and development and local integration and were attended by 5,776 people .

Investment by Inditex: 333,333 euros

## Positive Generation

Positive Generation is a Médecins Sans Frontières project carried out in collaboration with companies like Inditex. The project supports the fight against Aids and HIV in Africa. The project has made children and adolescents living with the illness visible. This helps alleviate the stigma of being HIV positive, while at the same time raising funds for the programmes that MSF is operating to combat paediatric Aids in Zimbabwe. Inditex's participation in this project consists of selling playbutton mp3 devices in their nearly 2,000 Spanish establishments. The devices contain songs by popular Zimbabwe choirs in collaboration with artists such as Alejandro Sanz, Antonio Carmona, and Javier Limón.

Income from the sale of these devices is wholly destined to MSF programmes fighting paediatric Aids in Zimbabwe. At the end of the project (19 February 2012), 16,404 devices had been sold for a value of 164,040 euros, to which Inditex in turn added an additional contribution of 335,960 euros. The contribution is accounted for in 2012 as the project concluded during this fiscal year.



Paula Fariás, of Médecins Sans Frontières, with musicians Antonio Carmona and Alejandro Sanz presenting the playbutton Positive Generation in the Zara store on the Gran Vía, Madrid, in December 2011.

## Emergency programmes



Inditex develops plans for use in emergencies, to alleviate the consequences of natural catastrophes occurring anywhere in the world. Participation in crisis scenarios through short-term emergency assistance consists of providing goods and services essential for the survival of those affected by disaster (water, food, shelter, medicines, and health care). Humanitarian assistance is provided for the long-term and consists of renovation or reconstruction of infrastructures and homes. These projects are different every year depending on the critical situations that may arise in the world. In 2011, Inditex activities were concentrated in Ethiopia-Somalia, Japan, and in financing the Emergency Unit of Médecins Sans Frontières.

### Drought in Ethiopia

In June 2011 and in collaboration with MSF, Inditex responded to the emergency situation triggered by the drought that devastated the Liben region of Ethiopia. This disaster affected the Somali refugees settled in this area. They were already suffering the consequences of a long-term armed conflict.

The launch of this emergency programme provided health care to those recently arrived as well as those already in refugee camps. In addition, nutritional programmes were established in three of the refugee camps (Bokolmayo, Malkadida and Kobe) and a massive vaccination plan against measles carried out in one of them (Kobe).

#### Investment in emergency programmes (in euros)

MSF Ethiopia	1,000,000
Japanese Red Cross	1,000,000
MSF Emergency Unit	300,000
<b>Total</b>	<b>2,300,000</b>



105,000 people were attended to during the year. 26,082 of them were children under 5 years of age and 4,029 pregnant or lactating women. 12,961 children between 6 months and 15 years old were vaccinated. Therapeutic foods were distributed to 18,493 children under five with severe acute malnutrition. Inditex earmarked one million euros for this emergency humanitarian project.

### Earthquake and tsunami in Japan

In order to alleviate the consequences of the earthquake and tsunami that devastated northeast Japan on 11 March 2011, Inditex contributed one million euros through the Spanish Red Cross for their Japanese counterpart to carry out an emergency plan. The funds will be employed during the next three years to finance programmes for assistance, recovery, and reconstruction of the devastated areas.

According to the President of the International Federation of the Red Cross and the President of the Japanese Red Cross, Tadateru Konoe, "the funds will be used for the most urgent requirements in areas where they will best help people to improve their lives and take the first steps towards recovery".

Inditex's contribution of one million euros has enabled the construction of 52,706 prefabricated homes and seven temporary hospitals providing service to 60,000 people. In addition, 500,000 kits with materials for temporary lodging were delivered to more than 125,000 families.

## Emergency Unit

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In 2011 Inditex and Médecins Sans Frontières (MSF) signed a collaborative agreement providing that the company finance the Emergency Unit of the medical-humanitarian organisation, making it possible to move teams and material to the areas where they are needed. As such, Inditex has committed to defray the costs for three years of stable teams of MSF in Nairobi (Kenya) and Panama with an investment 300,000 euros per year.

This decentralised emergency structure enables MSF, when faced with any humanitarian crisis, to move teams and materials in less than 48 hours.

During 2011, 12 emergency actions were carried out in: Haiti and the Central African Republic (emergency to alleviate cholera outbreak), Democratic Republic of the Congo and Zambia (measles outbreak), Uganda (Ebola outbreak), Libya and Niger (armed conflict), Ghana (social tensions), Ethiopia and Kenya (malnutrition), Somalia (support to the regular mission), and Guatemala (floods).

In addition they have made eight exploratory interventions in Kenya and Sudan, Burkina Faso (conflict); Yemen (preparation for emergencies); Peru and Paraguay (outbreak of dengue fever); the Dominican Republic (cholera outbreak) and the Bahamas (emergency to alleviate the effects of a hurricane).

One hundred and eighteen international workers and six national workers participated in these projects. In addition there was a team of six regional workers deployed to help the regular missions in the region.

## Employment programme for people at risk of social exclusion

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Eighteen employment and training projects were completed as a result of the collaborative agreement signed between Inditex and Spanish Caritas in 2011. Inditex contributed one million euros. Thanks to the occupational training received, non-labour internships in companies, and labour intermediation activities, the participants increased their possibilities for finding employment. In the end, many were able to get a job. On the other hand, socioeconomic projects that find creative ways for generating jobs were launched or strengthened. Specifically, during 2011:

- 42 occupational training courses for different sectors like hospitality, home assistance, residential socio-health care, textile confection, ecological agriculture, services (sales, cleaning, warehousing, etc.).

- two special centres employing disabled people were created in Coria (Caceres) and Barbastro (Huesca), they do jobs like gardening, ecological farming, and industrial laundry.

- a recycling project and two textile recovery projects that were being wound down were consolidated. They introduce quality improvement and process optimization, improving productivity and maintaining many jobs.

In general terms, this programme, composed of the financing of 18 projects, has facilitated the training of more than 600 people, and the creation of 248 jobs, meaning a 33% rate of insertion.

This year, Inditex joined the Social Responsibility with Entrepreneurs Initiative, promoted by the IE Business School in collaboration with private corporations. The objective is to promote support of entrepreneurs.

## Network of universities

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Inditex is committed to education as a pillar in its Corporate Social Responsibility strategy. As such, it collaborates with different university educational programmes around the world, such as the National Institute of Fashion Technology (India), the Portuguese Catholic University of Porto (Portugal), the University of Northumbria (U.K.), and the Galician universities (A Coruña, Santiago de Compostela, and Vigo). For 2011, the Inditex chairs at the University of A Coruña (Spain) and at the University of Dhaka (Bangladesh) should be noted.

### The Inditex Social Responsibility Chair - UDC

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The objective of this chair, established in 2010 with the collaborative agreement between Inditex and the University of Coruña, is to promote academic training, applied research, and the transfer of social responsibility material results, with public administrations, universities, companies, and not-for-profit entities. Inditex's investment in 2011 has amounted to eur 40,000.

In 2011, within the institutions' collaborative framework, the first University of Coruña Social Responsibility Report was presented. It places this university at the top of Spanish universities with regards to complying with objectives set out by the 2015 University Strategy for Social Responsibility.

In addition, the first postgraduate course in Social Responsibility was presented. It targets university graduates and professionals. The first course will begin in February 2012.

### Inditex Spanish culture and language chair at the University of Dhaka (Bangladesh)

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This chair was established with the agreement signed by Inditex, the University of Santiago de Compostela (USC), the University of Coruña (UDC), and the University of Dhaka in order to promote Spanish culture and language within the Bangladeshi community.

Specifically, the chair intends to develop different teaching programmes and encourage cultural diffusion.

- Exchange of teaching staff for the Spanish Culture and Language area as well as of researchers and students.

- Training of teaching staff and researchers in the area of Spanish Culture and Language.

- Financing of undergraduate and postgraduate courses and seminars related to Spanish Language and Culture for students in Bangladesh.

- Carry out seminars, conferences, debates, reunions, and sessions in Bangladesh, mainly dealing with studies related to the Chair.

- Promote publication and realization of scientific projects related to Spanish Culture and Language in Bangladesh.

Spanish as a foreign language class was taught to 123 students in 2011. There were also complementary manufacturers attended by 116 students in facilities financed by Inditex on the University of Dhaka campus. Inditex invested 394,160 euros in this project in 2011.

### Inditex/ITGLWF Chair at the University of Northumbria

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The Textile Sector Labour Rights Chair (previously called the Ethical Fashion Chair) in the Design Faculty at the University of Northumbria was created in 2008, one year after the signing of the international agreement between Inditex and the *International Textile Garment and Leather Workers' Federation* (ITGLWF). This chair constitutes a strategic intervention in higher education with the idea of developing new and innovative focuses for teaching fashion students, and of contributing to an on-going research agenda in the area of ethical commerce.

During the 2010-11 course, a generic fashion world ethical commerce programme was introduced. It is intended for undergraduate students (some 180) and has three fashion programmes (Fashion Design, Marketing, and Communication). At a postgraduate level, some 50 international students began a course in ethical and environmental values. The investment in 2011 was 321,349 euros.



## Environmental programmes

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Inditex has also launched various environmental projects with the objective of reducing the ecological footprint of activities deriving from their business model. These projects are framed within the Inditex Sustainable Environmental Strategic Plan 2011-2015.

### Roba Amiga Project

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In 2011, Inditex launched the Roba Amiga project. Its objective is to improve the management of textile waste in Catalonia. Each year this community generates more than 185,000 tons of textile waste, making up 4% of the city's total waste. Fifteen thousand tons of this is collected, of which 40% is usable.

With this collaborative agreement signed by the Catalonia Land and Sustainability Council and the Roba Amiga Cooperative, Inditex commits to 450,000 euros aimed at improving the textile waste management facilities, enlarging the network of selective collection, and the creation of jobs for social re-insertion.

### Terra Project

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Inditex has maintained an agreement with the Galician Government Rural Ministry since 2007. Its purpose is to improve the genetics of the *Pinus pinaster* (Maritime Pine), *Pinus radiata* (Monterrey Pine), *Castanea sp* (Chestnut), and *prunus avium* (Wild Cherry). In 2011, Inditex extended the agreement for three years. The project's main objectives are:

- Promotion of activities to protect the natural environment, habitats, and ecosystems.
- Create enough forest to close the CO<sub>2</sub> cycle and to absorb greenhouse gas emissions resulting from fossil fuel and electrical energy consumption.

As such, the commitment that Stradivarius and Pull&Bear have shown by eliminating their catalogues in printed form and only publishing the online versions is significant. Each visit to the digital catalogue prevents 400 grams of CO<sub>2</sub> emissions. In the case of Pull&Bear, the project was topped-off with a reforestation project in the Sierra Gorda Biosphere Reserve (Mexico) where 16,500 trees were planted.

## Social Awareness

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Several consumer information projects were started in 2011. Their purpose is to promote responsible product consumption and protection of the environment:

- Creation of product information labels with environmental information such as the content of organic cotton or other sustainable fibres, and advice regarding energy efficient washing and drying.
- Leaflets containing environmental information, printed on seed paper that may be planted once the leaflet is read.
- For several years, Inditex has taken part in turning out the lights during "Earth Hour", an environmental sensitization initiative organised by the WWF with a symbolic stop of electricity consumption during a predetermined hour. Inditex participated in this initiative and turned off the show window lights of its stores on the main commercial streets of the world.

## Sponsorship and patronage

Inditex's strategy for social investment, channelled primarily by the Corporate Social Responsibility Department, is rounded off by sponsored activities under the authority of the Sponsorship and Patronage Commission. This internal body, made up of the General Secretary and Secretary of the Board, Antonio Abril; the General Manager of Communication and Institutional Relations, Jesús Echevarría; and the Manager of Corporate Social Responsibility, Félix Poza, studies the candidate projects and evaluates how to use them to meet Group commitments in the societies where it operates.

The involvement described to this point focuses on vulnerable communities and groups in a geographic area, mainly international. However, sponsorship and patronage activities, where culture and sport take on the important role, are mainly limited to local activities. The communities near the company headquarters in Galicia and Spain are the main beneficiaries of these investments.

In many cases, collaboration between Inditex and different beneficiary institutions is an on-going commitment. This is the case with the Pro-CNIC Foundation, the Spanish Royal Academy, and the Symphonic Orchestra of Galicia, among others. In other cases, Inditex lends assistance when an organisation needs financing for a specific plan.

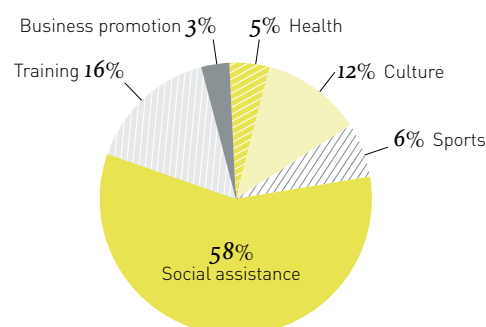
Inditex actively collaborated with nearly 50 domestic and international institutions in 2011. Those institutions received more than 3.5 million euros.

### Investment in sponsorship and patronage programmes by area of intervention

(in euros)	2011
Health	167,180
Culture	419,975
Sport	226,667
Training	546,537
Social assistance	2,037,086
Business promotion	116,978
<b>Total</b>	<b>3,514,423</b>

### 2011 percentage investment by area of intervention

Total 2011: 3.5 million euros



### Culture and sport

New for 2011 in the area of culture, Inditex sponsored the Albeniz Foundation. This foundation, among other things, promotes musical creation and interpretation, and young pianists. Additionally, the Group renewed its commitment to the Spanish Royal Academy. This collaboration has been on-going since 2009.

In Galicia, the Group gives stable support to the Symphonic Orchestra of Galicia and the Coruña Friends of the Opera Association, as well as to other cultural institutions. In the field of sports, Inditex' sponsorship focuses on amateur sport to encourage activity among the youngest.

### Health

Just as during the last seven years, Inditex is contributing to the sponsorship of the National Cardiovascular Research Centre Foundation (PRO-CNIC Foundation). The foundation's objective is to provide cardio vascular research with the best infrastructure and stable financing. It is a State institution which since 2005 contributes to the study of cardiovascular illnesses, to professional training in this area of medicine, and to international collaboration between National Health System centres and hospitals. CNIC's mission, under the authority of the Carlos III Health Institute, is to become an international medical leader for what is today the greatest cause of death in developed countries.

## Social assistance

Social assistance sponsorship and patronage activities round out the work done by the Group Corporate Social Responsibility Department in 2011. Child and youth protection, as well as protection of women in underprivileged situations, are some of the significant interventions made by Inditex in this field. Of importance as well, are the monetary and in-kind donations that Group affiliates have made in their domestic communities.

In fiscal 2011 Inditex provided funds for the construction of a shelter in collaboration with the International Education Foundation. The objective of the centre, situated in Madrid, is social and labour integration for minors living there with their families.

## Training

Inditex believes that constant innovation and training are the engine of growth. As such, pushing university education in addition to internal training are key values of the Group's business culture. During 2011 Inditex renewed its commitment of stable donations to the Universities of A Coruña, Santiago de Compostela, and Vigo. At an international level, the collaborative agreement with MIT (Massachusetts Institute of Technology) begun in 2008 is significant.

## The Social Council

The Social Council is Inditex's external advisory body on matters of Corporate Social Responsibility. It is made up of people and institutions which are external and independent of the Group. Its function is to formalize and institutionalize dialogue with intermediaries considered key in Civil Society where Inditex operates its business model.

### Inditex Social Council Members

Adela Cortina	University of Valencia.
Alfred Vernis	ESADE Business School
Cecilia Plañiol	Loyalty Foundation
Ezequiel Reficco	University of the Andes
Víctor Viñuales	Ecology and Development Foundation

### Meetings held in 2011

Date held	Venue	% of members attending
06-06-2011	Madrid (Spain)	60%
03-11-2011	Madrid (Spain)	60%
12-12-2011	Arteixo (Spain)	80%

## Social investment consolidated by year and project (Figures in euros)

Project Type	Collaborating organisation		2011	2010
Community development	Entreculturas Foundation:	Argentina	232,285	208,334
		Brazil	241,577	216,667
		Peru	353,075	316,668
		Venezuela	262,991	227,063
		Chile	111,497	100,000
		Colombia	173,705	-
		Latin American regional project	-	164,603
		Uruguay	55,748	50,000
		Mexico	303,403	267,179
		Other costs that can be imputed to the projects	-	178,830
	Caritas International	Cambodia	300,000	-
		Bangladesh	500,000	-
	New Light	India	30,000	-
	Carolina Foundation		137,592	137,592
Total community development			2,701,873	1,866,936
Monitoring programmes				
	JRS International	Sudan	361,508	348,750
		Burundi	370,701	323,958
		Central African Republic	366,466	329,083
		South Africa	375,658	310,042
		Other costs that can be imputed to the projects	-	162,500
	JRS LAC	Colombia, Ecuador, Panama, Venezuela	333,334	333,333
	MSF	India	500,000	500,000
		Morocco	300,000	300,000
		Somalia	700,000	700,000
		Total monitoring programmes		
Network of universities			715,509	1,209,762
Sponsorship and patronage	Culture		419,975	1,215,145
	Sport		226,667	160,197
	Training		546,537	380,282
	Business promotion		116,978	105,991
	Health		167,180	478,938
	Social assistance		2,037,086	2,569,112
	Total sponsorship			3,514,423
Job creation programmes	Caritas Spain		1,000,000	-
Total (*)			11,239,472	11,294,029
Emergencies	Colombia Earthquake		-	74,178
	MSF Ethiopia		1,000,000	-
	Japanese Red Cross		1,000,000	-
	MSF Emergency Unit		300,000	-
	Total emergencies (**)			2,300,000
TOTAL			13,539,472	11,368,207

(\*) This sum corresponds to recurring social investment, and excludes investment targeting emergency programmes. This is so that comparisons between fiscal years can be done.

(\*\*) Given the non-recurrent nature of the social investment linked to emergencies, its comparative evolution is offered independently.



## Company cash flow

(millions of Euros)	2011 Financial Year	2010 Financial Year
Net cash received for sale of products and services	13,793	12,527
Cash flow received from financial investments	30	21
Cash received for sales of assets	0	0
<b>Total value-added cash flow</b>	<b>13,823</b>	<b>12,548</b>
<b>Distribution of value-added cash flow</b>		
Employee wages	2,234	2,009
Dividends paid out to shareholders	1,004	751
Tax payments	693	508
Financial debt return	37	67
Corporate social investment	14	11
Cash withheld for future growth	19	984
External payments made outside the group for purchasing goods, raw materials and services	8,473	7,463
Payments made for investments in new productive assets	1,349	754
<b>Total distribution of value-added cash flow</b>	<b>13,823</b>	<b>12,548</b>

# Shareholders



# Introduction



## Relationship with shareholders

### 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 60,341 shareholders according to data from form X-25 which the company requested from Iberclear for the 2011 Ordinary General Shareholders Meeting. Of these 50,304 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	%
Individuals	18,330,559	2.94%
Institutional investors	235,399,778	37.76%
Partler 2006 SL	57,872,465	9.28%
Gartler SL	311,727,598	50.01%
<b>Total</b>	<b>623,330,400</b>	<b>100%</b>

Among its operating principles, Inditex includes compliance with a policy of transparency with communication channels and maintenance of those channels. It guarantees that all of its current and potential shareholders have clear, complete, homogeneous and simultaneous information, adequate for evaluating company management and its economic and financial results. The Rules of the Board set down, in Article 41, a series of measures which regulate the relations with the shareholders.

### Shareholders' Office

Any individual shareholder can visit the Shareholders' Office to request detailed information on the performance of the business and future strategy. Through this channel individual shareholders can formulate any request for information that they deem relevant on the performance of Inditex. The Shareholders' Office dealt with more than 900 petitions from individual investors during 2011.

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 process of the taking of decisions by the Group's highest governing body.

### Corporate website

The corporate website includes all the relevant information for shareholders and investors and is a vehicle of communication with shareholders, providing them with current information on all significant aspects of the Group.

Any user can gain access to the corporate website to view daily and historical share pricing, Inditex annual public reports since 1998, financial information registered in the Spanish National Securities Market Commission (CNMV) via Periodic Public Information, and the financial calendar, among other things.

In 2011, the section on information for shareholders and investors on the corporate website received 499,624 visits.

In addition to the corporate website, [www.inditex.com](http://www.inditex.com), there are Group websites for each of the following store formats:

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

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

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

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

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

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

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

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

## Department of Relations with Investors and Analysts

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— Some 50 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 10,100 institutional investors, holding 37.76% of corporate capital, play a key role in formation of the share price and liquidity.

Relevant information on the performance of the business is communicated quarterly to the CNMV, to shareholders and the financial community, as well as to the media, with special attention paid to those specializing in economic information. This relevant information includes the Balance Sheet, P&L Account and Management Report.

This same procedure is followed with information relating to events that affect the performance of the business. This information is accessible immediately on the corporate website and is distributed to a database of investors and analysts with more than 1,200 records.

For institutional investors, Inditex complements this information each quarter with freely accessible multiconferences through internet and telephone, explaining quarterly results and performance of the business.

It is important to mention the presentations of annual results to analysts and investors in London and Madrid, with an audience of some 80 persons. The company also holds information meetings in the principal financial capitals and in visits to corporate facilities.

## Activities with institutional investors

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### Road shows

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Inditex holds two annual road shows where it presents the results of the first semester (spring-summer season) and the entire 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.

### Sector Conferences

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Other forums for communication with investors are the sector conferences organised by financial institutions. Inditex participates in the principle events held in Europe, each having an average attendance of 50 leading institutional investors.

### Individual meetings

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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.

### Investor visits to corporate facilities

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There are also many visits to Inditex facilities from institutional investors. The purpose of these visits is to gain a deeper knowledge of our organisation, its business model, and corporate strategy. Throughout 2011, meetings have been held with approximately 75 institutional investors from all over the world. 100 videoconferences and multiconferences were also held.

## Inditex in the sustainability indexes

In 2001 Inditex was added to the Dow Jones Sustainability index and two years later to the FTSE4Good, proof of the soundness of its Social Responsibility policy. Since then it has maintained its place on those indexes and earned growing valuations with respect to its labour practices and suppliers.

As a prerequisite for entry, and for subsequent listing on the above-mentioned indexes, the participants must undergo a rigorous analysis and selection process led by an independent external agency. This analysis evaluates the quality of management at companies in areas related to corporate governance, risk management and branding, employment practices and environmental actions, among others.

### FTSE4Good

Inditex has been a member of FTSE4Good for the last nine years. It is a stock exchange sustainability index that includes the most committed multinational companies in the field of corporate responsibility. The Ethical Investment Research Service (EIRiS) provides the analyses of companies on this index. Those analyses evaluate various environmental and social aspects as well as corporate governance. In its most recent evaluation EIRiS awarded Inditex a global rating of 4.3 out of 5.

### Dow Jones Sustainability

In its 2011 evaluation, the Dow Jones Sustainability Indexes (DJSI) awarded Inditex its Silver Class rating for the general retailers sector which includes more than 80 companies.

Inditex improved its DJSI World and DJSI Europe positions with nine percentage points, from 76% to 85% as compared to the average score of 48% of the companies which make up the index.

**In 2011 Inditex receives a DJSI score of 85% as compared to the index average of 48%**

## Results obtained by Inditex in the DJSI evaluations

	2011		2010	
	Inditex score (%)	Average score (%)	Inditex score (%)	Average score (%)
<b>Total</b>	<b>85</b>	<b>48</b>	<b>76</b>	<b>45</b>

### Dimensions studied

Economic	80	49	66	45
Environmental	95	44	89	41
Social	83	50	78	47

### Environmental dimension

#### Criteria

Packaging	95	57	87	48
Environmental Report	89	47	57	42
Operational Eco-efficiency	94	100	100	27
Environmental policy/Management System	95	100	92	49

### Social dimension

#### Criteria

Employment practices	74	57	74	61
Development of human capital	61	35	55	29
Gaining and retaining talent	59	37	60	36
Philanthropy	90	28	86	27
Company Report	96	46	56	40
Standards for suppliers	99	66	99	61
Commitment to interest groups	100	59	100	55

## Inditex corporate governance

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### Introduction

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Generally, there is a tendency to define Corporate Governance as the way in which companies are organised, managed and controlled. In this context, good corporate governance refers to the administrators and managers responsible for governance acting diligently, ethically and transparently in performing their functions.

Article 5.4. of the Regulations of the Board of Directors of Inditex says that *"The Board of Directors shall perform its functions in accordance with the corporate interest, defined as the long-term viability and maximization of the value of the company in the common interest of all shareholders, which should not impede other legitimate public or private interests being taken into consideration as they affect the performance of company activity and especially those that affect other stakeholders in the company: employees, customers, suppliers and society in general. The Board will determine and review the company's business and financial strategies in the light of this principle, attempting to establish a reasonable balance between the chosen proposals and the risks taken."* The maximization of company value may therefore only be understood as the continuous creation of value for each and every stakeholder: employees, shareholders, customers, business partners, suppliers and civil society in general, i.e. a model of a socially responsible company involved in a continuous two-way dialogue that benefits every related agent.

So the concept of good corporate governance becomes a necessary instrument to meet the objective of long-term total net wealth creation, which is achieved by management acting ethically and transparently, while being subject to internal and external verification and control.

Such good corporate governance is an element of corporate social responsibility, understood in its widest sense, and thus becomes a strategic instrument for company efficiency to achieve competitive advantages in conjunction with social action and social responsibility in the strictest sense and with environmental sustainability.

As such, the Annual Corporate Governance Report (ACGR) approved by the Inditex Board of Directors, in accordance with the legally established model, is designed as a document that provides complete and reasoned information on the company's governance structure and practices. This enables the market and stakeholders to form a faithful image and complete, well-founded judgement of the corporate governance of the Inditex Group and regarding the degree to which the recommendations of good governance approved to this effect have been observed.

## Corporate governance regulations

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They consist of:

- Social Statutes, approved by the General Shareholders' Meeting in July 2000, with various subsequent modifications, the most recent having been approved by the General meeting held 19 July 2011.

- Regulations for the General Shareholders' Meeting, approved by this body at its 18 July 2003 meeting and modified at General Meetings in subsequent years. The most recent modification of this regulation was approved at the General Meeting held 19 July 2011.

- Regulations for the Board of Directors, approved by the Board of Directors in July 2000. After various modifications, the most recent was approved by this body at its 13 July 2010 meeting.

- Internal Regulations for Conduct for Inditex and its company group with regard to subjects related to the Securities Markets, approved by the Board of Directors in July 2000, it was written at the Board of Directors meeting held 13 June 2006.

- Internal Code of Conduct and Code of Conduct for Inditex External Manufacturers and Suppliers, approved by the Board of Directors on 23 February 2001, the latter being rewritten at the meeting of the 17 July 2007.

- Internal Directive on Responsible Staff Practices for the Inditex Group, approved by the Board of Directors on 13 June 2006.

During 2011, Inditex has continued with practical application and consolidation of the changes made to the above-mentioned standard so as to adapt it to the Unified Code of Good Governance, maintaining nearly complete compliance with recommendations of the cited Code.

For these reasons the Company Articles of Incorporation and Regulations for the General Meeting are being adapted to the newly revised text of the new Corporate Law. Likewise, modifications to the form and content of the announcement for the General Shareholders' Meeting is being modified in the Articles of Incorporation. The functions of the Audit and Control Committee are being adapted to the new text of resolution 18 of the Securities Market Law and the content of the web page adapted in order to improve shareholder information.

## Corporate Governance bodies and mechanisms

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Inditex corporate governance is carried out through the following institutional and operational bodies and mechanisms:



1.- The General Shareholders Meeting.- Inditex practices the principle of "one share, one vote". Attendance at General Meetings is not conditioned by the possession of a minimum number of shares and there are no blocking provisions in the Articles of Incorporation. This results in the optimum degree of good governance.

2.- The Board of Directors.- Being made up of an Executive Director Representing Controlling Shareholders, who is Chairman and founder of the company, two executive directors, a director representing controlling shareholders, and six independent directors, to the extent that they are all people of professional prestige and completely separate from the executive team and main shareholders, the percentage majority of independent directors is proportionally much greater than would be expected considering the company's floating capital. During the five meetings held throughout the year, the Board of Directors, in addition to other business, accepted the matters dealt with by the Audit and Control Committee and the Appointments and Remuneration Commission, analysed and approved the results that the company is regularly required to provide to the market and its supervisory bodies, approved the Annual Corporate Governance Report for the year 2010 and the Triple Report as well as the Report on the remuneration policy for the Board of Directors itself.

3.- The Audit and Control Committee.- Exceeding legal requirements as well as its own recommendations, this Committee is made up of six directors, all independent as explained above. During 2011, it met on five occasions and, as well as examining the results of the company and the information supplied to the market, it considered such relevant issues for good governance as the protection and supervision of the Inditex Group Internal Audit function, the identification and evaluation of threats to the Group, and the analysis of the annual report presented by the Ethics Committee.

4.- Appointments and Remuneration Commission.- This commission is also made up of six independent directors. During the fiscal year it held five meetings where it analysed and reported on, among other matters, the appointment

of managers, the appointment of the new Chairman of the Board of Directors and his executive committee being especially important, as well as transactions with related parties and the human resources policy of the company.

5.- The Regulatory Compliance Committee and Management.- Reporting directly to the Audit and Control Committee, the Regulatory Compliance Committee, made up of the company's Chairman and Chief Executive who is also Chairman of this Body, the General Secretary who is also the Regulatory Compliance Manager, the Capital Markets Manager, and the Human Resources Manager, has the general function of promoting knowledge of, and ensuring compliance with, the Internal Regulations for Conduct for Inditex and its Group of companies in matters relating to the Securities Market. During the year, it met on two occasions with regard to specific Inditex share transactions.

6.- The Ethics Committee.- During its fifth year, this Committee, made up of the General Secretary and the Regulations Compliance Manager, the Human Resources Manager, and the Corporate Social Responsibility Manager, supervised the application by Inditex Staff of the Code of Conduct and the Responsible Practices Directive, an instrument designed to ensure the professional, ethical and responsible behaviour of its employees in carrying out company activities in any part of the world.

## Transparency and Information

Good governance requires stakeholders to have regular, prompt access to relevant, adequate and reliable information, both in relation to the rules and practice of governance and to the results achieved.

To do this, and in order to provide maximum corporate transparency, the company, in addition to including all relevant information and communications on its corporate website, kept the market informed as necessary throughout 2011 by sending out relevant market releases and the activities with institutional investors.



Annual General Meeting held at the company's headquarters in Arteixo (A Coruña) in July 2011.

# Economic and financial report

(Free translation from the original in Spanish. In the event of  
discrepancy, the Spanish-language version prevails.)



KPMG Auditores S.L.  
Calle de la Fama, 1  
15001 A Coruña

### Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy,  
the original Spanish language version prevails)

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

We have audited the consolidated annual accounts of Industria de Diseño Textil, S.A. (the 'Company') and subsidiaries (the Group), which comprise the consolidated balance sheet at 31 January 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As specified in the introduction to the accompanying consolidated annual accounts, the Company's directors are responsible for the preparation of the consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for the year ended 31 January 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiaries at 31 January 2012, and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the applicable legislation governing financial information.

The accompanying consolidated directors' report for the year ended 31 January 2012 contains such explanations as the directors of Industria de Diseño Textil, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for the year ended 31 January 2012. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Industria de Diseño Textil, S.A. and subsidiaries.

KPMG Auditores, S.L.

*(Signed on the original in Spanish)*

Enrique Asla

22 de marzo de 2012

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N.I.F. B-78510153

## INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS 31 January 2012

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1. CONSOLIDATED INCOME STATEMENT
2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
3. CONSOLIDATED BALANCE SHEET
4. CONSOLIDATED STATEMENT OF CASH FLOWS
5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
6. NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS
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  - 6.6. Other net operating income/(losses)
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### APPENDIX I - STRUCTURE OF THE INDITEX GROUP



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

## 1. Consolidated income statement

(in thousands of euros)	Notes	2011	2010
Net sales	(3)	13,792,612	12,526,595
Cost of sales	(4)	(5,612,216)	(5,104,573)
<b>GROSS MARGIN</b>		<b>8,180,396</b>	<b>7,422,022</b>
		59,3%	59,3%
Operating expenses	(5)	(4,919,328)	(4,452,211)
Other expenses and income, net	(6)	(3,396)	(3,604)
<b>OPERATING PROFIT (EBITDA)</b>		<b>3,257,672</b>	<b>2,966,207</b>
Amortisation and depreciation	(12,13,14)	(735,666)	(675,738)
<b>OPERATING PROFIT (EBIT)</b>		<b>2,522,006</b>	<b>2,290,469</b>
Financial results	(7)	37,006	31,116
<b>INCOME BEFORE TAXES</b>		<b>2,559,012</b>	<b>2,321,585</b>
Income tax	(23)	(613,480)	(580,305)
<b>NET INCOME</b>		<b>1,945,532</b>	<b>1,741,280</b>
Net income attributable to non-controlling interest		13,244	9,451
<b>NET INCOME ATTRIBUTABLE TO THE PARENT</b>		<b>1,932,288</b>	<b>1,731,829</b>
<b>EARNINGS PER SHARE, euro cents</b>	(8)	<b>310,0</b>	<b>277,9</b>

## 2. Consolidated statement of comprehensive income

(in thousands of euros)	2011	2010
<b>Net income</b>	<b>1,945,532</b>	<b>1,741,280</b>
<b>Other comprehensive income</b>		
Translation differences related to foreign operations	47,233	61,282
Cash flow hedges	39,915	(40,864)
Other income and expenses recognized directly in equity	2,723	38,860
Tax effect	(11,975)	12,259
<b>Total comprehensive income for the year</b>	<b>2,023,428</b>	<b>1,812,817</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent	2,012,041	1,804,748
Non-controlling interests	11,387	8,069
<b>Total comprehensive income for the year</b>	<b>2,023,428</b>	<b>1,812,817</b>

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

## 3. Consolidated balance sheet

(in thousands of euros)	Notes	31-01-12	31-01-11
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>		<b>5,437,289</b>	<b>5,202,512</b>
Cash and cash equivalents	(19)	3,466,752	3,433,452
Trade and other receivables	(10)	531,048	481,844
Inventories	(11)	1,277,009	1,214,623
Other financial assets	(26)	50,684	81
Income tax receivable	(23)	17,235	16,958
Other current assets		94,561	55,554
<b>NON-CURRENT ASSETS</b>		<b>5,521,889</b>	<b>4,623,568</b>
Property, plant and equipment	(12)	4,063,066	3,397,083
Investment property	(13)	19,807	17,354
Rights over leased assets	(14)	499,960	526,306
Other intangible assets	(14)	114,148	29,444
Goodwill	(15)	218,094	131,685
Financial investments	(16)	9,501	8,921
Deferred tax assets	(23)	356,372	299,350
Other	(17)	240,941	213,425
<b>TOTAL ASSETS</b>		<b>10,959,178</b>	<b>9,826,079</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>		<b>2,702,774</b>	<b>2,674,907</b>
Trade and other payables	(18)	2,475,140	2,419,583
Financial debt	(19)	686	2,682
Other financial liabilities	(26)	22,880	39,274
Income tax payable	(23)	204,068	213,368
<b>NON-CURRENT LIABILITIES</b>		<b>800,827</b>	<b>728,005</b>
Financial debt	(19)	1,544	4,172
Deferred tax liabilities	(23)	182,531	172,648
Provisions	(20)	147,318	156,610
Other non-current liabilities	(21)	469,434	394,575
<b>EQUITY</b>		<b>7,455,577</b>	<b>6,423,167</b>
Net equity attributable to the parent		7,414,806	6,386,183
Net equity attributable to non-controlling interest		40,771	36,984
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,959,178</b>	<b>9,826,079</b>

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

## 4. Consolidated statement of cash flows

(in thousands of euros)	2011	2010
<b>Income before taxes and non-controlling interest</b>	<b>2,559,012</b>	<b>2,321,585</b>
<b>Adjustments to income</b>		
Amortisation and depreciation	692,621	636,281
Foreign exchange translation differences	(29,218)	(29,681)
Provisions for impairment	41,181	61,175
Other	42,437	58,601
<b>Income tax</b>	<b>(693,201)</b>	<b>(508,000)</b>
<b>Funds from operations</b>	<b>2,612,832</b>	<b>2,539,962</b>
<b>Changes in assets and liabilities</b>		
Inventories	(56,663)	(227,080)
Receivables and other current assets	(80,100)	(119,680)
Current payables	(67,408)	363,011
<b>Changes in working capital</b>	<b>(204,171)</b>	<b>16,251</b>
<b>Cash flows from operating activities</b>	<b>2,408,661</b>	<b>2,556,213</b>
Investments in intangible assets	(121,807)	(74,190)
Investments in property, plant and equipment	(1,081,867)	(616,551)
Acquisition of businesses	(105,718)	0
Acquisition of other financial investments	(12,597)	(25,845)
Investments in other assets	(26,747)	(37,294)
<b>Cash flows from investing activities</b>	<b>(1,348,736)</b>	<b>(753,879)</b>
Decrease in repayment of non-current financial debt	(23,223)	(824)
Decrease in drawdowns on non-current non-financial debt	(107)	(33,455)
Decrease in repayment of current financial debt	(14,212)	(32,459)
Dividends	(1,003,877)	(751,357)
Other financing activities	617	(667)
<b>Cash flows used in financing activities</b>	<b>(1,040,803)</b>	<b>(818,761)</b>
Net increase in cash and cash equivalents	19,122	983,573
Effect of exchange rate fluctuations on cash and cash equivalents	14,178	29,769
Cash and cash equivalents at the beginning of the year	3,433,452	2,420,110
<b>Cash and cash equivalents at the end of the year</b>	<b>3,466,752</b>	<b>3,433,452</b>

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

## 5. Consolidated statement of changes in equity

## Consolidated statement of changes in equity

	Capital	Share premium	Retained earnings	Other reserves	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interest	Total equity
<b>Balance at 1 February 2010</b>	93,500	20,379	5,288,927	54,489	(617)	(137,094)	9,582	5,329,166	41,380	5,370,546
Profit for the year	-	-	1,731,829	-	-	-	-	1,731,829	9,451	1,741,280
Transfers	-	-	(7,944)	-	-	7,944	-	0	(8,839)	(8,839)
Other comprehensive income for the year	-	-	40,242	-	-	61,282	(28,605)	72,919	(1,382)	71,537
Translation differences related to foreign operations	-	-	-	-	-	61,282	-	61,282	-	61,282
Cash flow hedges	-	-	-	-	-	-	(28,605)	(28,605)	-	(28,605)
Other income and expenses recognized directly in equity	-	-	40,242	-	-	-	-	40,242	(1,382)	38,860
Operations with equity holders or owners	-	-	(747,731)	-	-	-	-	(747,731)	(3,626)	(751,357)
Share-based payments	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	(747,731)	-	-	-	-	(747,731)	(3,626)	(751,357)
<b>Balance at 31 January 2011</b>	93,500	20,379	6,305,323	54,489	(617)	(67,868)	(19,023)	6,386,183	36,984	6,423,167
<b>Balance at 1 February 2011</b>	93,500	20,379	6,305,323	54,489	(617)	(67,868)	(19,023)	6,386,183	36,984	6,423,167
Profit for the year	-	-	1,932,288	-	-	-	-	1,932,288	13,244	1,945,532
Transfers	-	-	0	-	-	0	-	0	(874)	(874)
Other comprehensive income for the year	-	-	4,580	-	-	47,233	27,941	79,754	(1,857)	77,896
Translation differences related to foreign operations	-	-	-	-	-	47,233	-	47,233	-	47,233
Cash flow hedges	-	-	-	-	-	-	27,941	27,941	-	27,941
Other income and expenses recognized directly in equity	-	-	4,580	-	-	-	-	4,580	(1,857)	2,723
Operations with equity holders or owners	-	-	(984,035)	-	617	-	-	(983,418)	(6,725)	(990,143)
Share-based payments	-	-	13,117	-	617	-	-	13,734	-	13,734
Dividends	-	-	(997,152)	-	-	-	-	(997,152)	(6,725)	(1,003,877)
<b>Balance at 31 January 2012</b>	93,500	20,379	7,258,155	54,489	0	(20,635)	8,918	7,414,806	40,771	7,455,577



## 6. Notes to the consolidated annual accounts of the Inditex Group as at 31 January 2012

The consolidated annual accounts of the Inditex Group for the year ended 31 January 2012 have been prepared by the board of directors of the Company and will be submitted for approval at the corresponding annual general shareholders' meeting. The directors consider that the consolidated annual accounts will be approved without any changes. These annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) adopted by the European Union (EU-IFRS) 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 2011 will hereinafter be referred to as "2010", the period ended 31 January 2012 as "2011", and so on.

Unless otherwise stated, the amounts shown in the consolidated annual accounts are expressed in thousands of euros. The euro is the Company's functional and presentation currency.

The individual annual accounts of the parent company (Inditex) for 2011 have been prepared by the board of directors in a separate document.

The consolidated annual accounts for 2011 are expected to be approved by the shareholders at their annual general meeting without changes. The consolidated annual accounts for 2010 were approved by the shareholders at their annual general meeting held on 19 July 2011.

These consolidated annual accounts present fairly the consolidated equity, financial position and changes in equity of the Inditex Group as at 31 January 2012, as well as the results of its operations and cash flows for the year then ended.

The consolidated annual accounts for 2011 have been prepared on the basis of the accounting records of Inditex and the remaining group companies.

These consolidated annual accounts have been prepared on a historical cost basis, except for derivative financial instruments, which are stated at fair value.

The preparation of consolidated annual accounts requires Inditex Group management to make judgments and estimates that affect the amounts recognized in the consolidated annual accounts. Estimates are constantly revised and based on historical experience,

the determination of discount rates, forecast trends in expected events and future cash flows. These estimates essentially refer to determining the useful lives of property, plant and equipment, measuring the impairment of assets in stores (notes 12 and 14), measuring goodwill impairment (note 15), determining the recoverability of tax loss carryforwards of group subsidiaries located abroad (note 23) and calculating provisions related to the outcome of litigation proceedings and other potential liabilities for the Group (note 20).

Although these estimates have been made on the basis of the best information available on the matters analyzed at the time of preparing these consolidated annual accounts, it is possible that events may take place in the future which could make it necessary to amend, increase or decrease these estimates in future accounting periods, which would be carried out prospectively, recognizing the effects of the change in the estimation of the corresponding future consolidated annual accounts.

The basis of consolidation and accounting principles applied are explained in note 32.

### 6.1 Activity and description of the Group

Industria de Diseño Textil, S.A. (hereinafter Inditex), which has its registered offices at Avenida de la Diputación s/n Edificio Inditex, Arteixo (A Coruña, Spain), 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 domiciled in Spain, 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 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. 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.

Inditex's business model is characterized by the search for flexibility in adapting production to market demand by controlling the supply chain throughout the different stages of design, manufacture and distribution. 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 2012 the different Group formats have stores in 82 countries, as follows:

#### Number of stores

	Company managed	Franchises	Total
Spain	1,898	34	1,932
Rest of Europe	2,199	115	2,314
America	349	76	425
Rest of the World	408	448	856
<b>Total</b>	<b>4,854</b>	<b>673</b>	<b>5,527</b>

At 31 January 2011, the geographical distribution of stores was as follows:

#### Number of stores

	Company managed	Franchises	Total
Spain	1,888	37	1,925
Rest of Europe	1,882	204	2,086
America	325	70	395
Rest of the World	239	399	638
<b>Total</b>	<b>4,334</b>	<b>710</b>	<b>5,044</b>

The majority of store premises are held under operating leases. Information on the main terms of lease contracts is provided in note 24.

## 6.2 Business combinations

On 27 April 2011 the Group acquired 100% of the share capital of Delta Still, Delta B Fashion, Delta S Fashion, Delta P Fashion, Delta M Fashion, Delta O Fashion and Moda Mond, which held the franchises for Zara, Bershka, Stradivarius, Pull&Bear, Massimo Dutti and Oysho in Serbia and Montenegro, for euros 15,800 thousand. This amount was paid in cash.

The purpose of this acquisition is to consolidate the Group's commercial presence in Serbia and Montenegro.

Details of the assets acquired and liabilities assumed are as follows:

	Amount
Tangible fixed assets	6,091
Cash and equivalents	5,601
Trade and other receivables	1,462
Inventories	4,482
Trade and other payables	13,819
<b>Total net assets</b>	<b>3,817</b>

The sales revenues contributed since 27 April 2011 by the franchises acquired by the Group amount to euros 35,137 thousand, while the profit generated totals euros 3,273 thousand.

Had the aforementioned franchises been consolidated since 1 February 2011, the sales revenues and profit contributed would have been euros 48,171 thousand and euros 20,670 thousand, respectively.

The goodwill generated on this business combination amounts to euros 12,197 thousand and is primarily attributable to the value of the network of stores acquired and to the synergies expected from their integration into the Group.

On 3 November 2011 the Group acquired 100% of the share capital of M&D Benelux, N.V. for euros 30,000 thousand. This company holds the franchises for Massimo Dutti in Belgium and Luxembourg. This amount was paid in cash.

The purpose of this acquisition is to consolidate the Group's commercial presence in Belgium.

Details of the assets acquired and liabilities assumed are as follows:

	Amount
Intangible fixed assets	202
Tangible fixed assets	12,557
Trade and other receivables	493
Inventories	7,532
Other current assets	389
Long term debts	6,508
Short term debts	4,767
Trade and other payables	6,915
<b>Total net assets</b>	<b>2,983</b>

The sales revenues included in the consolidated income statement since 3 November 2011 contributed by Massimo Dutti Belgium amount to euros 14,296 thousand and the loss incurred totals euros 1,780 thousand.

Had Massimo Dutti Belgium been consolidated since 1 February 2011, the sales revenues and loss contributed would have been euros 51,259 thousand and euros 2,042 thousand, respectively.

As a result of the valuation of the lease contracts of the commercial premises operated by the acquiree, the Group has capitalized an amount of euros 10,094 thousand under "Other intangible assets", which will be recognized as an increase in rental costs over the remaining term of the lease contract.

The goodwill generated on this business combination amounts to euros 19,921 thousand and is primarily attributable to the value of the network of stores acquired and to the synergies expected from their integration into the Group.

On 25 January 2012 the Group acquired 100% of the share capital of MD Portugal for euros 73,000 thousand. This company, in turn, holds 100% of the share capital of Italco Moda Italiana, the franchise holder for Massimo Dutti in Portugal. This amount was paid in cash.

The purpose of this acquisition is to consolidate the Group's commercial presence in Portugal.

Details of the assets acquired and liabilities assumed are as follows:

	Amount
Intangible fixed assets	691
Tangible fixed assets	8,606
Other non current assets	243
Cash and equivalents	8,291
Trade and other receivables	7,189
Inventories	8,166
Other current assets	66,264
Long term debts	12,578
Short term debts	3,838
Trade and other payables	70,536
<b>Total net assets</b>	<b>12,499</b>

The sales revenues included in the consolidated income statement since 26 January 2012 contributed by Massimo Dutti Portugal amount to euros 742 thousand and the profit generated totals euros 4 thousand.

Had Massimo Dutti Portugal been consolidated since 1 February 2011, the sales revenues and loss contributed would have been euros 75,156 thousand and euros 805 thousand, respectively.

As a result of the valuation of the lease contracts of the commercial premises operated by the acquiree, the Group has capitalized an amount of euros 15,240 thousand under other intangible assets, which will be recognized as an increase in rental costs over the remaining term of the lease contract.

The goodwill generated on this business combination amounts to euros 51,357 thousand and is primarily attributable to the value of the network of stores acquired and to the synergies expected from their integration into the Group.

## 6.3 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 2011 and 2010 are as follows:

	2011	2010
Net sales in company-managed stores	12,601,344	11,465,693
Net sales to franchises	1,050,371	915,284
Other sales and services rendered	140,897	145,618
<b>Total</b>	<b>13,792,612</b>	<b>12,526,595</b>

## 6.4 Cost of sales

Details for 2011 and 2010 are as follows:

	2011	2010
Raw materials and consumables	5,674,602	5,326,626
Change in inventories	(62,386)	(222,053)
<b>Total</b>	<b>5,612,216</b>	<b>5,104,573</b>

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

## 6.5 Operating expenses

Details of operating expenses are as follows:

	2011	2010
Personnel expenses	2,234,178	2,009,429
Operating leases (note 24)	1,398,732	1,272,076
Other operating expenses	1,286,418	1,170,706
<b>Total</b>	<b>4,919,328</b>	<b>4,452,211</b>

At 31 January 2012 the Group had a total of 109,512 employees, of which 86,144 were female and 23,368 male (100,138 employees at 31 January 2011, of which 79,079 were female and 21,059 male). Note 27 (employee benefits) provides additional information on personnel expenses.

Lease expenses mainly relate to the rental, through operating leases, of the Group's commercial premises. Note 24 provides more detailed information on the main terms of these leases, together with the related minimum future payment commitments.

"Other operating expenses" mainly include expenses relating to store operations, logistics and general overheads, such as electricity, commissions on credit and debit card payments, travel, decoration expenses, communications and all kinds of professional services.

## 6.6 Other net operating income/(losses)

This caption includes all operating expenses and income other than those associated with the Group's commercial and logistics activity, which are included under "Operating expenses" in the consolidated income statement, as described in the previous note.

## 6.7 Financial results

Details of "Financial results" in the consolidated income statements for 2011 and 2010 are as follows:

	2011	2010
Interest income	30,237	21,026
Foreign exchange gains	24,315	21,909
Dividends	147	231
<b>Total income</b>	<b>54,699</b>	<b>43,166</b>
Interest expense	(3,672)	(3,562)
Other financial expenses	(10,186)	-
Foreign exchange losses	(3,835)	(8,489)
<b>Total expenses</b>	<b>(17,693)</b>	<b>(12,050)</b>
<b>Total</b>	<b>37,006</b>	<b>31,116</b>

Financial income and expenses mainly comprise interest accrued on the Group's financial assets and liabilities during the year (see note 19). Net foreign exchange differences are principally due to fluctuations in the currencies with which the Group operates (see note 26) 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 was calculated by dividing net profit for the year attributable to the parent company 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 totaled 623,227,952 in 2011 and 623,109,136 in 2010.

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. No transactions in the accompanying consolidated annual accounts have a potential dilution effect on earnings per share.

## 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 organisation of the Inditex Group, the decision-making process and the system for communicating information to the board of directors and group management are organised by commercial format and geographical areas.

Details of Inditex Group segment reporting are as follows:

### FY 2011

	Zara	Bershka	Other	Totales
Sales to third parties	8,937,545	1,316,477	3,538,590	13,792,612
Segment result	1,725,303	158,801	637,902	2,522,006
Amortisation and depreciation	469,691	80,326	185,649	735,666
Segment total assets	7,078,692	823,776	3,056,710	10,959,178
ROCE	32%	38%	56%	37%

<b>Number of stores</b>	<b>1,830</b>	<b>811</b>	<b>2,886</b>	<b>5,527</b>
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### FY 2010

	Zara	Bershka	Other	Totales
Sales to third parties	8,088,349	1,246,602	3,191,644	12,526,595
Segment result	1,534,088	197,221	559,160	2,290,469
Amortisation and depreciation	435,435	61,802	178,500	675,737
Segment total assets	6,392,750	894,282	2,539,047	9,826,079
ROCE	34%	52%	58%	39%

<b>Number of stores</b>	<b>1,723</b>	<b>720</b>	<b>2,601</b>	<b>5,044</b>
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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.

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.

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).



## 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**

	2011	2010
Spain	3,754,572	3,685,320
Other	10,038,040	8,841,275
Rest of Europe	6,414,737	5,907,091
America	1,650,355	1,440,959
Asia and rest of the world	1,972,948	1,493,225
<b>Total</b>	<b>13,792,612</b>	<b>12,526,595</b>

**Non-current assets**

	31/01/12	31/01/11
Spain	2,035,680	1,891,981
Other	3,129,836	2,432,237
Rest of Europe	1,987,675	1,831,082
America	521,101	250,304
Asia and rest of the world	621,060	350,851
<b>Total</b>	<b>5,165,516</b>	<b>4,324,218</b>

## 6.10 Trade and other receivables

Details at 31 January 2012 and 2011 are as follows:

	31/01/12	31/01/11
Trade receivables	106,003	89,884
Sales to franchisees	110,061	112,218
Public entities	261,959	232,070
Other current receivables	53,025	47,672
<b>Total</b>	<b>531,048</b>	<b>481,844</b>

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried out through franchised stores (see note 1). Sales to franchisees are made under agreed collection terms, which are partially secured as described in note 26.

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.

## 6.11 Inventories

Details at 31 January 2012 and 2011 are as follows:

	31/01/12	31/01/11
Raw materials and consumables	42,614	42,677
Goods in process	25,804	25,768
Finished goods for sale	1,208,592	1,146,178
<b>Total</b>	<b>1,277,009</b>	<b>1,214,623</b>

The Group contracts insurance policies to cover the potential risk of damage to its inventory.

## 6.12 Property, plant and equipment

Details of property, plant and equipment in the consolidated balance sheet and related changes are as follows:

	Land and buildings	Leasehold improvements, machinery and furniture	Other plant and equipment	Work in progress	Total
<b>Cost</b>					
Balance at 01/02/2010	981,321	4,747,453	225,313	122,353	6,076,440
Acquisitions	152,024	481,529	37,055	45,738	716,345
Disposals	(1,930)	(122,644)	(4,675)	(2,975)	(132,224)
Transfers	5,752	27,036	2,155	(39,031)	(4,088)
Foreign exchange translation	653	60,631	2,120	664	64,068
<b>Balance at 31/01/2011</b>	<b>1,137,819</b>	<b>5,194,006</b>	<b>261,968</b>	<b>126,749</b>	<b>6,720,542</b>
Balance at 01/02/2011	1,137,819	5,194,006	261,968	126,749	6,720,542
Acquisitions	202,713	596,507	50,619	352,181	1,202,020
Acquisitions of new companies	100	69,145	962	454	70,661
Disposals	(13,069)	(176,513)	(24,187)	(4,158)	(217,926)
Transfers	47,807	58,850	1,918	(55,028)	53,548
Foreign exchange translation	4,028	51,507	1,555	13,109	70,199
<b>Balance at 31/01/2012</b>	<b>1,379,399</b>	<b>5,793,501</b>	<b>292,836</b>	<b>433,307</b>	<b>7,899,043</b>
<b>Depreciation and amortisation</b>					
Balance at 01/02/2010	249,050	2,349,991	129,882	-	2,728,923
Depreciation charge for the year	74,257	453,299	43,635	-	571,191
Disposals	(661)	(84,761)	(4,254)	-	(89,676)
Transfers	2,032	109	(1)	-	2,140
Foreign exchange translation	2,616	26,504	1,218	-	30,338
<b>Balance at 31/01/2011</b>	<b>327,294</b>	<b>2,745,142</b>	<b>170,480</b>	<b>0</b>	<b>3,242,916</b>
Balance at 01/02/2011	327,294	2,745,142	170,480	0	3,242,916
Depreciation charge for the year	95,773	459,417	32,545	-	587,735
Acquisitions of new companies	572	34,214	1,445	-	36,231
Disposals	(8,182)	(139,447)	(23,407)	-	(171,036)
Transfers	9,811	18,602	(23,610)	-	4,803
Foreign exchange translation	5,148	14,973	541	-	20,662
<b>Balance at 31/01/2012</b>	<b>430,415</b>	<b>3,132,902</b>	<b>157,994</b>	<b>0</b>	<b>3,721,310</b>
<b>Impairment losses (note 31.2-g)</b>					
Balance at 01/02/2010	-	53,982	-	-	53,982
Depreciation charge for the year	-	46,215	-	-	46,215
Applications	-	(11,851)	-	-	(11,851)
Disposals	-	(7,625)	-	-	(7,625)
Transfers	-	(178)	-	-	(178)
<b>Balance at 31/01/2011</b>	<b>0</b>	<b>80,543</b>	<b>0</b>	<b>0</b>	<b>80,543</b>
Balance at 01/02/2011	0	80,543	0	0	80,543
Depreciation charge for the year	-	70,317	-	-	70,317
Applications	-	(29,364)	-	-	(29,364)
Disposals	-	(6,829)	-	-	(6,829)
<b>Balance at 31/01/2012</b>	<b>0</b>	<b>114,667</b>	<b>0</b>	<b>0</b>	<b>114,667</b>
<b>Net carrying value</b>					
<b>Balance at 31/01/2011</b>	<b>810,526</b>	<b>2,368,320</b>	<b>91,488</b>	<b>126,749</b>	<b>3,397,083</b>
<b>Balance at 31/01/2012</b>	<b>948,985</b>	<b>2,545,932</b>	<b>134,842</b>	<b>433,307</b>	<b>4,063,066</b>

Additions to land and buildings include the investment for the acquisition of premises in Milan's Corso Vittorio Emanuele shopping district, which housed the flagship Zara store.

Additions to assets under construction include the investment for the acquisition of premises on Fifth Avenue in New York for a world flagship Zara store.

"Other plant and equipment" include, inter alia, information technology equipment and motor vehicles.

The impairment charge for the year corresponds to valuation adjustments relating to plant and equipment in stores, the amount of which is determined on the basis of the budget for 2012 and estimated growth in sales and expenses for the following two years in the business plan. The estimated cash flows for the period not covered by this plan are extrapolated taking into account forecast growth for comparable stores over the rest of the lease term.

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

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, installations and furniture, with a gross cost value of euros 1,163,605 thousand and euros 997,532 thousand at 31 January 2012 and 31 January 2011, respectively.

The Group contracts insurance policies to cover the potential risk of damage to its property, plant and equipment.

Through its corporate risk management policy, the Group identifies, assesses and controls damage and responsibility-related risks to which its subsidiaries are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and responsibilities 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 exposure risks to be quantified, measured and insured.

The Group contracts insurance policies through corporate insurance programmes to protect its assets from risk and establishes limits, risk retention and conditions according to the nature of such risk and the financial relevance of the subsidiary. This structure mainly comprises worldwide insurance programmes through which the main risks of the Group are managed.

## 6. 13 Investment property

Investment property mainly relates to premises and other properties leased to third parties. Changes in this caption during 2011 and 2010 are as follows:

<b>Cost</b>	31/01/12	31/01/11
Opening balance	24,925	25,678
Acquisitions	9,678	1,230
Transfers	(6,067)	-
Disposals	-	(1,983)
<b>Closing balance</b>	<b>28,536</b>	<b>24,925</b>
<b>Depreciation and amortisation</b>		
Opening balance	7,571	12,405
Depreciation charge for the year	1,158	1,989
Transfers	-	(5,053)
Disposals	-	(1,770)
<b>Closing balance</b>	<b>8,729</b>	<b>7,571</b>
<b>Net carrying value</b>		
	<b>19,807</b>	<b>17,354</b>

The total market value of investment property at 31 January 2012 is approximately euros 29,000 thousand.

During 2011, euros 1,390 thousand (euros 1,768 thousand in 2010) of rental income on these properties has been included under "Net sales – Other sales and services rendered" (see note 3) in the consolidated income statement.

## 6. 14 Rights over leased premises and other intangible assets

"Rights over leased premises" include amounts paid in respect of lease transfer rights, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

"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 external cost of software applications.

Details of other intangible assets and changes during 2011 and 2010 are as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
<b>Cost</b>					
Balance at 01/02/2010	824,587	26,431	18,147	3,857	873,022
Acquisitions	65,790	2,043	13,250	0	81,083
Disposals	(16,893)	0	(44)	0	(16,937)
Transfers	107	0	2,017	(1,730)	394
Foreign exchange	6,705	0	203	0	6,908
<b>Balance at 31/01/2011</b>	<b>880,296</b>	<b>28,474</b>	<b>33,573</b>	<b>2,127</b>	<b>944,470</b>
Balance at 01/02/2011	880,296	28,474	33,573	2,127	944,470
Acquisitions	61,588	2,728	19,891	83,445	167,652
Acquisitions of new companies	4,795	0	3	25,082	29,880
Disposals	(8,456)	(10,638)	(1,958)	(564)	(21,616)
Transfers	(42,355)	0	447	(4)	(41,912)
Foreign exchange translation	4,436	0	215	3	4,654
<b>Balance at 31/01/2012</b>	<b>900,304</b>	<b>20,564</b>	<b>52,171</b>	<b>110,089</b>	<b>1,083,128</b>
<b>Amortisation</b>					
Balance at 01/02/2010	309,753	17,230	10,838	1,249	339,070
Amortisation charge for the year	46,488	1,552	3,561	95	51,696
Disposals	(10,349)	0	(28)	0	(10,377)
Transfers	(279)	0	(19)	17	(281)
Foreign exchange translation	4,058	0	235	0	4,293
<b>Balance at 31/01/2011</b>	<b>349,671</b>	<b>18,782</b>	<b>14,587</b>	<b>1,361</b>	<b>384,401</b>
Balance at 01/02/2011	349,671	18,782	14,587	1,361	384,401
Amortisation charge for the year	48,856	1,688	7,797	37,036	95,377
Acquisitions of new companies	3,202	0	1	0	3,203
Disposals	(7,449)	(10,618)	(1,618)	(553)	(20,238)
Transfers	(1,511)	0	0	0	(1,511)
Foreign exchange translation	1,162	0	211	4	1,377
<b>Balance at 31/01/2012</b>	<b>393,931</b>	<b>9,852</b>	<b>20,978</b>	<b>37,848</b>	<b>462,609</b>
<b>Impairment losses (note 31.2-g)</b>					
Balance at 01/02/2010	675	0	0	0	675
Impairment charge for the year	3,816	-	-	-	3,816
Applications	(114)	-	-	-	(114)
Disposals	(236)	-	-	-	(236)
Transfers	178	-	-	-	178
<b>Balance at 31/01/2011</b>	<b>4,319</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,319</b>
Balance at 01/02/2011	4,319	-	-	-	4,319
Impairment charge for the year	2,092	-	-	-	2,092
Applications	-	-	-	-	0
Disposals	-	-	-	-	0
Transfers	-	-	-	-	0
<b>Balance at 31/01/2012</b>	<b>6,411</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,411</b>
<b>Net carrying value</b>					
<b>Balance at 31/01/2011</b>	<b>526,306</b>	<b>9,692</b>	<b>18,986</b>	<b>766</b>	<b>555,750</b>
<b>Balance at 31/01/2012</b>	<b>499,962</b>	<b>10,712</b>	<b>31,193</b>	<b>72,241</b>	<b>614,108</b>

The Group has capitalized euros 9,903 thousand during the year (euros 6,070 thousand in 2010) corresponding to software development activities that comply with IAS 38. The Group has also capitalized euros 81,956 thousand in respect of industrial designs that comply with IAS 38.

## 6.15 Goodwill

Details and movement during 2011 and 2010 are as follows:

	2011	2010
Opening balance	131,685	131,685
Acquisitions	86,409	-
Disposals	-	-
Other	-	-
<b>Closing balance</b>	<b>218,094</b>	<b>131,685</b>
Subsidiary	2011	2010
Stradivarius España, S.A.	53,253	53,253
BCN Diseños, S.A. de C.V.	15,523	15,523
Zara Polska, S.p. Zo.o.	35,940	35,940
Zao Zara CIS	19,822	19,822
Pull&Bear CIS	428	428
Stradivarius CIS	6,719	6,719
Zara Serbia, D.O.O. Belgrade	5,198	-
Pull&Bear Serbia, D.O.O. Belgrade	865	-
Massimo Dutti Serbia, D.O.O. Belgrade	1,040	-
Bershka Serbia, D.O.O. Belgrade	1,006	-
Stradivarius Serbia, D.O.O. Belgrade	907	-
Oysho Serbia, D.O.O. Belgrade	605	-
Inditex Montenegro, D.O.O. Podgorica	2,577	-
UTC Benelux, N.V.	2,933	-
Massimo Dutti Benelux, N.V.	19,921	-
Italco Moda Italiana, LDA.	51,357	-
<b>Closing balance</b>	<b>218,094</b>	<b>131,685</b>

Goodwill corresponding to Stradivarius España, S.A. was generated upon acquisition of this company in 1998 and is stated at its carrying amount at 1 February 2004, the date of transition to EU-IFRS.

The goodwill corresponding to BCN Diseños, S.A. de C.V. was generated upon acquisition of the holder of the franchise rights to the Massimo Dutti format in Mexico in 2004.

In 2005 Inditex acquired the Polish company formerly called Young Fashion Sp. Zo.o. (now Zara Polska S.p. Zo.o), which until then held the franchise rights to Zara in that country.

In 2006 Inditex acquired 100% of the share capital of the Russian company formerly known as Zao Stockmann-Kranoselskaya (currently Zao Zara CIS), which until then held the franchise rights to Zara in that country.

In 2007 Inditex acquired the companies which held the franchise rights to the Pull&Bear and Stradivarius formats in Russia, thus generating goodwill of euros 428 thousand and 6,719 thousand, respectively.

Additions for 2011 reflect the goodwill generated on the acquisition of companies (note 2).

Goodwill arising from the acquisition or cancellation of franchise contracts is equivalent to the value of intangible assets that did not comply with the requirements established in IFRS 3 for separate recognition. These requirements were essentially with regard to the assets' capacity to generate future cash flow.

The recoverability of goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows justify their net value at year end (note 32.2-g). This recoverable value is calculated based on the 2012 budget and the business plan for the following years, which is prepared taking into account expected performance for comparable stores and the expansion plan associated with the units under analysis.

## 6.16 Financial investments

Details and changes during 2011 and 2010 are as follows:



	Investment securities	Investments in EIGs	Loans and other credit facilities	Total
Balance at 01/02/2010	8,681	5,212	1,499	15,392
Acquisitions	84	-	24	108
Disposals	(3,086)	(3,191)	(302)	(6,579)
<b>Balance at 31/01/2011</b>	<b>5,679</b>	<b>2,021</b>	<b>1,221</b>	<b>8,921</b>
Balance at 01/02/2011	5,679	2,021	1,221	8,921
Acquisitions	100	-	-	100
Disposals	(68)	539	9	480
<b>Balance at 31/01/2012</b>	<b>5,711</b>	<b>2,560</b>	<b>1,230</b>	<b>9,501</b>

Non-current investment securities mainly correspond to a stake in Banco Gallego.

The investment in Economic Interest Groupings (EIGs) comprises Inditex's shareholding in ten economic interest groupings (10 at 31 January 2011), the activity of which is the leasing of assets managed by a separate, non-group entity which retains most of the profits and is exposed to the risks associated with this activity. These groupings have applied the fiscal incentives established in prevailing Spanish legislation (see note 23), the effect of which is shown under "Income tax" in the consolidated income statement.

## 6.17 Other non-current assets

Details and movement during 2011 and 2010 are as follows:

	Guarantees	Other	Total
Balance at 01/02/2010	151,041	19,241	170,282
Acquisitions	39,975	3,497	43,473
Disposals	(6,468)	(77)	(6,546)
Profit/(Loss) for the year	-	(3,341)	(3,341)
Transfers	278	114	393
Foreign exchange translation	8,370	795	9,165
<b>Saldo at 31/01/2011</b>	<b>193,196</b>	<b>20,229</b>	<b>213,425</b>
Balance at 01/02/2011	193,196	20,229	213,425
Acquisitions	31,316	2,798	34,114
Acquisitions of new companies	9	0	9
Disposals	(14,089)	(520)	(14,609)
Profit/(Loss) for the year	(159)	(2,541)	(2,700)
Transfers	(225)	217	(8)
Foreign exchange translation	10,371	338	10,709
<b>Balance at 31/01/2012</b>	<b>220,420</b>	<b>20,521</b>	<b>240,941</b>

Guarantees are mainly amounts deposited with landlords of leased commercial premises to ensure compliance with the conditions stipulated in lease contracts (see note 24).

## 6.18 Trade and other payables

Details in 2011 and 2010 are as follows:

	31/01/12	31/01/11
Trade payables	1,838,088	1,886,672
Personnel	178,456	145,572
Public entities	353,570	289,337
Other current payables	105,026	98,003
<b>Total</b>	<b>2,475,140</b>	<b>2,419,583</b>

At 31 January 2011 the Group had euros 5,285 thousand payable to suppliers for which the maximum legal payment period had elapsed. This period is stipulated in the measures to combat bad debts contained in Law 15/2010 of 5 July 2010, amending Law 3/2004 of 29 December 2004.

As permitted by the second transitional provision of the ruling issued by the Spanish Accounting and Auditing Institute (ICAC) on 29 December 2010, the comparative information for 2010 does not include disclosures regarding payments made within the legal payment period established by Law 15/2010 or regarding the weighted average period by which payments are past-due as this is the first year of application of the new disclosure requirements of the aforementioned law.

Details for 2011 are as follows:

Balances paid and payable at 31/01/2012		
	Thousands of euros	%
Within the maximum legal period	1,923,139	95%
Remaining balance	110,093	5%
<b>Total payments for the year</b>	<b>2,033,232</b>	<b>100%</b>
Weighted average period past due (days)	33	
Balances deferred beyond the maximum legal period at the balance sheet date	0	

## 6.19 Net financial position

Details of "Cash and cash equivalents" in the consolidated balance sheets are as follows:

	31/01/12	31/01/11
Cash in hand and at banks	1,218,931	1,121,721
Short-term deposits	595,315	848,878
Fixed-income securities	1,652,506	1,462,853
<b>Total cash and cash equivalents</b>	<b>3,466,752</b>	<b>3,433,452</b>

Cash in hand and at banks includes cash on hand and demand deposits in financial institutions. 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 convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Details of group loans and borrowings and payables for lease financing are as follows:

31/01/2012			
	Current	Non-current	Total
Loans	431	718	1,149
Credit facilities	0	0	0
Finance leases	255	781	1,036
Other financial debt	0	45	45
	686	1,544	2,230

31/01/2011			
	Current	Non-current	Total
Loans	266	3,288	3,554
Credit facilities	25	0	25
Finance leases	2,391	884	3,275
Other financial debt	0	0	0
	2,682	4,172	6,854

At 31 January 2012 the Group has a limit of euros 2,923,554 thousand on its credit facilities (euros 2,600,357 thousand at 31 January 2011).

Interest on 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 company (parent or subsidiary) contracting the debt.

Financial debt is stated in the following currencies:

	31/01/2012	31/01/2011
Euro	1,149	5,788
Other European currencies	255	397
Other currencies	826	669
	2,230	6,854

The maturity of group loans and borrowings at 31 January 2012 and 2011 is as follows:

	31/01/2012	31/01/2011
Less than one year	686	2,682
Between one and five years	1,544	4,172
	2,230	6,854

## 6.20 Provisions

Details and movement during 2011 is as follows:

	Pensions and similar obligations with personnel	Contingent liabilities	Other provisions	Total
Balance at 01/02/2011	33,130	123,480	-	156,610
Provisions recorded during the year	16,019	29,189	13,752	58,960
Acquisitions of new companies	14	101	-	115
Disposals	(136)	(57,708)	-	(57,844)
Transfers	(10,552)	-	-	(10,552)
Foreign exchange translation	(270)	299	-	29
<b>Balance at 31/01/2012</b>	<b>38,205</b>	<b>95,361</b>	<b>13,752</b>	<b>147,318</b>

Provision for pensions and other 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 accrued portion of these commitments at 31 January 2012.

Provision for contingent liabilities

The Group is exposed to certain contingencies because of its international presence. 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 are no litigation

proceedings whose final outcome could significantly affect the Company's equity.

The directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover risks deriving from litigation proceedings, arbitration hearings and other contingencies, and do not expect any additional liabilities to arise therefrom. Given the nature of the risks, it is not possible to estimate when any contingent liability may have to be settled.

6.21 Other non-current liabilities

Details and movement during 2011 and 2010 are as follows:

	Options with partners	Lease incentives	Other	Total
Balance at 01/02/2010	37,981	281,302	35,706	354,989
Acquisitions	8,839	44,788	8,829	62,456
Changes through profit or loss	5,537	(324)	0	5,213
Disposals	(35,972)	(996)	(20,423)	(57,391)
Transfers	(2,133)	30,458	0	28,325
Foreign exchange translation	(1,416)	2,399	0	983
<b>Balance at 31/01/2011</b>	<b>12,836</b>	<b>357,627</b>	<b>24,112</b>	<b>394,575</b>
Balance at 01/02/2011	12,836	357,627	24,112	394,575
Acquisitions	1,085	89,564	687	91,336
Changes through profit or loss	3,396	(21,782)	870	(17,516)
Disposals	0	(780)	(12,103)	(12,883)
Transfers	(8,839)	21,461	(107)	12,515
Foreign exchange translation	(1,662)	3,029	41	1,408
<b>Balance at 31/01/2012</b>	<b>6,816</b>	<b>449,118</b>	<b>13,500</b>	<b>469,434</b>

At 31 January 2012 and 2011 the Group has a call option on 20% of the share capital of Zara Retail Korea, Ltd. This shareholding belongs to Lotte Shopping Co., Ltd, which in turn has a put option to sell its entire shareholding to Diseño Textil, S.A.

In 2011 additions to options with partners are due to the liability generated by recognition of the option on Zara Australia.

Additions to options with partners recognized through profit and loss have been included under "Other net operating income/(losses)" (euros 3,396 thousand in 2011 and euros 3,604 thousand in 2010) (see note 6). The consolidated income statement for 2010 also included additions of euros 1,933 thousand recognized under "Financial results".

## 6.22 Capital and reserves

### Share capital

At 31 January 2012 and 2011, parent company share capital amounted to euros 93,499,560 and is represented by 623,330,400 registered shares of euros 0.15 par value each, subscribed and fully paid. All shares belong to a single class and series, have the same voting and profit-sharing rights and are represented by book entries.

The parent company's share premium at 31 January 2012 and 2011 amounted to euros 20,379 thousand, while retained earnings totaled euros 2,346,845 thousand and euros 2,177,547 thousand, respectively. The parent company'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 2012 and 2011, the parent company has appropriated to this reserve the minimum amount required by law.

At 31 January 2012 the restricted consolidated reserves of the Group amount to euros 3,009,072 thousand (euros 2,603,833 thousand at 31 January 2011).

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 2012 the members of the

board of directors controlled, directly or indirectly, approximately 59.36% of parent company share capital, compared to 59.33% as at 31 January 2011 (see note 30). Gartler, S.L. held 50.010% of the shares of INDITEX (50.010% at 31 January 2011).

### Dividends

Dividends distributed by the parent company during 2011 and 2010 amounted to euros 997,152 thousand and euros 747,731 thousand, respectively. These amounts correspond to earnings of 1.60 cents per share in 2011 (1.20 cents in 2010).

The distribution of profit proposed by the board of directors is shown in note 29.

### Treasury shares

Through the agreements reached by the shareholders and the board of directors at the respective meetings held on 19 July 2011, and in accordance with Article 219 of the Revised Spanish Companies Act and Article 33 of the Company's bylaws, Inditex approved a restricted share-settled plan for the Chairman and CEO (hereinafter the "Plan"). The Plan is a one off incentive, motivated by the CEO's appointment as Chairman of the Company.

The Plan amounts to a total of 221,264 ordinary shares, which prior to the date were treasury shares held by Inditex. The shares comprise the following two groups:

- 41,000 shares with an average acquisition cost of euros 2.18 per share.
- 180,264 shares with an acquisition cost of euros 2.93 per share.

As a result of executing the Plan Inditex holds no treasury shares at 31 January 2012.

The Company shares included in the Plan were awarded on a single date, which was also the date on which the expense was accrued for accounting purposes. The consequent impact on the income statement, which totaled euros 13,734 thousand, was calculated on the basis of the average stock exchange price of Inditex shares on the day they were awarded and was recognized under "Operating expenses".

## 6.23 Income tax

With the exception of Industria de Diseño Textil, S.A., Indipunt, S.L. and Tempe, S.A, companies whose information is incorporated into 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 Inditex, 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.	Oysho Logística, S.A.
Bershka Diseño, S.L.	Plataforma Europa, S.A.
Bershka Logística, S.A.	Plataforma Logística León, S.A.
Choolet, S.A.	Plataforma Logística Meco, S.A.
Comditel, S.A.	Pull&Bear Diseño, S.L.
Confecciones Fíos, S.A.	Pull&Bear España, S.A.
Confecciones Goa, S.A.	Pull&Bear Logística, S.A.
Denllo, S.A.	Samlor, S.A.
Fashion Logistics Forwarders, S.A.	Stear, S.A.
Fashion Retail España, S.A.	Stradivarius Diseño, S.L.
Fibracolor, S.A.	Stradivarius España, S.A.
Glencare, S.A.	Stradivarius Logística, S.A.
Goa-Invest, S.A.	Tordera Logística, S.L.
Grupo Massimo Dutti, S.A.	Trisko, S.A.
Hampton, S.A.	Uterqüe Diseño, S.L.
Inditex, S.A.	Uterqüe España, S.A.
Inditex Logística, S.A.	Uterqüe Logística, S.A.
Kiddy 's Class España, S.A.	Uterqüe, S.A.
Lefties España, S.A.	Zara Diseño, S.L.
Lefties Logística, S.A.	Zara España, S.A.
Massimo Dutti Diseño, S.L.	Zara Home Diseño, S.L.
Massimo Dutti Logística, S.A.	Zara Home España, S.A.
Massimo Dutti, S.A.	Zara Home Logística, S.A.
Nikole, S.A.	Zara Logística, S.A.
Nikole Diseño, S.L.	Zara, S.A.
Oysho Diseño, S.L.	Zintura, S.A.
Oysho España, S.A.	

The company Indipunt, S.L., is the parent of another group of companies formed by the subsidiaries Jema Creaciones Infantiles, S.L. and Indipunt Diseño, S.L.

Tempe, S.A. is also the parent of the tax group formed with its subsidiaries Tempe Diseño, S.L. and Tempe Logística, S.A.

"Income tax payable" in the consolidated balance sheet corresponds to the 2011 income tax provision, net of withholdings and payments on account made during the period. "Trade and other payables" include the liability deriving from the remaining applicable taxes.

"Income tax receivable" in the consolidated balance sheet essentially corresponds to amounts recoverable from the taxation authorities. "Trade and other receivables" mainly include the difference between VAT recoverable and VAT receivable.

Industria de Diseño Textil S. A. holds a 49% stake in five economic interest groupings (EIGs), 46% in one EIG, 50% in two EIGs and 49.5% in two EIGs. These groupings lease assets as their activity. They requested from the tax authorities, and were granted, tax incentives in accordance with income tax legislation.

The aforementioned operations have given rise to positive and negative adjustments to taxable income mentioned above, which have been treated as permanent differences. A euros 10,184 thousand tax credit for investments (euros 9,421 thousand in 2010) has also been applied for these operations. In 2011 the cost of the investment has been adjusted by euros 2,328 thousand (euros 10,068 thousand in 2010) and a deferred tax liability reduced by euros 6,338 thousand. The effects of these adjustments are recognized in the income tax expense account, representing, in total, a reduction in the expense of euros 4,009 thousand (euros 7,469 thousand in 2010).

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:

	2011	2010
Current taxes	719,949	588,338
Deferred taxes	(106,469)	(8,033)

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 statement for 2011 and 2010 is as follows:

	2011	2010
Consolidated accounting income before taxes	2,559,012	2,321,585
Income tax expense at tax rate prevailing in the country of the parent company	767,704	696,476
Net permanent differences:		
Individual companies	(97,892)	(3,374)
Consolidation adjustments	38,386	26,760
Effect of tax rates in foreign jurisdictions	(86,646)	(170,640)
Capitalization of prior years' losses and credits	206	(966)
Adjustment to prior years' taxes	31,431	(5,032)
Other adjustments	(2,862)	52,567
Adjustments to deferred tax assets and liabilities	(12,324)	0
Tax credits and deductions	(24,523)	(15,486)
<b>Income tax expense</b>	<b>613,480</b>	<b>580,305</b>

Permanent differences mainly correspond to non-deductible expenses, the allocation of taxable income to EIGs and the portion attributable to taxable income related to a contribution of rights to use certain assets to a subsidiary and the exemption of income from permanent establishments abroad.

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 2012 reflects deferred tax assets and liabilities at that date.

Details of "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated balance sheet are as follows:

<b>Deferred tax assets:</b>	2011	2010
Provisions	50,656	52,723
Amortisation	65,114	36,442
Lease incentives	19,107	15,276
Subsidiary valuation adjustments	41,019	12,706
Tax losses	48,432	48,481
Intragroup transactions	81,264	71,888
Other	50,780	61,834
<b>Total</b>	<b>356,372</b>	<b>299,350</b>

<b>Deferred tax liabilities:</b>	2011	2010
Leasing operations	1,970	2,305
Intragroup transactions	35,094	31,220
Amortisation	43,624	42,995
Subsidiary valuation adjustments	46,392	61,169
Reinvestment of profits	3,957	4,127
Other	51,494	30,832
<b>Total</b>	<b>182,531</b>	<b>172,648</b>

Movement in deferred tax assets and liabilities in 2011 and 2010 is as follows:

	Deferred tax assets	Deferred tax liabilities
Balance at 01/02/2011	299,350	172,648
Charge/credit to income statement	(60,004)	(22,159)
Charge/credit to reserves	2,982	32,042
<b>Balance at 31/01/2012</b>	<b>356,372</b>	<b>182,531</b>

These balances have been determined based on tax rates which, according to enacted fiscal legislation, will be in force during the years in which the balances are expected to reverse and which, in certain cases, differ from the tax rates prevailing in the current year.

Certain companies forming part of the consolidated group have reserves which could be taxable if distributed. The accompanying consolidated financial statements include the tax effect of those cases in which a firm decision has been taken to distribute reserves.

As permitted by the prevailing tax legislation in each country, group companies have applied tax credits amounting to euros 24,523 thousand (euros 15,486 thousand at 31 January 2011). These credits and deductions mainly relate to investments and, to a lesser extent, to other credits.

At 31 January 2012, the Group has tax losses of euros 186,140 thousand (euros 158,206 thousand at 31 January 2011) which may be offset against future profits, the majority of which may be utilized indefinitely. Deferred tax assets in respect of tax losses are only recognized

when there is evidence that future taxable profits will be available against which the asset can be utilized.

The tax inspections of the consolidated Spanish tax group were concluded during the year. These inspections have had no impact on the Group's financial statements, nor have they brought to light any significant additional tax liabilities.

Certain foreign subsidiaries are also undergoing inspection, including those domiciled in the United Kingdom, United States, Greece, Canada and France.

The Group does not expect that significant additional liabilities 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.

Years open to inspection by the tax authorities for all main applicable taxes vary depending on the tax legislation in each country. The directors do not expect that any significant additional liabilities affecting group equity or results would arise in the event of inspection.

## 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 rental contracts are classified as operating leases since, irrespective of the lease term and the amounts paid or due to the owners of the leased premises, there is no transfer of risks and rewards inherent to ownership.

Due to the presence of the Group in 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 lease 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 32.2-p). Free rental periods are also frequently established in order to avoid having

to pay rent when premises are being refurbished and prepared for opening.

Rental contracts also sometimes require lessees to pay certain amounts to the lessor, which, from an economic perspective, could be considered advance rental payments, or to the previous tenants so that they waive certain rights or transfer them to the Group (transfer rights or different types of indemnities). These amounts are recognized as non-current assets (see note 14) and are generally amortised 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 providing sufficient advance notice (e.g. three months) is given. In other cases, however, the Group is obliged to comply with the full term of the contract, or at least a significant part thereof. Some contracts combine these undertakings with termination 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:

	2011	2010
Minimum installments	1,179,864	1,143,503
Contingent installments	218,868	128,573
	<b>1,398,732</b>	<b>1,272,076</b>
Sub-leasing income	5,301	4,292

Future minimum payments under non-cancelable operating leases are as follows:

### Lease payments 2011

Less than one year	One to five years	Over five years
<b>854,274</b>	<b>1,288,930</b>	<b>679,401</b>

**Lease payments 2010**

Less than one year	One to five years	Over five years
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813,592	1,222,219	661,797
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**6.25 Finance leases**

The Group has contracted finance leases mainly for commercial premises and logistics centres. The corresponding leased assets are recorded under property, plant and equipment in the consolidated balance sheet (see note 12), while the related debt is recognized as a financial liability (see note 19). The carrying amount of items acquired under lease financing and the future amounts payable until the leases expire are as follows:

	31/01/2012	31/01/2011
Cost of the asset	36,515	37,273
Accumulated depreciation	(13,077)	(12,242)
	23,438	25,031

**Minimum payments**

	31/01/2012	31/01/2011
Less than one year	255	2,391
One to five years	781	884
	1,036	3,275

**6.26 Risk management and financial instruments****FINANCIAL RISK MANAGEMENT POLICIES**

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk), credit risk, liquidity risk, and interest rate risk related to cash flows. The Group's risk management policy centers 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.

**Currency risk**

The Group operates in an international environment and, accordingly, is exposed to currency risk, particularly relating to the US Dollar and, to a lesser extent, the Mexican Peso, the Russian Ruble, Chinese Renminbi, Japanese Yen and the UK Pound Sterling. Currency risk arises on future commercial transactions, assets and liabilities recorded in foreign currencies, and net investments in foreign businesses.

The Group has various investments in foreign businesses, the net assets of which are exposed to currency risk which is managed in line with group management policies.

During 2011, 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 68,599 thousand higher (euros 73,639 thousand in 2010), primarily because of the translation of subsidiaries' financial statements expressed in currencies other than the euro, and the impact on the portion of merchandise purchases in US Dollars not covered by exchange rate hedges.

**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 also limits its exposure to credit risk by investing solely in products that have high liquidity and credit ratings.

Provision is made for the impairment of 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. This provision is calculated as the difference between the carrying amount and the present value of future estimated cash flows discounted at the effective interest rate and is recognized in the income statement. Net reversals during the year in respect of value adjustments to the balances recorded under this caption amount to euros 19,005 thousand (euros 5,043

thousand in 2010) and correspond to doubtful trade receivables.

At 31 January 2012 and 2011 no significant outstanding balances exist. Furthermore, based on available historical data, the Group does not consider it necessary to make value adjustments to receivables which are not past due. The fair value of 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 indexed to a variable 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 at fair value through profit or loss or interest-rate financial derivatives. 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 interested parties, and maintain an optimal 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. No significant changes to capital management have been made during the year.

Neither the Company nor Inditex group subsidiaries are subject to strict capital management criteria.

#### Financial instruments

Merchandise and goods for resale are partly acquired from foreign suppliers in US Dollars. In accordance with prevailing currency risk policies, group management contracts derivatives, mainly forward contracts, to hedge cash flow fluctuations related with exchange rates.

Certain group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing currency risk policies, derivatives are contracted, mainly forward contracts and swaps, to hedge cash flow fluctuations related with exchange rates and interest rates.

Moreover, and as described in note 32.2.n, the Group applies hedge accounting to mitigate the volatility effect that contracting hedge instruments prior to recording the associated transactions would have on the consolidated income statement.

The expiry dates of hedging instruments have been negotiated to coincide with the expiry dates of the hedged items. In 2011, there were no highly probable transactions to which hedge accounting was applied which did not occur, nor were any significant amounts taken to the income statement due to the ineffectiveness of these hedges.

At 31 January 2012 and 2011, the Group had outstanding derivatives, basically comprising forward purchase commitments in US Dollars and forward sale commitments in Mexican Pesos, as reflected in "Other financial assets" and "Other financial liabilities".

Details of forward purchases in US Dollars are as follows:

Currency	Sale/purchase	EUR/USD
Fair value (EURO)	31/01/12	50,684
	31/01/11	(34,256)
Nominal value (USD)	31/01/12	1,832,556
	31/01/11	1,582,171
Average term of remaining months	31/01/12	5.45
	31/01/11	6.39

The nominal value of the Group's Mexican Peso derivatives totals Mexican Pesos 51,797 thousand at 31 January 2012 (Mexican Pesos 1,855,765 thousand at 31 January 2011). The Group no longer contracts hedges of this type.



The fair value of forward currency contracts has been calculated using measurement techniques based on the spot exchange rate and interest rate curves (level 2).

Approximately 60% of 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.

#### Financial instruments: further 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:

	2011	2010
Cash and cash equivalents	3,466,752	3,433,452
Trade receivables	106,003	89,884
Sales to franchises	110,061	112,218
Other current receivables	53,025	47,672
Guarantees	220,420	193,196
<b>Total</b>	<b>3,956,262</b>	<b>3,876,422</b>

The financial liabilities of the Group mainly comprise debts and payables on commercial transactions.

The fair value of financial assets and liabilities measured at amortised 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 2011, no significant financial asset impairment has been recognized.

## 6.27 Employee benefits

### DEFINED BENEFIT OR CONTRIBUTION PLAN OBLIGATIONS

In general, the Group has no defined benefit or contribution plan obligations with its employees. However, in line with prevailing labour legislation or customary practice in certain countries, the Group assumes certain commitments 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. The liabilities associated with these items are recognized under "Trade and other payables" and "Other non-current liabilities" in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

#### Long-term incentive plan

In 2010 Inditex's board of directors authorized a long-term 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 a designated maximum.

The plan started on 1 February 2010 and ends on 31 January 2013. Incentives are divided into an initial payment for the period ended 31 January 2012 and a final payment for the period ending 31 January 2013.

For entitlement to the initial and final payments, employees are required to fulfill the specific conditions of the plan and to remain in the employment of Inditex or any other Inditex Group company from 1 February 2010 until the end of the two periods stated. Exceptions are made where contracts are terminated early (e.g. death, retirement, permanent disability or unfair dismissal), in which cases any designated incentives to which the employees are entitled will be paid pro rata based on the period they remained in employment after the plan started compared to the full period of the plan or, in the case of initial payments, the duration of this first period.

The liability for long-term incentives is recognized under "Provisions" (non-current portion) and "Payables" (current portion) in the consolidated balance sheet and under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

## 6.28 Interest in joint ventures

Inditex has a 50% stake in the group formed by the parent Tempe, S.A. and its subsidiaries Tempe México, S.A. de C.V., Tempe Brasil, S.A., Tempe Logística, S.A., Tempe Diseño, S.L., Tempe Trading and Inditex Asia, Ltd. The principal activity of these companies is the design, supply and distribution of footwear to Inditex Group companies, their main customer. The assets, liabilities, income and expenses of this joint venture that have been consolidated are as follows:

	2011	2010
Non-current assets	87,657	61,866
Current assets	164,866	165,087
Non-current liabilities	(7,451)	(5,436)
Current liabilities	(108,326)	(99,068)
<b>Net assets</b>	<b>136,746</b>	<b>122,450</b>
Revenues (*)	501,005	424,725
Expenses	(386,652)	(299,635)

(\*) Revenue from third parties other than the Group: euros 65,000 thousand and euros 56,643 thousand in 2011 and 2010, respectively.

## 6.29 Proposed distribution of parent company profit

The directors will propose that euros 1,121,995 thousand of 2011 net profit of the parent company, which is the maximum amount distributable, be distributed as an ordinary dividend of euros 1.60 and an extraordinary gross dividend of euros 0.20 per share on the total of 623,330,400 ordinary shares, and that euros 31,279 thousand be taken to voluntary reserves.

## 6.30 Remuneration of the board of directors and transactions with related parties

### REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration received by the board of directors and senior management during 2011 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 2012 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. Amancio Ortega Gaona	-	369,600,063(1)	59.294%
Mr. Pablo Isla Álvarez de Tejera	361,064	-	0.058%
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	40,000	-	0.006%
GARTLER, S.L.	311,727,598	-	50.010%
Mr. Francisco Luzón López	-	8,195(2)	0.001%
Ms. Irene R. Miller	13,240	-	0.002%
Mr. Emilio Saracho Rodríguez de Torres	-	-	-
Mr. Juan Manuel Urgoiti López de Ocaña	27,739	-	0.004%
Mr. Nils Smedegaard Andersen	5,000	-	0.001%

<b>Total</b>	<b>59.36%</b>
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(1) Through Gartler, S.L. y de Partler 2006, S.L.

(2) Through Cañabara Inversiones. S.I.C.A.V.. S.A.

As required by Article 229 of the Spanish Companies Act, the following are companies outside the consolidated Inditex Group with a statutory activity which is identical, similar or complementary to that of Inditex and in which members of its board of directors hold investments or management positions.

Board member	Name of Company	Post
Nils Smedegaard Andersen	Dansk Supermarked	Chairman
Nils Smedegaard Andersen	A.P. Moller-Maersk A/S	Group CEO

### TRANSACTIONS WITH RELATED PARTIES

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.

### Inditex Group companies

Operations between Inditex and its subsidiaries form part of regular activities and have been fully eliminated in the consolidation process and are therefore not shown in this note.

Details of operations between Inditex and its joint ventures which have not been completely eliminated in the consolidation process as they are proportionately consolidated are as follows.

Company	2011	2010
Joint ventures	(338,953)	(314,838)

Details of operations with significant shareholders, the members of the board of directors and management are as follows:

#### Significant shareholders

During 2011, operations carried out by the Inditex Group with the controlling shareholder or with Partler 2006, S.L. or with related persons or companies are as follows:

#### FY 2011

Nature of relationship	Type of operation	Amount
Contractual	Asset leasing	(23,221)
Contractual	Asset leasing	155
Contractual	Guarantees and pledges granted	(92)
Contractual	Other expenses	(20)
Contractual	Provision of services	14,846

#### FY 2010

Nature of relationship	Type of operation	Amount
Contractual	Asset leasing	(15,260)
Contractual	Asset leasing	153
Contractual	Works	19,451

Several group companies have leased commercial premises belonging to companies related to the controlling shareholder. The majority of these lease contracts was signed prior to 1994 and expire between 2014 and 2016.

Based on the information in the table, the Inditex Group has earned income totaling euros 14,846 from transactions with individuals and companies related to the controlling shareholder. These transactions, which mainly comprise works carried out by the Group's building contractor Goa-Invest, S.A., were carried out on an arm's length basis.

#### Members of the board of directors and management

An itemized breakdown of the remuneration for 2011 accrued by the members of the board of directors is as follows:

Type	Remuneration Board of directors	Remuneration Vice-chair Board of directors	Remuneration for committee membership	Remuneration for chairing committees	Fixed remuneration	Variable remuneration	Total 2011	
Mr. Pablo Isla Álvarez de Tejera	Executive	100	19	8	-	2,454	1,725	4,306
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	Independent	100	80	108	50	-	-	338
Ms. Irene R.Miller	Independent	100	-	100	50	-	-	250
Mr. Nils Smedegaard Andersen	Independent	100	-	108	-	-	-	208
Mr. Francisco Luzón López	Independent	100	-	108	-	-	-	208
Mr. Emilio Saracho Rodríguez de Torres	Independent	100	-	108	-	-	-	208
Mr. Juan Manuel Urgoiti López de Ocaña	Independent	100	-	108	-	-	-	208
GARTLER, S.L (1)	Representing shareholders	100	-	-	-	-	-	100
Mr. Amancio Ortega Gaona	Representing shareholders	378	-	-	-	-	-	378
		1,178	99	650	100	2,454	1,725	6,206

Amounts in EUR thousands

(1) Represented by Flora Pérez Marcote

Total remuneration and compensation received by senior management of the Inditex Group during 2011 are as follows:

	Directors
Remuneration	13,747
Compensation	1,070

Total remuneration and compensation received by Inditex Group board members and senior management during 2010 were as follows:

	Directors	Management
Remuneration	5,426	12,660
Compensation	-	1,572

In 2010 Inditex also approved a long-term incentive plan (hereinafter, "the Plan") for members of the management team and other personnel from the Inditex Group, the terms of which are described in note 27. For the disclosure of related party transactions, the following are estimates of the incentives accrued in 2011 by directors and management and which would be paid if the Plan conditions are met:

Directors Management

Accrued incentive	2,278	3,919
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In 2011 Inditex approved a restricted share plan for the Chairman and CEO, Mr. Pablo Isla Alvarez de Tejera, the characteristics of which are described in note 22. 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 base salary approved by Inditex for the Chairman and CEO for each year. Inditex's contribution to the Plan during 2011 amounts to euros 1,500 thousand.

### 6.31 External auditors

Details of fees and expenses accrued by KPMG International (main auditor) and associated firms in relation to services rendered to consolidated companies are as follows:

2011	KPMG Auditores	KPMG Europe, LLP	KPMG International	Total
Audit services	1,688	946	2,299	4,933
Other assurance services	69	40	162	271
Tax advisory services	165	194	621	980
Other services	21	22	99	142
<b>Total</b>	<b>1,943</b>	<b>1,202</b>	<b>3,181</b>	<b>6,326</b>
2010	KPMG Auditores	KPMG Europe, LLP	KPMG International	Total
Audit services	1,565	497	2,368	4,430
Other assurance services	35	32	179	246
Tax advisory services	154	134	241	529
Other services	0	52	154	206
<b>Total</b>	<b>1,754</b>	<b>715</b>	<b>2,942</b>	<b>5,411</b>

The figures in the above tables include the total fees for services rendered in 2011 and 2010, irrespective of the date of invoice.

In addition to the audit of the Inditex Group annual accounts, audit services rendered by KPMG also include certain audit work related with the external audit.

Non-audit services, mainly relating to corporate social responsibility, include inspection of suppliers' workshops and factories and other services rendered to certain foreign group subsidiaries.

According to information received from the auditors, fees received from the Inditex Group by KPMG International or associated firms do not exceed 0.037% of total revenue.

## 6.32 Selected accounting policies

### 6.32.1) BASIS OF CONSOLIDATION

#### i) Subsidiaries

Subsidiaries are entities controlled by the parent company. Control exists when the parent company 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 intragroup operations. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the date that control commences.

Net identifiable assets acquired, liabilities and contingent liabilities assumed as part of a business combination are stated at fair value at the date of acquisition, providing this has taken place after 1 January 2004, the date of transition to EU-IFRS.

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 equity transactions with shareholders.

Acquisitions of entities prior to this date were recognized in accordance with applicable accounting principles in Spain once all necessary corrections and adjustments at the transition date were taken into account. In

accordance with EU-IFRS, goodwill is not amortised but systematically tested for impairment.

Non-controlling interests in the consolidated statement of changes in equity are presented separately from the consolidated equity attributable to parent company shareholders. These are investments held in group companies prior to the transition to EU-IFRS and therefore the value of the equity interests is equivalent to the share in the carrying amount of the assets and liabilities of the investees.

The results and each component of other comprehensive income are allocated to equity attributable to shareholders of the parent and to non-controlling interests in proportion to their investment, although this implies a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognized as a separate transaction.

Non-controlling interests in the equity and results of subsidiaries are presented under "Equity attributable to non-controlling interests" and "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. The consolidated annual accounts include, in each individual caption of the balance sheet and income statement, the Group's proportionate share in these entities' assets, liabilities, revenue, expenses and cash flows from the date that joint control commences until the date that joint control ceases.

#### iii) Harmonization of criteria

Each of the entities included in the consolidated group prepares its annual accounts and other accounting records in accordance with 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 homogeneous accounting principles.

#### iv) Intragroup eliminations

Intragroup balances and transactions, and any unrealized gains or losses arising from transactions with third parties, are eliminated in the consolidation process. In the case of jointly controlled entities, balances, revenues and expenses between intragroup companies, and any unrealized gains or losses arising from transactions with third parties, are eliminated in the consolidation process to the extent of the Group's interest in the entity.



#### v) Translation of foreign currency operations

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 foreign exchange rates prevailing at the balance sheet date.

— Items that comprise the equity of these entities are translated to euro at historical exchange rates (or, for accumulated results, at the average exchange rate for the year in which they were generated).

— Income and expenses are translated into euros at the exchange rate prevailing on the date on which they were recognized, while average exchange rates are used in those cases in which the application of this criterion does not generate significant differences.

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

Exchange differences deriving from trade balances payable and receivable and financing operations between group companies, with foreseeable settlement, are recognized in the income statement for the year.

#### vi) Financial statements in hyperinflationary countries

The financial statements of foreign operations in countries considered to have hyperinflationary economies have been adjusted prior to translation to euro to account for the effect of changes in prices.

#### vii) Entities with a closing date different to that of the Group

Entities with a closing date different to that of the consolidated accounts have been consolidated with the financial statements at their closing date (31 December 2011; see Appendix I). Significant operations carried out between the closing date of these subsidiaries and that of the consolidated accounts are subject to temporal harmonization.

#### viii) Changes to the consolidated Group

The following entities were incorporated or acquired by the Group and consolidated for the first time during the year:

Zara Taiwan, B.V.	Massimo Dutti Puerto Rico, INC
Zara Taiwan, B.V. TW Branch	KG Massimo Dutti Deutschland, B.V. & CO.
Zara Vittorio 11 Italia S.R.L.	Massimo Dutti Serbia, D.O.O. Belgrade
Zara BH, D.O.O.	Pull&Bear Korea, LTD
Zara Serbia, D.O.O. Belgrade	Pull&Bear Serbia, D.O.O. Belgrade
Nikole Diseño, S.L.	Pull&Bear BH, D.O.O.
Inditex Montenegro, D.O.O. Podgorica	Uterqüe Commercial & Trading (Shangai) Co., LTD.
ITX Fashion retail South Africa	UTC Benelux, N.V.
Oysho Commercial & Trading (Shangai) Co., LTD.	Bershka BH, D.O.O.
Oysho Korea, LTD	Bershka Deutschland B.V. & CO. KG
Oysho Nederland, B.V.	Bershka Serbia, D.O.O. Belgrade
Oysho Croacia, LTD	Stradivarius México, S.A. de C.V.
Oysho Serbia, D.O.O. Belgrade	Stradivarius BH, D.O.O.
Massimo Dutti Canada, INC.	Stradivarius Serbia, D.O.O. Belgrade
MD Benelux, N.V.	Zara Home Commercial & Trading (Shangai) Co., LTD.
Italco Moda Italiana, LDA.	Tordera Logística, S.L.
Massimo Dutti Portugal - Comercio e Industria Textil, S.A.	Goa-Invest Deutschland GMBH
Massimo Dutti Japan, Co.	Fashion Retail España, S.A.

The companies called Oysho Deutschland, GmbH, ITX E-Commerce and Inditex Asia LTD at 31 January 2011 changed their names to BSKE GmbH, ITX Fashion Retail LTD and Tempe Trading Asia Limited, respectively, during the year. Kiddy's Class Portugal Confecções Lda. was merged into Zara Portugal Confecções Lda.

The incorporations to the consolidated group referred to above have not had a material impact on the consolidated annual accounts for 2011.

#### 6.32.2) ACCOUNTING PRINCIPLES

New standards and interpretations have been published at the date of preparing the annual accounts which will be effective in the coming years and which have not been early adopted by the Group. Taking into account the activity carried out by the companies that form part of the

Group, the directors of the Company do not consider that the application of these standards will have a significant effect on the Group's financial statements.

#### a) Foreign currency translation

Foreign currency transactions are translated to euro using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to euro at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the income statement as financial results.

Cash flows from transactions in foreign currency are translated into euro in the consolidated cash flow statement at the exchange rate prevailing at the transaction date. The effect of variations 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 asset enters into operation, less accumulated depreciation and any impairment losses or depreciation.

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

The estimated useful lives are as follows:

<b>Asset description</b>	<b>Useful life</b>
Buildings	25 to 50 years
Leasehold improvements, machinery and furniture	7 - 13 years
Other property, plant and equipment	4 - 13 years

The Group reassesses residual values, useful lives and depreciation methods at the end of each financial year. Modifications to initially established criteria are recognized as changes in estimates.

After initial recognition of an asset, only costs that generate future economic benefits and which can be classified as probable and be reliably estimated are capitalized.

Repair and maintenance costs are expensed as they are incurred.

#### c) Rights over leased property

Rights over leased assets mainly comprise the cost of lease transfer rights, access premiums or tenancy right waivers paid to the former tenants of commercial premises.

Rights over leased assets are recognized at cost of acquisition. After initial recognition, they are stated at cost less accumulated amortisation and any impairment losses and are amortised 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.

#### d) Other intangible assets

— Industrial property: Patents and similar rights are stated at cost of acquisition or usufruct, or at the cost of registering the items developed by the Group, and are amortised on a straight-line basis over a maximum period of ten years.

— Software is stated at cost and amortised 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 amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual value, useful lives and means of amortisation of intangible assets at the end of each accounting period. Modifications to initially established criteria are recognized, where applicable, as changes in estimates.

#### e) Financial investments

Financial investments which represent less than 20% of share capital are stated at fair value.

#### f) Investment property

Investment properties are assets held to generate rental income, capital appreciation or both, and are stated at cost of acquisition less accumulated depreciation and any impairment losses or depreciation. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets.

Details of the market value of investment properties are shown in note 13.

#### g) Impairment

The Group systematically tests for impairment of consolidated assets which are not considered financial assets, inventories and deferred tax assets in order to determine whether the carrying amount exceeds the recoverable value (impairment). In order to do this, 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 the business, 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 goodwill or intangible assets with indefinite useful lives is estimated at the closing date, and thereafter at least once per year.

#### *Calculation of recoverable amount*

The recoverable amount of assets is the higher of fair value less selling costs and value in use. Value in use takes into account expected future cash flows for the period in which these assets are expected to generate revenues, forecast variations in the amount or distribution of the cash flows, 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.

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

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 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 logistical assets) are treated separately within the context of this general policy according to their specific nature.

#### *Reversals of impairment*

Impairment losses in respect of goodwill are not reversed in subsequent years. For assets other than goodwill, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that an asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

The reversal of an impairment loss in 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 previous paragraph.

Impairment losses are debited to depreciation and amortisation in the consolidated income statement. Reversals of impairment losses on assets other than goodwill are credited to this account once internal or external sources of information have been analyzed and it can be concluded that the impairment indicators which determined the recognition of value adjustments no longer exist or have been partially mitigated.

#### h) Trade and other receivables

Trade receivables are recognized at fair value. After initial recognition, they are stated at amortised cost in accordance with the effective interest rate method, less any provision for impairment.

Provision is made for impairment of 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. This provision is calculated as the difference between the carrying amount and the present value of future estimated cash flows discounted at the original interest rate and is recognized in the income statement.

#### i) Inventories

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

Cost comprises all costs of acquisition, transformation and other costs 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 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 in 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 investing and financing activities, respectively.

#### k) Employee benefits

Commitments acquired with group personnel to be settled in the long term are estimated based on their accrual through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion accrued at 31 January 2012.

Personnel expenses accrued during the year are 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 plan referred to in note 27 to the consolidated annual accounts are recognized with a credit to liability accounts during the period in which incentives are accrued.

#### l) Provisions

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 no longer probable that an outflow of resources will 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.

#### m) Financial liabilities

Financial liabilities, including trade and other payables, are initially recognized at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Group's financial liabilities are measured at amortised cost using the effective interest method.

#### n) Derivatives and hedging operations

Financial instruments acquired to hedge forecast transactions in foreign currencies are initially recognized at fair value plus any transaction costs directly attributable to acquiring the instrument.

Foreign exchange rate 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 income and expenses recognized in equity. The ineffective portion is taken to financial income or expense as appropriate.

Amounts recognized in equity are taken to income when the transaction takes place with a debit or credit to the account in which it was recognized. Profits or losses recognized in equity are also reclassified to finance income or expenses when the foreseen transaction is not expected to proceed.

#### o) 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.

#### p) Leases

Lease contracts in which the significant risks and rewards inherent to ownership of the asset are substantially

transferred to third parties are classified as finance leases, and are otherwise recorded 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 are recognized as non-current liabilities and booked as a reduction in rental expense under "Other operating expenses" on a straight-line basis over the term of the respective lease contracts.

#### g) Finance 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.

#### r) Income taxes

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 the same or different years, in which case it is recognized in equity, or to a business combination.

Current tax is the expected tax payable on the taxable income for 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 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 carryforwards or deductions pending application.

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 company 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 to 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 on the consolidated balance sheet under non-current assets or liabilities, irrespective of the expected date of realization or settlement.

#### s) 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.

#### t) 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.



## 6.33 Environment

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Costs incurred in environmental activities are recognized under other operating expenses in the year in which they are incurred.

Non-current property, plant and equipment acquired by the Group to minimize the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Group's activities are recognized as assets, applying the measurement, presentation and disclosure criteria described in note 32.2-b.

## Appendix I: Structure of the Inditex Group

Company	Effective % ownership	Location	Consolidation Method	Year End	Concept	Activity
<b>Subsidiaries</b>						
Industria de Diseño Textil, S.A.	Parent Company	La Coruña - Spain	Full Consol.	31/01/12	-	Parent company
Comditel, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Zara	Centralized textile purchasing
Zara Asia, Ltd.	100.00%	Hong Kong - China	Full Consol.	31/01/12	Zara	Centralized textile purchasing
Choolet, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Confecciones Fíos, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Confecciones Goa, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Denllo, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Hampton, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Jema Creaciones Infantiles, S.L.	51.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Nikole, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Centralized textile purchasing
Samlor, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Stear, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Trisko, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Zintura, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Glencare, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Indipunt, S.L.	51.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Textile manufacturing
Indipunt Diseño, S.L.	51.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Design
Zara España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Retail
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31/01/12	Zara	Retail
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31/01/12	Zara	Retail
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Full Consol.	31/12/11	Zara	Retail
Zara USA, Inc.	100.00%	New York - USA	Full Consol.	31/01/12	Zara	Retail
Zara France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31/01/12	Zara	Retail
Zara UK, Ltd.	100.00%	London - United Kingdom	Full Consol.	31/01/12	Zara	Retail
Zara Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31/01/12	Zara	Retail
Zara México, S.A. de C.V.	95.00%	Mexico DF - Mexico	Full Consol.	31/12/11	Zara	Retail
Zara Portugal Confecções Lda.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Zara	Retail
G.Zara Uruguay, S.A.	100.00%	Montevideo -Uruguay	Full Consol.	31/01/12	Zara	Retail
Zara Brasil, Lda.	100.00%	Sao Paulo -Brazil	Full Consol.	31/12/11	Zara	Retail
Zara Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Retail
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	Full Consol.	31/01/12	Zara	Retail
Zara Denmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31/01/12	Zara	Retail
Zara Sverige, AB	100.00%	Stockholm - Sweden	Full Consol.	31/01/12	Zara	Retail
Zara Norge, AS	100.00%	Oslo - Norway	Full Consol.	31/01/12	Zara	Retail
Zara Canada, Inc.	100.00%	Montreal - Canada	Full Consol.	31/01/12	Zara	Retail
Zara Suisse S.A.R.L.	100.00%	Freiburg - Switzerland	Full Consol.	31/01/12	Zara	Retail
Zara Luxembourg, S.A.	100.00%	Luxemburgo - Luxemburgo	Full Consol.	31/01/12	Zara	Retail
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Zara	Retail
Zara Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31/01/12	Zara	Retail
Zara Japan Corp.	100.00%	Tokyo - Japan	Full Consol.	31/01/12	Zara	Retail
Zara Česká Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31/01/12	Zara	Retail
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Full Consol.	31/01/12	Zara	Retail
Za Clothing Ireland, Ltd.	100.00%	Dublin - Ireland	Full Consol.	31/01/12	Zara	Retail
Zara Magyarorszag, KFT.	100.00%	Budapest - Hungary	Full Consol.	31/01/12	Zara	Retail
Zara Monaco, SAM	100.00%	Montecarlo-Monaco	Full Consol.	31/01/12	Zara	Retail
Zara Commercial (Shanghai), Co Ltd.	100.00%	Shanghai- China	Full Consol.	31/12/11	Zara	Retail

Company	Effective % ownership	Location	Consolidation Method	Year End	Concept	Activity
Zara Commercial (Beijing), Co Ltd.	100.00%	Beijing- China	Full Consol.	31/12/11	Zara	Retail
Zara Macau, Ltd.	100.00%	Macao- China	Full Consol.	31/12/11	Zara	Retail
Zara Polska, Sp. Zo.o.	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Zara	Retail
ZAO Zara CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31/12/11	Zara	Retail
Zara Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Zara	Holding company
Zara Bucuresti, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Zara	Retail
Zara Ukraine LLC	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Zara	Retail
Zara Slovakia, S.R.O.	100.00%	Bratislava-Slovaquia	Full Consol.	31/01/12	Zara	Retail
Zara Croatia, Ltd.	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Zara	Retail
Zara Retail Korea, Ltd.	80.00%	Korea	Full Consol.	31/01/12	Zara	Retail
Zara Bulgaria LTD	100.00%	Sofia-Bulgaria	Full Consol.	31/12/11	Zara	Retail
Zara Immobiliare Italia SRL	100.00%	Milan - Italy	Full Consol.	31/12/11	Zara	Real estate
Zara Diseño, S.L.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Design
Zara Management, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Holding company
Kommanditgesellschaft ZARA Deutschland B.V. & Co.	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Zara	Retail
ITX Fashion retail South Africa	100.00%	South Africa	Full Consol.	31/01/12	Zara	Retail
Group Zara Australia Pty. Ltd.	80.00%	Sydney - Australia	Full Consol.	31/01/12	Zara	Retail
Zara Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Holding company
Zara Taiwan, B.V. TW Branch	100.00%	Taipei - Taiwan	Full Consol.	31/01/12	Zara	Retail
Zara Vittorio 11 Italia S.R.L.	100.00%	Milan - Italy	Full Consol.	31/01/12	Zara	Real estate
Zara BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31/12/11	Zara	Retail
Zara Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31/12/11	Zara	Retail
Nikole Diseño, S.L.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100.00%	Montenegro	Full Consol.	31/01/12	Zara	Retail
Inditex Vastgoed Korea, Ltd.	100.00%	Korea	Full Consol.	31/01/12	Zara	Retail
Inditex Trent Retail India Private LTD	51.00%	Mumbai-India	Full Consol.	31/01/12	Zara	Retail
Kiddy´s Class España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Retail
Fibracolor, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Zara	Dormant
Oysho España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Oysho	Retail
Oysho Venezuela, S.A.	100.00%	Caracas - Venezuela	Full Consol.	31/01/12	Oysho	Retail
Oysho Portugal, Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Oysho	Retail
Oysho Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Full Consol.	31/12/11	Oysho	Retail
Oysho Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31/01/12	Oysho	Retail
Oysho Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31/01/12	Oysho	Retail
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Oysho	Retail
Oysho Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Oysho	Retail
Oysho CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31/12/11	Oysho	Retail
Oysho France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31/01/12	Oysho	Retail
Oysho MAGYARORSZAG, KFT	100.00%	Budapest - Hungary	Full Consol.	31/01/12	Oysho	Retail
Oysho Ro, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Oysho	Retail
Oysho Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Oysho	Retail
Oysho Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Oysho	Design
Oysho Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31/12/11	Oysho	Retail
Oysho Commercial & Trading (Shanghai) Co., LTD.	100.00%	Shanghai- China	Full Consol.	31/12/11	Oysho	Retail
Oysho Korea, LTD	100.00%	Korea	Full Consol.	31/01/12	Oysho	Retail
Oysho Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Oysho	Retail
Oysho Croacia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Oysho	Retail
Oysho Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31/12/11	Oysho	Retail
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Venezuela, S.A.	100.00%	Caracas - Venezuela	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31/01/12	Massimo Dutti	Retail

Company	Effective % ownership	Location	Consolidation Method	Year End	Concept	Activity
Massimo Dutti UK, Ltd.	100.00%	London - United Kingdom	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Suisse, S.A.R.L.	100.00%	Freiburg - Switzerland	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Sverige, AB	100.00%	Stockholm - Sweden	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Norge, AS.	100.00%	Oslo - Norway	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Ireland., Ltd.	100.00%	Dublin - Ireland	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti USA, Ltd.	100.00%	New York - USA	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Danmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	98.00%	Mexico DF - Mexico	Full Consol.	31/12/11	Massimo Dutti	Retail
BCN Diseños, S.A. de C.V.	98.00%	Mexico DF - Mexico	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100.00%	Hong Kong - China	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Polska, Sp z o.o.	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Ro, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Macau Ltd.	100.00%	Macao- China	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Česká Republika, s.r.o	100.00%	Prague - Czech Republic	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Commercial Beijing Co, Ltd.	100.00%	Beijing- China	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Korea, LTD	100.00%	Korea	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Massimo Dutti	Design
Massimo Dutti Commercial Shanghai CO, LTD	100.00%	Shanghai- China	Full Consol.	31/12/11	Massimo Dutti	Retail
Massimo Dutti Österreich, GMBH	100.00%	Vienna - Austria	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Canada, INC.	100.00%	Montreal - Canada	Full Consol.	31/01/12	Massimo Dutti	Retail
MD Benelux, N.V.	100.00%	Bruges - Belgium	Full Consol.	31/01/12	Massimo Dutti	Retail
Italco Moda Italiana, LDA.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Portugal - Comercio e Industria Textil, S.A.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Japan, Co.	100.00%	Tokyo - Japan	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Puerto Rico, INC	100.00%	San Juan - Puerto Rico	Full Consol.	31/01/12	Massimo Dutti	Retail
KG Massimo Dutti Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Massimo Dutti	Retail
Massimo Dutti Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31/12/11	Massimo Dutti	Retail
Pull & Bear España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Ceska Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Ireland, Ltd.	100.00%	Dublin - Ireland	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Uk Limited	100.00%	London - United Kingdom	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Ro, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Pull & Bear	Retail

Company	Effective % ownership	Location	Consolidation Method	Year End	Concept	Activity
Pull & Bear Commercial Beijing Co, Ltd.	100.00%	Beijing- China	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Hong Kong LTD	100.00%	Hong Kong - China	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Diseño, S.L.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Pull & Bear	Design
Pull & Bear Macau, LTD	100.00%	Macao- China	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Österreich Clothing, Gmbh	100.00%	Vienna - Austria	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Korea, LTD	100.00%	Korea	Full Consol.	31/01/12	Pull & Bear	Retail
Pull & Bear Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31/12/11	Pull & Bear	Retail
Pull & Bear BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31/12/11	Pull & Bear	Retail
Uterqüe, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Uterqüe	Centralized purchasing
Uterqüe España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Uterqüe	Retail
Uterqüe Hellas	100.00%	Athens - Greece	Full Consol.	31/01/12	Uterqüe	Retail
Gruputerqüe Portugal Conf. Lda	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Uterqüe	Retail
Uterqüe Cis, LTD	100.00%	Moscow - Russia	Full Consol.	31/12/11	Uterqüe	Retail
Uterqüe Giyim Limited	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Uterqüe	Retail
Uterqüe México S.A. de C.V.	100.00%	Mexico DF - Mexico	Full Consol.	31/12/11	Uterqüe	Retail
Uterqüe Diseño, S.L.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Uterqüe	Design
Uterqüe Italia, Srl.	100.00%	Milan - Italy	Full Consol.	31/01/12	Uterqüe	Retail
Uterqüe Hong Kong, LTD	100.00%	Hong Kong - China	Full Consol.	31/01/12	Uterqüe	Retail
Uterqüe Commercial & Trading (Shanghai) Co., LTD.	100.00%	Shanghai- China	Full Consol.	31/12/11	Uterqüe	Retail
UTC Benelux, N.V.	100.00%	Brussels - Belgium	Full Consol.	31/01/12	Uterqüe	Retail
Bershka BSK España, S.A.	100.00%	Barcelona - España	Full Consol.	31/01/12	Bershka	Retail
Bershka Portugal Conf. Soc. Unip. Lda.	100.00%	Lisboa - Portugal	Full Consol.	31/01/12	Bershka	Retail
Bershka Hellas, S.A.	100.00%	Atenas - Grecia	Full Consol.	31/01/12	Bershka	Retail
Bershka Mexico, S.A. de CV	97.00%	Mexico DF - México	Full Consol.	31/12/11	Bershka	Retail
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100.00%	Estambul - Turquía	Full Consol.	31/01/12	Bershka	Retail
Bershka Belgique, S.A.	100.00%	Bruselas - Bélgica	Full Consol.	31/01/12	Bershka	Retail
Bershka France, S.A.R.L.	100.00%	París - Francia	Full Consol.	31/01/12	Bershka	Retail
Bershka Suisse, S.A.R.L.	100.00%	Friburgo - Suiza	Full Consol.	31/01/12	Bershka	Retail
Bershka Nederland, B.V.	100.00%	Amsterdam - Holanda	Full Consol.	31/01/12	Bershka	Retail
Bershka Italia, S.R.L.	100.00%	Milan - Italia	Full Consol.	31/01/12	Bershka	Retail
Bershka U.K., Ltd.	100.00%	London - United Kingdom	Full Consol.	31/01/12	Bershka	Retail
Bershka Ireland., Ltd.	100.00%	Dublin - Ireland	Full Consol.	31/01/12	Bershka	Retail
Bershka Ceska Republica, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31/01/12	Bershka	Retail
Bershka Croatia, Ltd.	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Bershka	Retail
Bershka Polska Sp Z O.O.	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Bershka	Retail
Bershka Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31/01/12	Bershka	Retail
Bershka Carpati, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Bershka	Retail
Bershka Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Bershka	Retail
Bershka Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31/01/12	Bershka	Retail
Bershka Cis, Ltd	100.00%	Moscow - Russia	Full Consol.	31/12/11	Bershka	Retail
Bershka Österreich Clothing GmbH	100.00%	Vienna - Austria	Full Consol.	31/01/12	Bershka	Retail
Bershka Hong Kong Limited	100.00%	Hong Kong - China	Full Consol.	31/01/12	Bershka	Retail
Bershka Commercial Beijing Co, Ltd	100.00%	Beijing- China	Full Consol.	31/12/11	Bershka	Retail
Bershka Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31/12/11	Bershka	Retail
Bershka Korea, LTD	100.00%	Korea	Full Consol.	31/01/12	Bershka	Retail
Bershka Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Bershka	Design
Bershka Macau, LTD	100.00%	Macao- China	Full Consol.	31/12/11	Bershka	Retail
Bershka Japan, LTD	100.00%	Tokyo - Japan	Full Consol.	31/01/12	Bershka	Retail
BSKE, GMBH	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Bershka	Holding company
Bershka BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31/12/11	Bershka	Retail
Bershka Deutschland B.V. & CO. KG	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Bershka	Retail



Company	Effective % ownership	Location	Consolidation Method	Year End	Concept	Activity
Bershka Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31/12/11	Bershka	Retail
Stradivarius España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Portugal, Conf. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Ireland Limited	100.00%	Dublin - Ireland	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Italia SRL	100.00%	Milan - Italy	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Croatia, LTD.	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Slovakia, S.R.O.	100.00%	Bratislava-Slovakia	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Ro, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius Česká Republika, s.r.o	100.00%	Prague - Czech Republic	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Commercial Shangai CO, LTD	100.00%	Shanghai- China	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius Bulgaria, LTD	100.00%	Sofia-Bulgaria	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Stradivarius	Design
Stradivarius Macau, LTD	100.00%	Macao- China	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius Korea, LTD	100.00%	Korea	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius Hong Kong, LTD	100.00%	Hong Kong - China	Full Consol.	31/01/12	Stradivarius	Retail
Stradivarius México, S.A. de C.V.	100.00%	Mexico DF - Mexico	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31/12/11	Stradivarius	Retail
Stradivarius Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31/12/11	Stradivarius	Retail
Zara Home España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Zara Home	Retail
Zara Home U.K., Ltd.	100.00%	London - United Kingdom	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Mexico, S.A. de C.V.	98.50%	Mexico DF - Mexico	Full Consol.	31/12/11	Zara Home	Retail
Zara Home Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Francia, S.A.R.L.	100.00%	Paris - France	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Ro, Srl	100.00%	Bucarest-Romania	Full Consol.	31/12/11	Zara Home	Retail
Zara Home CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31/12/11	Zara Home	Retail
Zara Home Ukraine, Llc	100.00%	Kiev-Ukraine	Full Consol.	31/12/11	Zara Home	Retail
Zara Home Polska, Sp zo.o	100.00%	Warsaw - Poland	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Diseño, S.L.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Zara Home	Retail
ZHE, Gmbh	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100.00%	Sao Paulo -Brazil	Full Consol.	31/12/11	Zara Home	Retail
Zara Home Croatia, LTD	100.00%	Zagreb-Croatia	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31/01/12	Zara Home	Retail
Zara Home Commercial & Trading (Shangai) Co., LTD.	100.00%	Shanghai- China	Full Consol.	31/12/11	Zara Home	Retail
Zara Logística, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Full Consol.	31/01/12	Zara	Logistics
Plataforma Logística León, S.A.	100.00%	León- Spain	Full Consol.	31/01/12	Zara	Logistics
Plataforma Logística Meco, S.A.	100.00%	Madrid- Spain	Full Consol.	31/01/12	Zara	Logistics
Pull & Bear Logística, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Massimo Dutti	Logistics
Bershka Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Bershka	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Oysho	Logistics

Company	Effective % ownership	Location	Consolidation Method	Year End	Concept	Activity
Stradivarius Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31/01/12	Stradivarius	Logistics
Zara Home Logística, S.A.	100.00%	León- Spain	Full Consol.	31/01/12	Zara Home	Logistics
Uterqüe Logística, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Uterqüe	Logistics
Lefties Logística, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Logistics
Inditex Logística, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Logistics
Tordera Logística, S.L.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100.00%	Mexico DF - Mexico	Full Consol.	31/12/11	Zara	Services
Zara Financiën B.V. Ireland	100.00%	Dublin - Ireland	Full Consol.	31/01/12	Zara	Finance
Zara Mexico, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Finance
Zara Holding, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Holding company
ITX Financien, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Holding company
ITX Holding, S.A.	100.00%	Freiburg - Switzerland	Full Consol.	31/01/12	Zara	Holding company
Liprasa Cartera, S.L.	98.00%	Madrid - Spain	Full Consol.	31/01/12	Massimo Dutti	Holding company
ITX Merken, B.V.	100.00%	Breda - Netherlands	Full Consol.	31/01/12	Zara	Trademarks
ITX RE	100.00%	Ireland	Full Consol.	31/01/12	Zara	Insurance
ITX Trading, S.A.	100.00%	Freiburg - Switzerland	Full Consol.	31/01/12	Zara	Centralized purchasing
ITX Fashion Ltd	100.00%	Ireland	Full Consol.	31/01/12	Zara	Retail
Goa-Invest, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Construction and real estate
Goa-Invest Deutschland GMBH	100.00%	Hamburg - Germany	Full Consol.	31/01/12	Zara	Construction and real estate
Zara Vastgoed, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Real Estate
Vastgoed Asia, Ltd.	100.00%	Hong Kong - China	Full Consol.	31/01/12	Zara	Real Estate
SNC Zara France Immobiliere	100.00%	Paris - France	Full Consol.	31/12/11	Zara	Real Estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Full Consol.	31/12/11	Zara	Real Estate
SCI Vastgoed France P03301	100.00%	Paris - France	Full Consol.	31/12/11	Zara	Real Estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Full Consol.	31/12/11	Zara	Real Estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Full Consol.	31/12/11	Zara	Real Estate
Invercarpro, S.A.	100.00%	Madrid - Spain	Full Consol.	31/01/12	Zara	Real Estate
Robustae S.G.P.S. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31/01/12	Zara	Retail
Lefties España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Centralized purchasing
Inditex Cogeneración, A.I.E.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Co-generation plant
Inditex, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Dormant
Zara Holding II, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31/01/12	Zara	Holding company
Zara, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Dormant
Zara, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31/01/12	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Logistics
FSF New York, LLC	100.00%	New York - USA	Full Consol.	31/01/12	Zara	Real Estate
Fashion Retail España, S.A.	100.00%	La Coruña - Spain	Full Consol.	31/01/12	Zara	Retail

## Multigroup companies

Tempe, S.A.	50.00%	Alicante - Spain	Proportional Cons.	31/01/12	Zara	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico DF - Mexico	Proportional Cons.	31/12/11	Zara	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante - Spain	Proportional Cons.	31/01/12	Zara	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo -Brazil	Proportional Cons.	31/12/11	Zara	Sale of footwear
Tempe Diseño, S.L.	50.00%	Alicante - Spain	Proportional Cons.	31/01/12	Zara	Design
Tempe Trading	50.00%	Freiburg - Switzerland	Proportional Cons.	31/01/12	Zara	Centralized purchasing
Tempe Trading Asia Limited	50.00%	Hong Kong - China	Proportional Cons.	31/01/12	Zara	Centralized purchasing

Consolidated  
management  
report  
31st January 2012

## 1. Performance in FY2011

Figures expressed in millions of Euros

In FY2011 Inditex continues its global, multi-concept, multi-channel growth.

Net sales reached €13.8 billion in FY2011, with sales growth of 10% (11% in local currencies).

**Like-for-like sales** increased 4% in FY2011 (6% in 1H and 3% in 2H). The like-for-like calculation includes 80% of FY2011 store sales (i.e. sales in stores opened for the whole of fiscal years 2011 and 2010).

In FY2011 Inditex **retail space** increased 9.7%. Total selling area at FYE reached 2,838,980 square meters:

Square Metres	31 Jan 2012	31 Jan 2011	Chg % 11/10
Zara	1,824,753	1,687,949	8%
Pull&Bear	223,687	196,320	14%
Massimo Dutti	152,614	143,023	7%
Bershka	300,351	262,009	15%
Stradivarius	178,231	154,253	16%
Oysho	68,261	60,474	13%
Zara Home	79,001	72,748	9%
Uterqüe	12,082	10,871	11%
<b>Total</b>	<b>2,838,980</b>	<b>2,587,648</b>	<b>10%</b>

Net store openings in FY2011 amounted to 483 reaching a total of 5,527 stores in 82 markets. In FY2011 Inditex has opened stores in 49 markets:

Concept	Net openings		Total stores
	FY11	31 Jan 2012	31 Jan 2011
Zara	113	1,631	1,518
Zara Kids	(6)	199	205
Pull&Bear	65	747	682
Massimo Dutti	43	573	530
Bershka	91	811	720
Stradivarius	91	684	593
Oysho	51	483	432
Zara Home	26	310	284
Uterqüe	9	89	80
<b>Total</b>	<b>483</b>	<b>5,527</b>	<b>5,044</b>

A list of quarterly openings and stores opened as at FYE by concept and by market is included in Annexes IV and V.

All the concepts have increased their sales demonstrating their global reach. **Net sales by concept** are shown in the table below:

Concept	2011	2010	Chg% 11/10
Zara	8,938	8,088	10%
Pull&Bear	957	857	12%
Massimo Dutti	1,013	897	13%
Bershka	1,316	1,247	6%
Stradivarius	871	780	12%
Oysho	313	304	3%
Zara Home	317	294	8%
Uterqüe	68	59	15%
<b>Total sales</b>	<b>13,793</b>	<b>12,527</b>	<b>10%</b>

The Group operates a global sales platform. Sales growth has been positive in all geographical areas in FY2011. **Store sales by geographical area** are shown in the table below:

Area	2011	2010
Europe ex-Spain	45%	45%
Spain	25%	28%
Asia & RoW	18%	15%
Americas	12%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Gross profit** rose to €8.2 billion, 10% higher than the previous year. The Gross margin has reached 59.3% of sales (59.3% in FY2010).

**Operating expenses** have been tightly managed over the year and have grown by 10%, mainly as a result of the new retail space added and include all the start-up costs for new openings.

Million Euros	2011	2010
Personnel expenses	2,234	2,009
Rental expenses	1,399	1,272
Other operating expenses	1,286	1,171
<b>Total</b>	<b>4,919</b>	<b>4,452</b>

At FYE 2011 the number of employees was 109,512 (100,138 at FYE2010).

FY2011 **EBITDA** came to €3.3 billion, 10% higher than the previous year, and **EBIT** to €2.5 billion, 10% higher.

The breakdown of EBIT by concept is shown below:

	(Million €)			% sales	% total
Concept	2011	2010	Chg% 11/10	2011	2011
Zara	1,725	1,534	12%	19%	68%
Pull&Bear	140	139	1%	15%	6%
Massimo Dutti	238	172	39%	24%	9%
Bershka	159	197	-19%	12%	6%
Stradivarius	192	176	9%	22%	8%
Oysho	36	45	-19%	12%	1%
Zara Home	39	39	0%	12%	2%
Uterqüe	-8	-12	-	-	-
<b>Total EBIT</b>	<b>2,522</b>	<b>2,290</b>	<b>10%</b>	<b>18%</b>	<b>100%</b>

The following chart shows the breakdown of Financial results:

Million Euros	FY2011	FY2010
Net financial income (losses)	16	18
Foreign exchange gains (losses)	20	13
<b>Total</b>	<b>37</b>	<b>31</b>

**Net income** came to €1.9 billion, 12% higher than the previous year.

Inditex's Board of Directors will propose to the General Shareholders Meeting a dividend increase of 12.5%, composed of an ordinary dividend of €1.60 per share and a bonus dividend of €0.20 per share, equating to a **total dividend** of €1.80 per share. €0.90 will be payable on 2 May 2012 as interim ordinary dividend and €0.90 would be payable on 2 November 2012 as final ordinary and bonus dividend.

INDITEX continued to show a strong financial condition over Fiscal 2011. Net cash has grown by 15% excluding extraordinary Capital Expenditure.



Million Euros	31 Jan 2012	31 Jan 2011
Cash & cash equivalents	3,467	3,433
Current financial debt	(1)	(3)
Non current financial debt	(2)	(4)
<b>Net financial cash (debt)</b>	<b>3,465</b>	<b>3,427</b>

The operating working capital position remains negative, a consequence of the business model.

Million Euros	31 Jan 2012	31 Jan 2011
Inventories	1,277	1,215
Receivables	531	482
Payables	(2,679)	(2,633)
<b>Operating working capital</b>	<b>(871)</b>	<b>(936)</b>

**Funds from operations** reached €2.6 billion in FY2011, 3% higher, and are influenced by the calendar of tax payments over the year versus FY2010.

**Ordinary Capital Expenditure** for the FY2011 amounted to €864 million driven by 483 store openings in the year. Extraordinary capital expenditure amounted to €485 million as a result of the acquisition of unique retail premises at 666 Fifth Avenue, New York and 11 Corso Vittorio Emanuele, Milan, Inditex franchise operations in Serbia and Montenegro, Massimo Dutti franchise operations in Belgium, Luxembourg and Portugal, and Uterque franchise operations in Belgium.

**Dividends** paid to shareholders in 2011 reached €997 million.

## Start of FY2012

Store sales in local currencies, adjusted for the calendar effect of an extra trading day in February due to the leap year, have increased by 11% from 1 February to 14 March 2012. The Spring-Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

Capital Expenditure in FY2012 is expected to be approximately 950 million as a result of the store opening plan for the year.

Inditex expects to open between 480-520 net stores. Approximately 70% of the new contracts have been signed but in some cases openings may not take place in FY2012:

Concept	Range	
Zara	125	130
Pull&Bear	50	55
Massimo Dutti	55	60
Bershka	70	75
Stradivarius	90	95
Oysho	45	50
Zara Home	40	45
Uterqüe	5	10
<b>Total</b>	<b>480</b>	<b>520</b>

Massimo Dutti plans to open in United States and Canada in FY2012, demonstrating its global reach.

During 2011 Zara began online sales in United States, Japan, Switzerland, Monaco, Sweden, Denmark and Norway.

Additionally, Massimo Dutti, Bershka, Pull&Bear, Stradivarius, Oysho and Uterque launched online sales in selected European markets on 6 September of 2011.

Zara and Zara Home launched online sales in Poland in March 2012.

Zara plans to launch online sales in China in the Autumn-Winter season.

## FY2012 corporate calendar

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Inditex expects to release interim results for FY2012 on the following dates:

Interim Three Months	13 June 2012
Interim Half Year	19 September 2012
Interim Nine Months	12 December 2012
Fiscal year	March 2013 (tbc)

### For additional information:

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## Disclaimer

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This document is of a purely informative nature and does not constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, securities issued by any of the companies mentioned herein.

This document contains forward-looking statements. All statements other than statements of historical fact included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.

Some of these risks include, amongst others, ongoing competitive pressure in the sector, consumer tastes and spending trends, economic, political, regulatory and trade conditions in the markets where the INDITEX Group is present or in the countries where the Group's products are manufactured or distributed.

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. The company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

For a discussion of these and other factors that may affect forward looking statements and the INDITEX Group's business, financial conditions and results of operations, see the documents and information communicated by the company to the Comisión

Nacional del Mercado de Valores (the Spanish Securities Commission).

The contents of this disclaimer should be taken into account by all persons or entities.

## Consolidated financial statements

### FY2011 Profit & Loss Statement

Million Euros	FY2011	FY2010
Net sales	13,793	12,527
Cost of sales	(5,612)	(5,105)
<b>Gross profit</b>	<b>8,180</b>	<b>7,422</b>
Gross margin	59.3%	59.3%
Operating expenses	(4,919)	(4,452)
Other net operating income (losses)	(3)	(4)
<b>Operating cash flow (EBITDA)</b>	<b>3,258</b>	<b>2,966</b>
EBITDA margin	23.6%	23.7%
Depreciation and amortisation	(736)	(676)
<b>Operating income (EBIT)</b>	<b>2,522</b>	<b>2,290</b>
EBIT margin	18.3%	18.3%
Financial results	37	31
<b>Income before taxes</b>	<b>2,559</b>	<b>2,322</b>
EBT margin	18.6%	18.5%
Taxes	(613)	(580)
<b>Net Income</b>	<b>1,946</b>	<b>1,741</b>
Net income margin	14.1%	13.9%
Minorities	13	9
<b>Net income attributable to the controlling company</b>	<b>1,932</b>	<b>1,732</b>
Net income margin	14.0%	13.8%
<b>Earnings per share, cents of euro (*)</b>	<b>310</b>	<b>278</b>

(\*)Shares for EPS calculation 623.2 million for 2011 and 623.1 for 2010

## Consolidated balance sheet as of 31 January 2012

Million euros	31 January 2012	31 January 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>	<b>5,437</b>	<b>5,203</b>
Cash & cash equivalents	3,467	3,433
Receivables	531	482
Inventories	1,277	1,215
Other	162	73
<b>NON CURRENT ASSETS</b>	<b>5,522</b>	<b>4,624</b>
Tangible assets	4,083	3,414
Intangible assets	832	687
Financial investments	10	9
Other	597	513
<b>TOTAL ASSETS</b>	<b>10,959</b>	<b>9,826</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>	<b>2,703</b>	<b>2,675</b>
Payables	2,679	2,633
Financial debt	1	3
Other	23	39
<b>NON CURRENT LIABILITIES</b>	<b>801</b>	<b>728</b>
Financial debt	2	4
Deferred taxes	183	173
Other	617	551
<b>SHAREHOLDERS' EQUITY</b>	<b>7,456</b>	<b>6,423</b>
Equity attributable to the Group	7,415	6,386
Minority interests	41	37
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>10,959</b>	<b>9,826</b>

## FY2011 Consolidated statement of Cash Flows

Millions of euros	FY2011	FY2010
<b>Income before taxes</b>	<b>2,559</b>	<b>2,322</b>
<b>Adjustments to income</b>		
Amortisation and depreciation	693	636
Foreign exchange impact	(29)	(30)
Other	83	120
<b>Corporate income tax</b>	<b>(693)</b>	<b>(508)</b>
<b>Funds from operations</b>	<b>2,613</b>	<b>2,540</b>
<b>Changes in assets and liabilities</b>		
Increase in inventories	(57)	(227)
Increase in accounts receivable	(80)	(120)
Decrease in current liabilities	(67)	363
<b>Changes in working capital</b>	<b>(204)</b>	<b>16</b>
<b>Cash from operations</b>	<b>2,408</b>	<b>2,556</b>
Intangible assets investments	(122)	(74)
Tangible assets investments	(1,082)	(617)
Acquisitions of businesses	(106)	0
Addition to other long-term financial investmets	(13)	(26)
Other assets investments	(27)	(37)
<b>Capital expenditure</b>	<b>(1,349)</b>	<b>(754)</b>
Net decrease in long-term financial debt	(23)	(1)
Net decrease in other long-term debt	(0)	(33)
Net increase in current debt	(14)	(32)
Dividends	(1,004)	(751)
Other financing activities	1	(1)
<b>Cash used in financing activities</b>	<b>(1,041)</b>	<b>(819)</b>
Net increase in cash and cash equivalents	19	984
Foreign exchange impact on cash & cash equivalents	14	30
Cash and cash equivalents at begining of the year	3,433	2,420
<b>Cash and cash equivalents at end of the year</b>	<b>3,467</b>	<b>3,433</b>



# Annex I

## Income statement: FY2011 quarterly results

	Q1	Q2	Q3	Q4
Net sales	2,960	3,248	3,501	4,083
Cost of sales	(1,219)	(1,365)	(1,341)	(1,687)
<b>Gross profit</b>	<b>1,741</b>	<b>1,883</b>	<b>2,160</b>	<b>2,396</b>
	58.8%	58.0%	61.7%	58.7%
Operating expenses	(1,140)	(1,222)	(1,202)	(1,355)
Other net operating income (losses)	(0)	(1)	(2)	(0)
<b>Operating cash flow (EBITDA)</b>	<b>601</b>	<b>660</b>	<b>956</b>	<b>1,041</b>
	20.3%	20.3%	27.3%	25.5%
Depreciation and amortisation	(170)	(177)	(191)	(198)
<b>Operating income (EBIT)</b>	<b>431</b>	<b>483</b>	<b>765</b>	<b>843</b>
	14.6%	14.9%	21.9%	20.6%
Financial results	7	12	3	15
<b>Income before taxes</b>	<b>438</b>	<b>496</b>	<b>768</b>	<b>858</b>
Taxes	(105)	(107)	(180)	(222)
<b>Net income</b>	<b>332</b>	<b>389</b>	<b>589</b>	<b>635</b>
Minorities	1	4	4	5
<b>Net income attributable to the controlling company</b>	<b>332</b>	<b>385</b>	<b>585</b>	<b>630</b>
	11.2%	11.9%	16.7%	15.4%

## Annex II

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

	2011	2010
Net income	1,932	1,732
Shareholders equity - previous year	6,386	5,329
Shareholders equity - current year	7,415	6,386
Average equity	6,900	5,858

<b>Return on Equity</b>	<b>28%</b>	<b>30%</b>
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**Return on Capital Employed**, defined as EBIT on average capital employed (Shareholder's equity plus net financial debt):

	2011	2010
EBIT	2,522	2,290
AVERAGE CAPITAL EMPLOYED:		
Average shareholders' equity	6,900	5,858
Average net financial debt (*)	0	0

<b>Total average capital employed</b>	<b>6,900</b>	<b>5,858</b>
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<b>Return on Capital employed</b>	<b>37%</b>	<b>39%</b>
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(\*) Zero when net cash

### Return on Capital Employed by concept

Concept	2011	2010
Zara	32%	34%
Pull&Bear	50%	54%
Massimo Dutti	79%	89%
Bershka	38%	52%
Stradivarius	64%	74%
Oysho	29%	35%
Zara Home	40%	37%
Uterqüe	-	-

<b>Total</b>	<b>37%</b>	<b>39%</b>
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## Annex III

### Company-managed stores and franchised stores at FYE:

Concept	Co. Mag.	Franchised	Total
Zara	1,648	182	1,830
Zara Kids	199	0	199
Pull&Bear	651	96	747
Massimo Dutti	498	75	573
Bershka	706	105	811
Stradivarius	561	123	684
Oysho	439	44	483
Zara Home	279	31	310
Uterqüe	72	17	89

<b>Total</b>	<b>4,854</b>	<b>673</b>	<b>5,527</b>
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### Sales in company-managed and franchised stores:

Concept	Company Managed	Franchised
Zara	87%	13%
Pull&Bear	86%	14%
Massimo Dutti	73%	27%
Bershka	87%	13%
Stradivarius	83%	17%
Oysho	88%	12%
Zara Home	88%	12%
Uterqüe	82%	18%

<b>Total</b>	<b>86%</b>	<b>14%</b>
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## Annex IV

### Summary of net openings by quarter

Concept	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Total 2011
Zara	22	17	46	28	113
Zara Kids	0	(3)	(1)	(2)	(6)
Pull&Bear	11	11	24	19	65
Massimo Dutti	12	3	23	5	43
Bershka	16	15	34	26	91
Stradivarius	24	16	26	25	91
Oysho	11	6	19	15	51
Zara Home	7	2	10	7	26
Uterqüe	7	0	0	2	9
<b>Total</b>	<b>110</b>	<b>67</b>	<b>181</b>	<b>125</b>	<b>483</b>

### Total stores by quarter

Concept	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Zara	1,745	1,759	1,804	1,830
Zara Kids	205	202	201	199
Pull&Bear	693	704	728	747
Massimo Dutti	542	545	568	573
Bershka	736	751	785	811
Stradivarius	617	633	659	684
Oysho	443	449	468	483
Zara Home	291	293	303	310
Uterqüe	87	87	87	89
<b>Total</b>	<b>5,154</b>	<b>5,221</b>	<b>5,402</b>	<b>5,527</b>

## Annex V

### Stores by concept and market as at 31 January 2012

	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ANDORRA	1	0	1	1	1	1	1	1	1	8
ARGENTINA	10	0	0	0	0	0	0	0	0	10
AUSTRALIA	3	0	0	0	0	0	0	0	0	3
AUSTRIA	12	0	0	0	4	0	0	0	0	16
AZERBAIJAN	1	0	0	0	1	0	0	0	0	2
BAHREIN	2	0	2	2	1	1	1	1	0	10
BELGIUM	27	0	5	22	9	0	0	6	7	76
BRAZIL	32	0	0	0	0	0	0	0	0	32
BULGARIA	5	0	4	3	4	4	3	0	0	23
CANADA	22	0	0	0	0	0	0	0	0	22
CHILE	7	0	0	0	0	0	0	0	0	7
CHINA	101	0	41	24	47	40	17	5	0	275
COLOMBIA	10	0	0	3	6	7	0	0	0	26
COSTA RICA	2	0	0	1	0	0	0	1	0	4
CROATIA	8	0	4	2	6	4	0	1	0	25
CYPRUS	5	0	5	3	6	6	3	2	2	32
CZECH REPUBLIC	6	0	4	1	4	1	0	0	0	16
DENMARK	2	0	0	0	0	0	0	0	0	2
DOMINICAN REPUBLIC	2	0	0	0	1	1	1	0	0	5
EGYPT	4	0	4	3	4	2	2	2	2	23
EL SALVADOR	2	0	1	0	1	1	0	0	0	5
ESTONIA	2	0	1	0	1	1	0	0	0	5
FINLAND	4	0	0	0	0	0	0	0	0	4
FRANCE	116	4	18	18	42	20	11	16	0	245
GERMANY	65	0	0	8	2	0	0	3	0	78
GREECE	45	6	23	13	28	15	18	9	5	162
GUATEMALA	2	0	2	1	2	1	1	0	0	9
HOLLAND	20	0	3	2	8	0	0	2	0	35
HONDURAS	2	0	0	0	0	0	0	0	0	2
HUNGARY	7	0	6	0	7	5	1	0	0	26
INDIA	7	0	0	0	0	0	0	0	0	7
INDONESIA	10	0	4	3	3	3	0	0	0	23
IRELAND	9	0	5	1	5	2	0	0	0	22
ICELAND	2	0	0	0	0	0	0	0	0	2
ISRAEL	20	0	23	1	5	0	0	0	0	49
ITALY	88	12	34	7	46	36	55	26	0	304
JAPAN	74	0	0	0	4	0	0	0	0	78
JORDAN	2	0	2	2	1	3	1	1	1	13
KAZAKHSTAN	2	0	1	1	2	1	0	0	0	7
KUWAIT	5	0	4	2	2	2	3	2	2	22
LATVIA	4	0	3	0	3	1	0	0	0	11

	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
LEBANON	5	0	5	5	5	4	5	4	2	35
LITHUANIA	4	0	4	1	4	4	0	0	0	17
LUXEMBOURG	2	0	0	1	0	0	0	0	0	3
MALAYSIA	6	0	2	5	2	0	0	0	0	15
MALTA	1	0	3	1	2	2	1	1	0	11
MEXICO	55	0	39	31	47	0	34	17	6	229
MONACO	1	0	0	0	0	0	0	0	0	1
MONTENEGRO	1	0	1	0	1	1	1	0	0	5
MOROCCO	5	0	2	2	2	6	1	3	1	22
NORWAY	3	0	0	2	0	0	0	0	0	5
OMAN	1	0	0	0	0	1	1	1	0	4
PANAMA	2	0	0	0	0	0	0	0	0	2
PERU	1	0	0	0	0	0	0	0	0	1
PHILIPPINES	6	0	0	3	0	0	0	0	0	9
POLAND	39	0	26	15	28	47	10	2	0	167
PORTUGAL	61	19	63	45	49	42	36	22	7	344
PUERTO RICO	1	0	0	0	0	0	0	0	0	1
QATAR	2	0	2	2	2	1	2	2	1	14
ROMANIA	16	0	15	5	14	14	5	3	0	72
RUSSIA	55	0	42	18	43	45	36	12	5	256
SAUDI ARABIA	25	0	9	11	23	29	15	4	2	118
SERBIA	4	0	2	2	2	2	2	0	0	14
SINGAPORE	7	0	3	4	2	2	0	0	0	18
SLOVAKIA	2	0	1	0	1	2	0	0	0	6
SLOVENIA	5	0	2	1	4	4	0	0	0	16
SOUTH AFRICA	1	0	0	0	0	0	0	0	0	1
SOUTH KOREA	34	0	2	2	2	2	0	0	0	42
SPAIN	335	158	281	245	268	282	189	134	40	1,932
SWEDEN	8	0	0	3	0	0	0	0	0	11
SWITZERLAND	10	0	0	5	2	0	0	0	0	17
SYRIA	2	0	1	2	2	1	0	0	0	8
TAIWAN	2	0	0	0	0	0	0	0	0	2
THAILAND	6	0	0	2	1	1	0	0	0	10
TUNISIA	2	0	0	0	0	0	0	0	0	2
TURKEY	30	0	19	15	21	19	17	12	2	135
UAE	9	0	6	9	6	8	6	6	3	53
UKRAINE	9	0	8	2	8	7	4	0	0	38
UNITED KINGDOM	66	0	5	10	5	0	0	9	0	95
UNITED STATES	46	0	0	0	0	0	0	0	0	46
URUGUAY	2	0	0	0	0	0	0	0	0	2
VENEZUELA	9	0	4	0	9	0	0	0	0	22
Total	1,631	199	747	573	811	684	483	310	89	5,527



## Other information

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### RELATED PARTY TRANSACTIONS

Transactions with related parties are described in note 30 to the consolidated annual accounts. The Company has not carried out any transactions with related parties in 2011 that substantially affect its financial position or results.

### RISKS AND UNCERTAINTIES

The Group's risks and uncertainties are described in note 26 to the consolidated annual accounts. There are no significant risks or uncertainties at year end.

### RESEARCH AND DEVELOPMENT EXPENDITURE

Inditex Group does not usually 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 Company 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, central distribution systems, systems for communications with stores and in-store garment labelling systems.

### TREASURY SHARES

At the reporting date the Company does not hold any treasury shares.

### EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the reporting date.

### FINANCIAL RISK MANAGEMENT POLICY

Note 26 to the consolidated annual accounts includes additional information on financial risk management policy.

### ANNUAL CORPORATE GOVERNANCE REPORT

The corporate governance report is available at [www.inditex.com](http://www.inditex.com) and was published in the section on Price Sensitive Information of the CNMV (Spanish National Securities Market Commission) website on 21 March 2012.

# Annual Corporate Governance Report

In this Annual Corporate Governance Report, the Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (hereinafter, "Inditex" or "the Company" has included all the relevant information corresponding to fiscal year 2011 which commenced on 1 February 2011 and closed on 31 January 2012, excepting those cases in which other dates of reference are specifically mentioned. In Spain, Act 26/2003 of 17 July (hereinafter, the "Transparency Act"), which amended the [Spanish] Stock Exchange Act and the Revised Text of the [Spanish] Corporation Act with the purpose of reinforcing the transparency of listed companies, developed the series of reflections on the principles and practices that should govern the corporate governance of listed companies that were contained in the Report by the Olivencia Commission and, subsequently, in the Report of the Special Commission for the Promotion of Transparency and Security in Financial Markets and Listed Companies (hereinafter, the "Aldama Report"), giving regulatory support to the conclusions and recommendations contained therein as regards the promotion of transparency. Finally, on 22 May 2006, the Board of the *Comisión Nacional del Mercado de Valores* [Spanish Stock Exchange Commission, hereinafter the "CNMV"], resolved to approve as a single document addressing the recommendations on corporate governance, the Unified Code of Good Corporate Governance prepared by the Special Work Group set up further to a resolution of the Spanish Government with the goal of assisting the CNMV with the harmonisation and update of the recommendations included in the Olivencia and Aldama Reports.

The contents and structure of this Report adjust to the model laid down by Circular 4/2007 dated 27 December of the CNMV, whereby the model of the annual corporate governance report of listed companies is amended, in order to adjust its contents to the recommendations of the Unified Good Governance Code, and to the new requirements set out in Act 2/2011, of 4 March, on Sustainable Economy which adds on its fifth Additional Provision a new chapter VI to Part IV of Act 24/1988, of 28 July, on the Securities Market which governs the additional information to be provided on the model of annual corporate governance report currently in force.

This Annual Corporate Governance Report is subject to publication as a relevant fact and is available on our corporate web site: [www.inditex.com](http://www.inditex.com).

The rules governing the corporate governance of Inditex are established in its Articles of Association, Board of Directors' Regulations and Regulations of the General Meeting of Shareholders, in its Internal Regulations of Conduct Regarding Transactions in Securities, the Code of Conduct of the Inditex Group, the Internal Guidelines for Responsible Practices of the Inditex's Group Personnel and the Regulations of the Social Advisory Board, as it is explained in more detail below:

## Articles of Association

These were approved by the General Meeting of Shareholders in July 2000. The General Meeting held in April 2001 introduced an amendment consisting of a reduction in the number of shares required to attend the General Meeting, while the one held in July 2003 resolved new amendments, mostly due to the new duties of transparency, information and protection of the shareholder, which were introduced by Law 44/2002, of 22 November, on Measures for the Reform of the Financial System (hereinafter, the "Financial Law") and by the recommendations and conclusions regarding corporate governance, and specifically those included in the Aldama Report. Then, the AGM adopted several amendments regarding the full adaptation to the Transparency Law and the inclusion of recommendations on corporate governance, thoroughly reviewed throughout the Annual Corporate Governance Report for fiscal year 2004, underscoring the following ones: (i) the requirement to hold at least 50 shares in the Company to be eligible to attend Annual General Meetings was suppressed; (ii) the possibility for shareholders to grant proxy and to issue votes by mail or electronic means was included in the regulations of the Company; (iii) some rules were laid down for those cases where a shareholders' proxy is in conflict of interest; (iv) the composition of the Audit and Control Committee was reformed, to be comprised of independent directors exclusively; (v) a new article regarding the Nomination and Remuneration Committee, that must also be entirely comprised of independent directors, was introduced and (vi) a new article on the web page of the Company was introduced. Subsequent amendments were supported by the necessary adjustment of the Articles of Association to the amendments introduced by Act 3/2009, of 3 April, on structural amendments of companies and by the intent of extending the maximum number of members sitting on the Supervision and Control Committees of the Board of Directors (the Audit and Control Committee and the Nomination and Remuneration Committee) to better meet the requirements of the Company and to mirror the composition of the Board of Directors, further to the resolution passed by the AGM held on 13 July 2010 regarding the appointment of two new independent directors.

Finally, the Annual General Meeting of Shareholders held on 19 July 2011 resolved the adjustment of the Articles of Association to the new revised text of the Act on Capital Companies, approved by *Real Decreto Legislativo* 1/2010 of 2 July. The amendment consisted of replacing any references to the "Spanish Corporation Act" or any other express reference to any given statute, with a generic reference to the "Law" or the "applicable regulations", for the purposes of preventing that any successive regulatory change might entail the relevant amendment to the Articles of Association. Likewise,

certain amendments were introduced regarding the form and contents of the notice calling the Annual General Meeting of Shareholders, in order to adjust the duties of the Audit and Control Committee to the new wording of 18th Additional provision of the Act on Securities Market and the contents of the web page regarding information to the shareholders.

## Board of Directors' Regulations

These were approved by the Board of Directors in July 2000. Their purpose is to determine the principles of operation of the Board, the basic rules for its organisation and operation and the rules governing the conduct of its members and they include, among other matters, rules relating to the appointment and removal of directors, their rights and duties and the relations of the Board with the shareholders, with the markets and with the external auditors, all this with the aim of achieving the highest possible degree of efficiency. The Board of Directors' Regulations were already subject to a major reform, as resolved by the administration body on 20 March 2003, in order to adapt them to the new obligations introduced by the Financial Law, and to the recommendations contained in the Aldama Report. Said reform, however, and for time reasons, did not take into account all the mandates of the Transparency Law, which was published after same resolution. For such reason, a new amendment to the internal rules on governance of the Board of Directors was approved by the meeting it held on 10 June 2004, on the one hand fully including the provisions of the Transparency Law and the implementing regulations thereof, and on the other undertaking other reforms, which were not mandatory but which aimed at reviewing and updating the contents of the Board of Directors' Regulations in light of the most recent trends on the issue of good corporate governance, harmonising the terminology used and correcting some minor errors discovered in the wording thereof. Then, the Board of Directors approved certain amendments to the Regulations in order to adjust them to the new recommendations of the Unified Good Governance Code.

The latest reform of the Board of Directors' Regulations was approved by said body in the meeting held on 13 July 2010. Said amendment aimed at adjusting the wording of certain sections of the Board's Regulation to the consistent amendments introduced to the Articles of Association, including the extension of the maximum number of members sitting on the Supervision and Control Committees (the Audit and Control Committee and the Nomination and Remuneration Committee), in order to adjust them to the requirements of the Company and to the new composition of the Board of Directors, further to the resolution passed by the AGM held on that same date, regarding the appointment of two new independent directors.

## Regulations of the General Meeting of Shareholders

This text was approved at the General Meeting held on 18 July 2003. Its aim is to govern the operation of the General Meeting as to calling of meetings, preparation, information, attendance, development and exercise of voting rights, and to inform the shareholders of their rights and duties relating to this. It was approved by the Annual General Meeting of Shareholders held on 16 July 2004 to amend the Regulations of the General Meeting of Shareholders to fully include thereon the provisions of the Transparency Law and the implementing regulations thereof, updating at the same time the contents of the Regulations in light of the most recent trends on the issue of good corporate governance. Then in order to adjust its contents to the new recommendations on these issues laid down in the Unified Good Governance Code, these Regulations were amended as a result of a resolution passed by the AGM.

The latest reform of Regulations of the General Meeting of Shareholders was approved by the AGM in the meeting held on 19 July 2011, for the purposes of adjusting the wording of such Regulations to the regulatory changes introduced by the new Act on Capital Companies. Additionally, in order to prevent any successive amendment based exclusively upon any changes in the name of the applicable regulations, any reference to the "Spanish Corporation Act" or any other express reference to the applicable regulations, have been replaced with a generic reference to the "Law" or the "applicable regulations".

## Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the "Internal Regulations of Conduct")

Approved by the Board of Directors in July 2000, this document contains the rules governing the confidentiality of relevant information, transactions involving securities of Inditex and its Group of companies by the persons included in its scope, its treasury stock policy and communication of relevant facts. In its meetings on 20 March and 11 December 2003, the Board of Directors approved revised texts of the Internal Regulations of Conduct, in order to adapt them firstly to the new obligations introduced by the Financial Law, and secondly to the recommendations contained in the Aldama Report, redefining several concepts and strengthening control over those transactions that could be carried out at some point in the future by Affected Persons with securities of the Company, amongst other modifications. Finally, said revised text was amended further to a resolution of the Board of Directors dated 13 June 2006 for the purposes of adapting the contents thereof to the provisions of

Real Decreto (Royal Decree) 1333/2005, of 11 November, implementing the Stock Exchange Act in the matter of market abuse.

## Code of Conduct of the Inditex Group

Approved by the Board of Directors in February 2001, this Code is defined as an ethical commitment that includes key principles and standards for the appropriate development of the relations between Inditex and its principal stakeholders: shareholders, employees, partners, suppliers, customers and Society. It includes an Internal Code of Conduct and a Code of Conduct for External Manufacturers and Workshops to guarantee the suitable introduction and management of the principles contained in the Human Rights Declarations and the Conventions of the United Nations and those of the International Labour Organisation, principally.

## Internal Guidelines for Responsible Practices of the Inditex Group's Personnel

Which were approved further to a resolution passed by the Board of Directors held on 13 June 2006 for the purposes of encouraging the ethical behaviour of its employees and helping prevent any manner of corruption. The Guidelines provide a mechanism which enables the employees of the Group to report, confidentially, on any potentially relevant irregularity which, in their opinion would mean a breach of the Guidelines.

The full text of all the aforementioned documents is available on the corporate web site ([www.inditex.com](http://www.inditex.com)).

## Regulations of the Social Advisory Board

The Social Advisory Board is the advisory body of Inditex with regard to Corporate Social Responsibility. In December 2002, the Board of Directors authorised its creation and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and operation and the rules of conduct of its members.

## A. Ownership structure

### A.1. Share capital of the Company

Date of last amendment	Share capital (€)	Number of shares	Number of voting rights
20-07-2000: Resolution passed by General Meeting of Shareholders	93,499,560	623,330,400	623,330,400

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

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

### A.2. Direct and indirect holders of significant holdings in the Company at the date of the fiscal year end, excluding the directors

As Inditex's shares are represented by the book-entry method, and therefore there is no shareholder register kept by the Company itself, it is not possible to know accurately the ownership structure of the Company.

In any case, according to the information provided by *CNMV* in its web site and by the shareholder *Rosp Corunna Participaciones Empresariales, S.L.* to Inditex, the owners of significant holdings in the Company as at 31 January 2012, excluding the directors, were those shown below:

Name or Company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% Total of share capital
Partler 2006, S.L.	57,872,465		9.284%
Rosalía Mera Goyenechea <sup>(1)</sup>	0	31,494,806	5.052%



(\*) through:

Name or Company name of the direct owner of the shareholding	Number of direct voting rights	% on total voting rights
<sup>(1)</sup> Rosp Corunna participaciones empresariales, S.L.	31,494,806	5.052%

The Company has not been given notice of any significant movements in the shareholding structure over the year.

### A.3. Members of the Board of Directors of the Company who have voting rights attached to shares in the Company

As at 31 January 2012, the members of the Board of Directors who had a stake in the share capital of the Company were as follows:

Name or Company name of the director	Number of direct voting rights	Number of indirect voting rights (*)	% on the total vote rights
Pablo Isla Álvarez de Tejera	361,064	0	0.058%
Amancio Ortega Gaona	0	369,600,063 <sup>(1)</sup>	59.294%
Carlos Espinosa de los Monteros Bernaldo de Quirós	40,000	0	0.006%
Gartler, S.L.	311,727,598	0	50.010%
Irene Ruth Miller	13,240	0	0.002%
Francisco Luzón López	0	8,195 <sup>(2)</sup>	0.01%
Juan Manuel Urgoiti López de Ocaña	27,739	0	0.004%
Nils Smedegaard Andersen	5,000	0	0.001%
Emilio Saracho Rodríguez de Torres	0	0	0%

(\*) Through:

Name or Company name of the direct holder of the stake	Number of direct voting rights	% on the total voting rights
Gartler, S.L.	311,727,598 <sup>(1)</sup>	50.010%
Partler 2006, S.L.	57,872,465 <sup>(1)</sup>	9.284%
Cañabara Inversiones, S.I.C.A.V., S.A.	8,195 <sup>(2)</sup>	0.01%
<b>Total:</b>	<b>369,608,258</b>	<b>59.293%</b>
<b>Total % of voting rights in the possession of the Board of Directors</b>		<b>59.36%</b>

No member of the Board of Directors has any rights over shares in the Company.

### A.4. Family, business, contractual or Company relationships existing between the holders of significant holdings

The Company has not been given notice of any family, business, contractual or Company relationships existing between the holders of significant holdings that are of a relevant nature or that do not stem from the ordinary course of trade, without prejudice to that referred to under item A.3 above as regards the fact that Mr Amancio Ortega Gaona is the indirect holder of the shares held by two significant shareholders: Gartler, S.L. and Partler 2006, S.L.

### A.5. Business, contractual or Company relationships existing between the holders of significant holdings and the Company

There have been no relations of a business, contractual or Company nature between the holders of significant holdings and the Company that are of a relevant nature or that do not stem from the ordinary course of trade, subject to the information provided under section C regarding related-party transactions, for transparency purposes.

## A.6. Para-social agreements affecting the Company pursuant to the provisions of Art. 112 of the LMV (Stock Exchange Act) reported to the Company. Shareholders bound by the agreement. Existence of concerted actions among shareholders. Modification or breaking of those pacts or agreements or concerted actions

The Company has not received any notices regarding the making of para-social agreements nor does it have any proof of the existence of concerted actions between its shareholders.

## A.7. Legal or natural person who exerts control or could exert control over the Company in accordance with Article 4 of the Spanish Stock Exchange Act

### Name or Company name

Amancio Ortega Gaona

### Remarks

Through GARTLER, S.L., and PARTLER 2006, S.L., he holds 59.294% in the share capital.

## A.8. Treasury stock of the Company

### At year-end closing:

Number of direct shares	Number of indirect shares	total % on share capital
0	0	0%

### List the significant variations, in accordance with the provisions of Royal Decree 1362/2007, occurred during the fiscal year:

Pursuant to the provisions of section 219 of the revised text of the Act on Capital Companies, and of section 33 of the Articles of Association, a restricted shares award plan, addressed to the Chairman and C.E.O., Mr Pablo Isla Álvarez de Tejera, was approved by the AGM held on 19 July 2011.

The number of shares subject to such Plan amounted to two hundred twenty one thousand two hundred and sixty-

four (221,264) ordinary shares, which were awarded out of the treasury stock directly held by the Company. These were shares remaining from previous Stock Option Plans resolved by the Annual General Meeting of Shareholders. Further to the execution of the shares award plan benefiting the Chairman and C.E.O., no treasury stock is held by the Company any longer.

## A.9. Conditions and term of the current mandate given by the General Meeting to the Board of Directors to carry out acquisitions or transfers of the Company's own shares

At the date of the issue of this report, the authorisation granted by the General Meeting of Shareholders of the Company at its meeting held on 13 July 2010 remains in force, by virtue of which the Board of Directors was authorised to acquire the Company's own shares. Below is a literal transcription of the resolution passed by the aforementioned General Meeting on item nine of the Agenda:

*Authorize the Board of Directors, so that, in accordance with the provisions of Article 75 and following articles of the Spanish Corporation Law, it can proceed to the derivative acquisition of its own shares either directly or through any affiliated companies in which the Company is the controlling Company, respecting the legal limits and requirements and the following conditions:*

*a) Methods of acquisition: the acquisition shall be done via share-dealing, exchange or dation in payment.*

*b) Maximum number of shares to acquire: shares with a nominal value that, added to those already directly or indirectly possessed by the Company, does not exceed 10% of the share capital.*

*c) Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.*

*d) Duration of the authorization: five (5) years from the date of this resolution.*

*With regard to the provisions of the first condition of section 1 of Article 75 of the Spanish Corporation Law, it is herein indicated that the shares that are acquired by virtue of this authorization may be allocated by the Company, amongst other ends, to their delivery to the employees or directors of the Company whether directly or as a consequence of the exercise of the option rights by those holding them, by virtue of the personnel compensation plans of the Company or of its Group approved by the General Meeting of Shareholders.*

*This authorization annuls the authorization approved by the General Meeting of Shareholders held on 14 July 2009.*

## A.10. Legal or by-law restrictions on the exercise of voting rights. Legal restrictions on the acquisition or transfer of interests in the share capital

All the shares of the Company have the same voting and financial 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 contained in Article 83 of the [Spanish] Act on Capital Companies (former Article 44 of the [Spanish] Corporation Act), which provides that any shareholder who is in arrears in the payment of capital calls may not exercise their right to vote.

## A.11. Annual General Meeting of Shareholders agreement for the adoption of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007

There has been no Annual General Meeting of Shareholders agreement for the adoption of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007.

## B. Administrative structure of the Company

### B.1 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 Company, as it is entrusted with the direction, administration, management and representation of the Company, delegating in general the management of the day-to-day business of Inditex to the executive bodies and to the management team and concentrating its efforts on the general supervisory function, which includes directing the policy of Inditex, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the Company and acting as a link with the shareholders.

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

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

#### B.1.1. MAXIMUM AND MINIMUM NUMBER OF DIRECTORS PROVIDED IN THE ARTICLES OF ASSOCIATION

Maximum number of directors	12
Minimum number of directors	5

## B.1.2. MEMBERS OF THE BOARD

Name or Company name of the director	Representative	Office on the Board	Date of first appointment	Date of latest appointment	Election procedure
Pablo Isla Álvarez de Tejera		Chairman	9-06-2005	13-07-2010	AGM
Carlos Espinosa de los Monteros Bernaldo de Quirós		Deputy Chairman	30-05-1997	14-07-2009	AGM
Amancio Ortega Gaona		Ordinary member	12-06-1985	13-07-2010	AGM
Nils Smedegaard Andersen		Ordinary member	13-07-2010	13-07-2010	AGM
Gartler, S.L.	Flora Pérez Marcote	Ordinary member	12-12-2006	17-7-2007	AGM
Francisco Luzón López		Ordinary member	28-02-1997	14-07-2009	AGM
Irene Ruth Miller		Ordinary member	20-04-2001	19-07-2011	AGM
Emilio Saracho Rodríguez de Torres		Ordinary member	13-07-2010	13-07-2010	AGM
Juan Manuel Urgoiti López de Ocaña		Ordinary member	02-01-1993	13-07-2010	AGM

Total number of Directors

9

## B.1.3. MEMBERS OF THE BOARD AND THEIR DIFFERENT CATEGORIES

## Executive directors

Name or Company name of the Board member	Committee which proposed that member's appointment	Position in the organisational chart of the Company
Pablo Isla Álvarez de Tejera	Nomination and Remuneration Committee	Chairman and Chief Executive Officer (CEO)

Total number of Executive Directors

1

Total % of Board members

11.11%

## Non-executive proprietary directors

Name or Company name of Board member	Committee which proposed that member's appointment	Name or Company name of the significant shareholder being represented or who has proposed the appointment
Gartler, S.L.	Nomination and Remuneration Committee	Amancio Ortega Gaona
Amancio Ortega Gaona	Nomination and Remuneration Committee <sup>(1)</sup>	Amancio Ortega Gaona

Total number of Proprietary Directors

2

Total % of Board members

22.22%

<sup>(1)</sup>The first appointment of proprietary director Amancio Ortega Gaona took place before the Nomination and Remuneration Committee was set up.

## Non-executive independent directors

Name or Company name of the Board member	Committee which proposed that member's appointment	Profile
Nils Smedegaard Andersen	Nomination and Remuneration Committee	(2)
Carlos Espinosa de los Monteros Bernaldo de Quirós	Nomination and Remuneration Committee	(2)
Francisco Luzón López	Nomination and Remuneration Committee	(2)
Irene Ruth Miller	Nomination and Remuneration Committee	(2)
Emilio Saracho Rodríguez de Torres	Nomination and Remuneration Committee	(2)

Total number of Independent Directors

5

Total % of Board members

55.55%

<sup>(2)</sup>A brief description of the profile of the non-executive independent members of the Board of Directors of the Company is given below:

**Carlos Espinosa de los Monteros Bernaldo de Quirós. (67)**

Has been an independent director since May 1997. A graduate in Law and Business Studies from ICADE, he is a Commercial Expert and State Economist and holds an MBA from Northwestern University. He has been the Chairman of the Board of Directors of Mercedes Benz España, Deputy Chairman of the *Instituto Nacional de Industria*, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the *Círculo de Empresarios*, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he chairs *Fraternidad-Muprespa* and sits on the Board of *Acciona, S.A.*, *Schindler España*, and the Yell Group. He has been awarded the *Grandes Cruces del Mérito Civil* and *Mérito Aeronáutico*.

**Francisco Luzón López. (64)**

He has been an independent director since February 1997. He is a graduate in Business Studies and Economics from the University of Bilbao. He has collaborated as a lecturer at the University of Deusto (Bilbao). He joined the *Banco de Vizcaya* in 1972, gaining wide experience in that Group in different Units and functions, becoming General Manager and Board member in 1986. In 1988 and after its merger with the *Banco de Bilbao*, he went on to become a member of the Board of Directors of the *Banco Bilbao Vizcaya*. At the end of the same year, he was appointed President of the *Banco Exterior de España*, office which he held from 1988 to 1996. In 1991 he was the driving force behind the creation of the new *Grupo Bancario Argentaria* of which he was the founder and Chairman until 1996. After that year, he joined the *Banco Santander* as Director-General Manager, Deputy to the Chairman and in charge of Strategy, Communication and Institutional Relations. He has been Executive Deputy Chairman of *Banco de Santander* for Latin America until late January 2012 and World Deputy Chairman of *Universia*. At present, he holds the office of Deputy Chairman of the National Library of Spain.

**Irene R. Miller. (59)**

She has been an independent member of the Board since April 2001. She is a science graduate of the University of Toronto with a Bachelor in 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 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 present time, she is the CEO of Akim, Inc., an American investment and consulting firm, which she first joined in 1997. She is also a member of the Boards of Directors of Coach Inc., (where she is *lead director*), Barnes & Noble, Inc. and Toronto-Dominion Bank Financial Group. Previously, she served on the Board of Directors of Oakley Inc., Benckiser N.V., and The Body Shop International Plc.

**Nils S. Andersen. (53)**

He was appointed Board member by the AGM held on 13 July 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 he in 1999 returned to Carlsberg 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 he in 2007 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"

**Emilio Saracho Rodríguez de Torres. (56)**

He was appointed Board member by the AGM held on 13 July 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 currently 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.

### Other non-executive directors

Name or Company name of the Board member	Committee which proposed that member's appointment
Juan Manuel Urgoiti López de Ocaña <sup>(1)</sup>	Nomination and Remuneration Committee

<b>Total number of other Non-Executive Directors</b>	<b>1</b>
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<b>Total % of Board members</b>	<b>11.11%</b>
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<sup>(1)</sup>A brief description of the profile of this non-executive member of the Board of Directors of the Company is given below:

#### Juan Manuel Urgoiti López de Ocaña. (72)

He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the *Banco de Vizcaya* in 1962. After holding many executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the *Banco Bilbao* he was appointed CEO of the *Banco Bilbao Vizcaya*. He has been President of Ahorrobank, *Banco de Crédito Canario*, *Banco Occidental*, *Instituto de Biología y Sueroterapia* and *Laboratorios Delagrangue* and Board member of *Antibióticos*, S.A. At the present time he is the Chairman of the *Banco Gallego* and Deputy Chairman of *Acciona*, S.A. He is President of the *Fundación Gaiás-Cidade da Cultura* and of private foundation *Fundación José Antonio de Castro*, and is a member of other foundations and institutions. He holds the *Gran Cruz de Mérito Civil* and has been awarded the honour of Commander of the Order of the British Empire (C.B.E.).

### Reasons why they cannot be considered proprietary or independent. Ties with the Company or its management or with its shareholders

Name or Company name of the Board member	Reasons	Company, officer or shareholder with whom the director has ties
Juan Manuel Urgoiti López de Ocaña	Being executive director of Banco Gallego, S.A., wherein a senior manager of the Company has the status of non-executive proprietary director	Antonio Abril Abadín

### Variations that, where appropriate, have occurred during the period in the category of each director

Mr Amancio Ortega Gaona stepped down as Chairman of the Board of Directors and the Executive Committee in the meeting of the Board held on 19 July 2011. Consequently, as of that date, he qualifies as Proprietary Director, pursuant to the definitions set out in Chapter III of the Unified Code on Good Corporate Governance and in section 7 of the Board of Directors' Regulations of Industria de Diseño Textil, S.A. (Inditex, S.A.

#### B.1.4. REASONS WHY PROPRIETARY DIRECTORS HAVE BEEN APPOINTED AT THE BEHEST OF SHAREHOLDERS WHOSE STAKE IS LESS THAN 5% IN THE SHARE CAPITAL

No proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital.

There have been no formal petitions for presence on the Board received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

#### B.1.5. WITHDRAWN FROM HIS/HER POSITION BEFORE THE EXPIRY OF HIS/HER TERM OF OFFICE

No director has withdrawn from his/her position before the expiry of his/her term of office.

#### B.1.6. POWERS DELEGATED TO THE MANAGING DIRECTOR

The Chairman of the Board of Directors and the Executive Committee and C.E.O., Pablo Isla Álvarez de Tejera, has been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those that: a) involve the disposal of funds of above a certain amount, in which case it shall be

necessary that the aforementioned Chairman and C.E.O. should act jointly with another person who in virtue of any legal title is also empowered with the power in question; or/and b) involve the alienation or encumbrance of real property of the Company, for which a prior resolution of the Board of Directors or, the Executive Committee, shall be required.

The requirement of joint action provided in the preceding paragraph shall not apply when it involves transactions, actions or contracts that, regardless of the amount involved, are carried out or awarded between companies belonging to the Inditex Group of companies, understanding as such those companies, whether Spanish or foreign, in which Inditex, S.A., whether directly or indirectly through other investee companies, is the holder of at least 50% of its share capital, in which case any of the authorized individuals may act severally on their own, in the name and on behalf of the Company, independently of the amount involved in the matter in question.

*List of powers:*

1.- To appear and represent the Company vis-à-vis all manner of authorities, agencies, centres, departments and offices of the General State Administration, Central or Peripheral Government, autonomous communities, provinces, municipalities, the Corporate, Independent and European Administration, public registries of all types and, in general, any public or private entity or person whatsoever. To sign and file all manner of applications, petitions, unsworn statements or affidavits, pleadings and documents; make and pursue all types of claims; and, in general, exercise such powers as may be required for the management and defence of the rights of the Company.

2.- To sign, send and receive and collect from the Spanish postal and telegraphic authorities or offices ordinary or registered postal or telegraphic correspondence, declared value items and postal and telegraphic money orders. To file any claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3.- To verify consignments of all kinds of merchandise and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad and shipping companies and against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who intervene in the transport of individuals or in the sphere of the hotel and catering industry.

4.- To claim and collect amounts owing to the Company for whatever reasons and to sign the appropriate receipts. To make payments. To render and require the rendering of accounts, and to challenge or approve the same. To provide, cancel and recover all manner of bonds and deposits, including those at/of the Spanish General Savings Deposit and its branches.

5.- To enter into all manner of loan and credit agreements. To open current, loan, savings or any other account with credit institutions and/or finance companies, both public and private; with respect to all such accounts and any other account existing in the Company's name, to deposit or pay in cash sums, withdraw amounts or dispose of same by means of receipts, cheques and drafts, pay by transfer or order transfers, endorse or send for debiting bills of exchange, trade bills and credit notes, as well as bills or invoices payable by the Company; and to approve or challenge the balances shown in such accounts; to stand guarantee for other companies belonging to the "Inditex" Group of companies and, in consequence, to sign in favour of those guarantees, bonds and other guarantee documents, as well as guarantee policies and counter-guarantee policies and, in general, to carry out all that is permitted under the legislation and banking practices.

6.- To draw, endorse, assign or transfer by any means other than endorsement, to accept, sign, require conformity, guarantee, cause the assignment of the provision for, collect, discount and pay bills of exchange, promissory notes, cheques, money orders and other commercial drafts, participate in the acceptance or payment of the same, protest such bills or drafts or make the equivalent declaration, and disclose in the protest document the reasons for not having accepted or paid the bills and drafts charged to the Company. To act as a plaintiff or defendant in connection with bills of exchange in all manner of legal matters, acts or dealings and pre-trial and procedural steps or actions due to non-acceptance or non-payment, and to bring any of the other actions provided for in the Bills of Exchange and Cheques Act or any other applicable legislation.

7.- To execute, with the aforementioned limitation in relation to real property, all manner of acts and contracts relating to movables and real property, rights, securities, participation units, shares, interests, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and terms as are deemed appropriate. Specifically, to acquire, assign, grant and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, all manner of movable or real property, rights, trademarks and other distinctive signs and

industrial property rights, securities, participation units, shares and interests; take out all manner of compulsory and voluntary insurance; execution of works, services and supplies of all kinds; to rent and let, take in leasing or sublet; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and pledges without transfer of possession and all manner of encumbrances on real and movable property and rights owned by the Company; carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium ownership system, establishing the bylaws which shall govern the same; and to conduct and participate in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel or terminate the same.

8.- To grant all manner of acts and contracts relating to IT, management, security and communication products, equipment and systems, as well as those referring to intellectual property arising out of or related with the same and, in general, any others referring to all manner of movables; to contract the execution of works, services and supplies of all types, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and conditions as are deemed appropriate. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to rent and let them, take them in leasing or subletting them; to create, amend, acknowledge and extinguish real property rights and guarantee rights on the movables belonging to the Company. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel, terminate or discharge them.

9.- To enter all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution, licence and agency contracts and, in general, all those that the national and international expansion of the Company can require.

10.- To appear in deeds of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary

meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the Company any rights that may correspond to it.

11.- To attend, in the name and on behalf of the Company, meetings, general meetings and assemblies of condominiums or co-owners, intervening therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the Company any rights that may correspond to it in Condominium Owner Communities, as well as in the meeting that these may hold in compliance with the current Condominium Property Law and other applicable legislation.

12.- To attend on behalf of the Company all kinds of auctions and bidding called by Central Government, autonomous communities and provincial and municipal authorities and private or public persons and entities and, to this effect, submit tender conditions, declarations, plans and estimates, make bids and provide bonds; holding, in short and without any limitation whatsoever, such powers as may be required to obtain and accept, provisionally or definitively, with such qualifications as are deemed appropriate, the relevant award and to exercise the rights and perform the obligations arising therefrom.

13.- To set up the offices, workplaces and buildings of the Company and to organise the services provided therein. To hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including executives and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

14.- To represent the Company before any manner of authorities and administrative bodies, whatever they may be, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file,

prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the Company, to file its registration as a Company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship; those that are necessary for or arise out of the training that has to be given to the personnel of the Company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the Company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

15.- To represent the Company before all manner of authorities and administrative bodies, whatever these may be, that have authority in respect of Health and Safety at Work and Labour Risks, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal Company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the workplaces, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and execute the policy for the prevention of risks; to act in the name of the Company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorised entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks, medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Diseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been

signed; to accept positions and participate in those governing boards and advisory boards of such entities collaborating in the management of Social Security.

16.- As regards procedural rules, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answer summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including Meetings of Creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, in general, exercising in the name of the Company any rights that it may be entitled to.

17.- To compromise and refer to arbitrators all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

18.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and notarial demands.

19.- To replace some or all of the foregoing powers by granting the relevant powers of attorney and to revoke all the powers granted, and to get copies of all kinds of records and deeds.

20.- To execute in public deeds the resolutions passed by the Shareholders in General Meeting, the Board of Directors and the Executive Committee.

#### B.1.7. MEMBERS OF THE BOARD WHO HOLD THE POSITION OF DIRECTOR OR SENIOR MANAGER IN OTHER COMPANIES THAT ARE PART OF THE GROUP

Name or Company name of the director	Company name of the entity of the Group	Office
Pablo Isla Álvarez de Tejera	Zara México, S.A. de C.V.	Director

#### B.1.8. DIRECTORS OF THE COMPANY THAT ARE MEMBERS OF THE BOARDS OF DIRECTORS OF OTHER COMPANIES THAT ARE LISTED ON OFFICIAL STOCK MARKETS IN SPAIN THAT ARE NOT PART OF THE GROUP

Name or Company name of director	Listed Company	Office
Pablo Isla Álvarez de Tejera	Telefónica, S.A.	Ordinary member of the Board of Directors
Carlos Espinosa de los Monteros Bernaldo de Quirós	Acciona, S.A.	Ordinary member of the Board of Directors
Juan Manuel Urgoiti López de Ocaña	Acciona, S.A.	2 <sup>nd</sup> Deputy Chairman of the Board of Directors

#### B.1.9. RULES ESTABLISHED REGARDING THE NUMBER OF BOARDS OF WHICH ITS DIRECTORS MAY BE MEMBERS

Pursuant to the provisions of Article 12.2 of the Board of Directors' Regulations, the Board may not propose or appoint any persons to fill up a vacancy on the Board who already perform the duties of Directors at the same time, in more than four listed companies other than the Company.

#### B.1.10. COMPANY'S GENERAL POLICIES AND STRATEGIES RESERVED FOR APPROVAL BY THE BOARD IN PLENARY SESSION

	YES	NO
The investment and financial policy	X	
The definition of the structure of the Group of companies	X	
The corporate governance policy	X	

The corporate social responsibility policy	X
The strategic or business Plan, as well as management targets and annual budgets	X
The policy regarding compensation and evaluation of performance of senior management	X
The risk management and control policy as well as the periodic monitoring of the internal information and control systems	X
The dividends policy as well as the treasury stock policy and especially, the limits thereto	X

#### B.1.11. TOTAL REMUNERATION OF THE DIRECTORS THAT HAS ACCRUED DURING THE YEAR

##### a) In the Company that is the subject of this report

Item - remuneration	Amounts in EUR thousands
Fixed remuneration	2,454
Variable remuneration	1,725
Per diems	
Provisions set forth in the Articles of Association	
Options on shares and/or other financial instruments	
Others	2,027
<b>Total</b>	<b>6,206</b>

Other Benefits	Amounts in EUR thousands
Advances	
Loans granted	
Pension Funds and Plans: Contributions	1,500
Pension Funds and Plans: Obligations contracted	1,500
Life insurance premiums	
Guarantees contracted by the Company in favour of the directors	



**b From the Company's directors belonging to other Boards of Directors and/or the senior management of companies of the Group**

Item - remuneration	Amounts in EUR thousands
Fixed remuneration	
Variable remuneration	
Per diems	
Provisions set forth in the Articles of Association	
Options on shares and/or other financial instruments	
Others	

**Total**

Other Benefits	Amounts in EUR thousands
Advances	
Loans granted	
Pension Funds and Plans: Contributions	
Pension Funds and Plans: Obligations contracted	
Life insurance premiums	
Guarantees contracted by the Company in favour of the directors	

**c) Total remuneration by category of director**

Category of director	By Company	By Group
Executive	4,306	
Non-executive Proprietary	478	
Non-executive Independent	1,214	
Other Non-executive	208	

**Total**

6,206

**d) With respect to the income attributed to the controlling Company**

Total remuneration of directors (Eur thousands)	6,206
Total remuneration of the directors / income attributed to the controlling Company (expressed in %)	0.32%

**B.1.12. MEMBERS OF SENIOR MANAGEMENT WHO ARE NOT IN TURN EXECUTIVE DIRECTORS AND TOTAL REMUNERATION ACCRUED IN THEIR FAVOUR DURING THE FISCAL YEAR**

Name or Company name	Position
Antonio Abril Abadín	General Counsel and Secretary of the Board
Lorena Alba Castro	Logistics General Manager
Luis Maseres Ghiloni	UTERQÜE Manager
Eva Cárdenas Botas	ZARA HOME Manager
Carlos Crespo González	Internal Audit Director
José Pablo del Bado Rivas	PULL&BEAR Manager
Jesús Echevarría Hernández	Communication and Institutional Relations General Manager
Ignacio Fernández Fernández	Chief Financial Officer
Begoña López-Cano Ibarreche	HR General Manager
Abel López Cernadas	Import, Export and Transport Director
Marcos López García	Stock Market Director
Juan José López Romero	Purchasing and Contracting Director
Carlos Mato López	ZARA Manager
Gabriel Moneo Marina	IT General Manager
Javier Monteoliva Díaz	Legal Department Director
Jorge Pérez Marcote	MASSIMO DUTTI Manager
Óscar Pérez Marcote	BERSHKA Manager
Félix Poza Peña	CSR Director
Ramón Reñón Túñez	Director General Adjunto al Presidente y Consejero Delegado (Special Advisor to the Chairman and C.E.O.)
Carmen Sevillano Chaves	OYSHO Manager
Jordi Triquell Valls	STRADIVARIUS Manager

**Total remuneration senior management (EUR thousands)**

13,747

B.1.13. INDEMNITY OR GOLDEN PARACHUTE CLAUSES, FOR CASES OF DISMISSAL OR CHANGES IN CONTROL, IN FAVOUR OF THE MEMBERS OF THE SENIOR MANAGEMENT, INCLUDING THE EXECUTIVE DIRECTORS OF THE COMPANY OR OF ITS GROUP. CONTRACTS REPORTED TO AND/OR APPROVED BY THE GOVERNING BODIES OF THE COMPANY OR OF ITS GROUP

Number of beneficiaries

8

Article 15.2.(f) of the Revised Text of the Board of Directors' Regulations, in its wording approved by that body in its meeting held on 10 June 2004, included among the basic responsibilities of the Nomination and Remuneration Committee that of reporting to the Board, before the holding of its meeting, on staff contracts containing guarantee or protective clauses for cases of dismissal or changes in control.

With this respect, it was resolved by the Board of Directors in the meeting held on 9 June 2005, after favourable report of the Nomination and Remuneration Committee, to acknowledge and give its consent to the employment agreements containing guarantee or severance agreements entered into with Senior Managers, executive directors inclusive.

Pursuant to the provisions of the Article 116bis of the Stock Exchange Act then in force, introduced in Act 6/2007, of 12 April, the Board of Directors submitted to the upcoming Annual General Meeting of Shareholders held on 13 July 2010 a report to explain the matters covered in said article, among which are the agreements reached between the Company and its management officials (or employees) whereby a compensation is granted in case of resignation or wrongful dismissal or where the employment agreement terminates on account of a public tender offer. The AGM is thus informed about any agreements including indemnity or golden parachute provisions. Additionally, this report is included in the relevant fact reporting the Agenda of the Annual General Meeting of the Shareholders

B.1.14. PROCESS USED TO ESTABLISH THE REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CLAUSES IN THE ARTICLES OF ASSOCIATION RELATING THERETO

The General Meeting of Shareholders is the body responsible for approving the system and the amount of the remuneration of the directors.

Article 33 of the Articles of Association currently in force provides the following:

*1.- The remuneration of the directors shall consist of a fixed annual remuneration for each director the*

*amount of which shall be decided by the General Meeting of Shareholders for each fiscal year or be valid for those fiscal years that the Meeting establishes. In the same manner, the General Meeting of Shareholders may assign per diems for attendance of the meetings of the Board of Directors or of its Delegate or Consultative Committees and set the amount thereof.*

*2.- Additionally, systems of remuneration may be established that are referenced to the market value of the shares or which entail the giving of shares or option rights over shares, destined for the directors. The application of said systems of remuneration must be agreed by the General Meeting of Shareholders, which shall determine the value of the shares that it takes as a reference, the number of shares to be given, the exercise price of the option rights, the period of duration of this remuneration system and the other conditions that it considers appropriate.*

*Likewise, and after having met the requirements laid down by the Law, similar remuneration systems may be established for the personnel, whether management personnel or not, of the Company and of the companies in its Group.*

*3.- The remuneration foreseen in this article shall be compatible with and independent of the salaries, remunerations, indemnifications, pensions or compensations of any kind, generally or extraordinarily established for those members of the Board of Directors who perform executive duties, whatever their relationship with the Company, whether a labour (common or special senior management relationship), mercantile or service relationship, relationships that shall be compatible with the status of member of the Board of Directors.*

*4.- The Company may take out public liability insurance for its Directors.*

For their part, the Board of Directors' Regulations establish in Article 28:

*1.- The director shall be entitled to receive the remuneration fixed by the General Meeting of Shareholders in accordance with the provisions of the Articles of Association and of these Regulations in accordance with the indications of the Nomination and Remuneration Committee.*

*2.- The Board shall endeavour for the remuneration of the director to be moderated according to market demands. Likewise, the Board shall ensure that the remuneration of the non-executive directors is such that it offers incentives to dedication by the directors, while not creating an obstacle as regards their independence.*

*3.- A report on the remuneration policy shall be approved every year by the Board, on the proposal*

*of the Nomination and Remuneration Committee, and it shall cover at least the issues of fixed and variable remuneration, as well as the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors. The report shall focus on the remuneration policy approved by the Board for the year in course, and, where appropriate, on the one expected for years to come, especially pointing out the most significant changes of said policy as regards the one for the previous year.*

*4.- The report referred in item 3 above will be published on the corporate web page and shall be made available to all shareholders upon holding the Annual General Meeting, but any issue which might entail the disclosure of sensitive business information shall be eliminated thereof.*

The General Meeting held on 19 July 2011 resolved to amend in part the remuneration of the directors set by the AGM held on 18 July 2006 and 15 July 2008, with indefinite validity until a later General Meeting should resolve otherwise, and effective as of 1 February 2011. Below is a detail of the remuneration of the directors of Inditex, the amounts stated in the sections below being totally independent and fully compatible between each other:

(a) Each director shall receive a fixed annual amount of Eur one hundred thousand (€100,000) for the tenure of their office;

(b) The Deputy Chairman or Deputy Chairmen of the Board of Directors shall also receive an additional fixed annual amount of Eur eighty thousand (€80,000);

(c) The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed amount of Eur fifty thousand (€50,000); and

(d) The directors who for their part sit on the Audit and Control Committee or / and on the Nomination and Remuneration Committee (including the Chairmen of both Committees) shall also receive an additional fixed amount of Eur fifty thousand (€50,000).

The Board in plenary session has reserved the right to approve the following decisions:

- At the proposal of the chief executive of the Company, the appointment and if applicable, the dismissal of senior managers, as well as their compensation clauses.
- The remuneration of directors and, in case of officials, their additional remuneration on account of their executive duties and other terms which must be observed under their employment agreements.

#### B.1.15. APPROVAL BY THE BOARD OF DIRECTORS OF A DETAILED COMPENSATION POLICY. MATTERS COVERED THEREBY

- Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom
- Variable compensation items
- Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.
- Terms and conditions that must be included in the agreements with executive directors performing senior management duties, which will include:
  - Term;
  - Deadlines for notice, and
  - Any other provisions regarding employment premiums, as well as indemnity or golden parachute provisions in case of early termination of the employment agreement between the Company and the executive director.

#### B.1.16. SUBMISSION OF A REPORT ON DIRECTOR COMPENSATION POLICY TO THE VOTE OF THE SHAREHOLDERS AT A GENERAL MEETING OF SHAREHOLDERS FOR CONSULTATIVE PURPOSES. RELEVANT PORTIONS OF THE REPORT REGARDING THE COMPENSATION POLICY APPROVED BY THE BOARD FOR THE FOLLOWING YEARS AND MOST SIGNIFICANT CHANGES EXPERIENCED BY SUCH POLICIES VIS-À-VIS THE POLICY APPLIED DURING THE FISCAL YEAR. MANNER IN WHICH THE COMPENSATION POLICY WAS APPLIED DURING THE FISCAL YEAR. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE. EXTERNAL PROVIDED, NAME OF EXTERNAL ADVISORS

Pursuant to the provisions of Article 28 of the Board of Directors' Regulations, the Nomination and Remuneration Committee prepares and submits to the Board a report on the remuneration of directors. Said report, which covers the issues of both fixed and variable remuneration, as well as the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors, is not subject to the consultative vote of the General Meeting of Shareholders but it is published on the corporate web site and is made available to all shareholders with the notice of the Annual General Meeting, thus ensuring transparency and full disclosure thereof.

**B.1.17. IDENTITY OF THE MEMBERS OF THE BOARD WHO ARE, IN TURN, MEMBERS OF THE BOARD OF DIRECTORS OR SENIOR MANAGERS OF COMPANIES THAT POSSESS SIGNIFICANT STAKES IN THE COMPANY AND/OR ENTITIES OF THE GROUP:**

<b>Name or Company name of the director</b>	<b>Company name of the significant shareholder</b>	<b>Office</b>
Amancio Ortega Gaona	Gartler, S.L.	Chairman of the Board
Amancio Ortega Gaona	Partler 2006, S.L.	Chairman of the Board

Relevant relationships of the members of the Board of Directors that link them with the significant shareholders and/or in entities of the Group:

There are no relevant relationships, other than those covered in the previous paragraph, of the members of the Board of Directors that link them to the significant shareholders and/or in entities of the Group.

**B.1.18. REGULATIONS OF THE BOARD OF DIRECTORS THAT HAVE BEEN AMENDED DURING THE FISCAL YEAR**

In the course of the year, the Board of Director's Regulations have not been amended.

**B.1.19. PROCEDURES FOR THE APPOINTMENT, RE-ELECTION, ASSESSMENT AND REMOVAL OF DIRECTORS. AUTHORISED BODIES, PROCEDURES TO FOLLOW AND CRITERIA TO BE USED IN EACH OF THE PROCEDURES**

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

The directors shall be appointed by the General Meeting, and shall hold their office during the period established to this purpose by the Articles of Association, which at present is of five years.

The directors may be re-elected indefinitely, for periods of equal or less duration, by the General Meeting, which may likewise agree the removal of any of these at any time.

The Board of Directors itself may provisionally cover the vacancies that arise on said Board, designating from among the shareholders the persons who will have to fill the vacancies until the first General Meeting thereafter.

The proposals for the nomination of directors that the Board of Directors submits to be considered by the General Meeting, and the nomination decisions that said body adopts in virtue of those powers to co-opt that are legally attributed 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.

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

The Board of Directors and the Nomination and Remuneration Committee, within the scope of their competences, shall endeavour for the choice of candidates to fall on persons of well-known ability, competence and experience, and must maximize their rigour in relation to those persons called to cover the positions of independent directors.

The Board of Directors may not propose or appoint to fill an independent director's position any persons who hold the office of director simultaneously in more than four listed companies other than the Company. In case the vacancy which needs to be filled in is that of an independent director, the Board may not propose or appoint any persons who do not satisfy the criteria of independence established in section 1(c) of Article 7 of the Board of Directors' Regulations.

The proposals for re-election of directors that the Board of Directors shall submit to the 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 of the Nomination and Remuneration Committee.

In this respect, the Nomination and Remuneration Committee has, amongst 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 nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors by the co-optation procedure;

c) To advise on the nomination of the internal offices of (Chairman, Deputy Chairman or Chairmen, 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, the management or the shareholders of the Company.

Additionally, 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 assessment and removal of directors, the Nomination and Remuneration Committee is expressly entrusted with the following functions:

a) To advise on the proposal, where appropriate, of the early dismissal of an independent director.

b) To annually advise the Board on the evaluation of the performance of the chief executive of the Company.

#### B.1.20. CASES UNDER WHICH THE RESIGNATION OF DIRECTORS IS MANDATORY

The Board of Directors' Regulations, in Article 24, establishes a provision with respect to the obligation of the directors to resign in cases that could negatively affect the working of the Board or the credit and reputation of Inditex.

The directors must place their office at the disposal of the Board of Directors and, if this latter should consider it advisable, tender their resignation in the following cases:

a) When they reach a certain age, under the terms detailed in section B.1.25.

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

c) When they are involved in any of the cases of incompatibility or prohibition foreseen in the Law, the Articles of Association or in the Board of Directors' Regulations. In particular, the independent directors shall place their office at the disposal of the Board of Directors and shall tender, when appropriate, their resignation in the event that they fall under any of the cases of

incompatibility or prohibitions provided by Article 7.1. (c) of those Regulations or in the event that they suddenly come to hold the post of director in more than four listed companies other than the Company.

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

e) When their remaining on the Board might have an impact on the reputation or name of the Company or otherwise jeopardise the interest of the Company or when the reasons for their appointment cease to exist.

Likewise, 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.

#### B.1.21. FUNCTION OF CHIEF EXECUTIVE OF THE COMPANY. MEASURES THAT HAVE BEEN ADOPTED TO LIMIT THE RISKS OF THE ACCUMULATION OF POWER IN A SINGLE PERSON

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.

Mr. Amancio Ortega Gaona, the founder and majority shareholder of the Company and Chairman of the Board of Directors until 19 July 2011, remains on such Board and its Executive Committee as proprietary director.

Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós has held the office of Deputy Chairman of the Board since 26 September 2006 and is the lead director (coordinator), pursuant to the provisions of sec. 18.1.2) of the Board of Directors' Regulations which reads: "Where the Chairman of the Board is also the chief executive of the Company, the coordinator shall have the following additional powers: i) to call the meeting of the Board and the addition of new items on the agenda, being the Chairman bound to comply with these requests and ii) to coordinate and to echo the concerns of external directors".

In addition to such measures, certain powers delegated to the Chairman and C.E.O., are subject to certain restrictions. Namely, those involving the disposal of monies in excess of a given sum, expressly require the joint signature of the Chairman and C.E.O, with another individual who, by virtue of any legal title is also empowered with the power in question; or/and powers which involve the alienation or encumbrance of real property of the Company, for which a prior resolution of the Board of Directors or the Executive Committee, shall be required.



**Rules established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the Board of Directors**

Pursuant to the provisions of Article 18.2 of the Board of Directors' Regulations, where the Chairman of the Board is also the chief executive of the Company, the coordinator shall have the following additional powers: i) to call the meeting of the Board and the addition of new items on the agenda, being the Chairman bound to comply with these requests and ii) to coordinate and to echo the concerns of external directors.

**B.1.22 REQUIREMENT OF ENHANCED MAJORITIES, OTHER THAN THE LEGAL MAJORITIES, FOR ANY TYPE OF DECISION. RESOLUTIONS ON THE BOARD OF DIRECTORS. MINIMUM QUORUM OF ATTENDANCE AND THE TYPE OF MAJORITIES REQUIRED TO PASS THE RESOLUTIONS**

Article 28 of the Articles of Association of the Company provides:

*1.- The Board shall meet whenever required by the interests of the Company. Meetings shall be convened by the Chairman or acting Chairman, on his own initiative or at the request of at least one-third of its members.*

*2.- Board meetings shall be validly held when attended either in person or by proxy by half plus one of the members in office.*

*Without prejudice to the foregoing, the Board shall be understood to be validly constituted without the need for notice if all its members are present in person or by proxy and they unanimously agree to the holding of a meeting.*

*The Board may also pass resolutions in writing without needing to hold a meeting, in accordance with the provisions of the applicable laws and regulations Likewise, the meetings of the Board shall be held via telephone multiconference, videoconference or via any other similar system that allows one or several directors to attend the meeting through such system. To this end, the notice of the meeting of the Board of Directors shall state the location where the meeting is physically to be held, to which the Secretary of the Board must go. It shall also state that it is possible to attend said meeting via telephone conference call, videoconference or via an equivalent system, and it must indicate and have available the appropriate technical devices required for this purpose, in order to permit direct and simultaneous communication among the members attending the meeting. The Secretary of the Board of Directors shall include in the minutes of the meetings of the Board of Directors held by such means, in addition to the directors physically attending or, where appropriate,*

*represented by another director, those directors attending the meeting via telephone multiconference system, videoconference or via a similar system.*

*3.- Any director can appoint in writing another director as proxy, each meeting requiring a special proxy, notifying the Chairman of the same in writing.*

*4.- For resolutions to be passed, an absolute majority of votes in favour by the directors attending the meeting shall be required. In the case of an equality of votes, the Chairman shall have a casting vote. The foregoing is understood without prejudice to the provisions of Article 30.2 of these Articles of Association.*

*5.- The Board's debates and resolutions shall be entered in a Minutes Book, each one of which shall be signed by the Chairman and the Secretary or by those who acted for them at the meeting to which the minutes refer. Copies and certificates of the Minutes shall be authorized and issued by the Secretary of the Board with the approval of the Chairman or by those who substituted them.*

*6.- The Board shall have to decide which of its members shall make effective its own resolutions as well as those the General Meeting of Shareholders, when the latter has not expressed who shall execute them. Failing such a decision by the Board, the making effective of resolutions shall be the duty of the Chairman, or the acting Chairman at that time, according to the certification of the Secretary of the Board.*

*7.- The Secretary and, where appropriate, the Deputy Secretary, even when they are not directors, shall be empowered to convert the Company's resolutions into public documents.*

The reference in Article 28.4 of the Articles of Association to Article 30.2 constitutes the only case, in addition to that provided in Article 3.4 of the Board of Directors' Regulations, of enhanced majority for the passing of resolutions by the Board of Directors.

The aforementioned Article 30.2 of the Articles of Association provides that it shall be necessary that two-thirds of the members of the Board vote in favour in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the CEO, if such post has been appointed, and for the appointment of the directors who have to fill such positions. However, this enhanced majority is required pursuant to the provisions of Article 249.3 of the Act on Capital Companies (former Article 141.2 of the Spanish Corporation Act), and therefore it does not constitute a higher quorum than the one statutorily required.

As for Article 3.4 of the Board of Directors' Regulations, it requires the resolution to be passed by a majority of two-thirds of the directors present for the modification of said

Regulations, which actually means an enhanced majority not statutorily required

For its part, Article 17 of the Board of Directors' Regulations provides:

*1. The Board of Directors shall ordinarily meet on a three-monthly basis and, at the initiative of the Chairman, whenever the same should consider it appropriate for the good working of the Company. The Board of Directors must also meet when a meeting is requested by at least one-third of its members, in which case it shall be called by the Chairman to meet within the fifteen days following the request.*

*2. Notice of ordinary meetings shall be carried out by letter, fax, telegram or electronic mail, and shall be authorized by the signature of the Chairman or that of the Secretary or the Deputy Secretary by order of the Chairman. The notice shall be issued at least three days in advance.*

*The notice of the meeting shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.*

*3. The Chairman of the Board of Directors may call extraordinary meetings of the Board when in his opinion the circumstances so justify it, without the period of advance notice and the other requirements indicated in the previous section applying in such cases. Furthermore, the Board shall be considered validly constituted without the need for notice if, all its members being present or represented, these unanimously agree to the meeting taking place.*

*4. The Board may equally pass resolutions in writing without the need for a meeting, in accordance with the provisions of the Spanish Corporation Law. Furthermore, the Board may hold a meeting via videoconference or conference call, in order that one or more directors may attend the meeting through the aforementioned system. For this purpose, the notice for the meeting of the Board shall state not only where the meeting is physically to be held, where the Secretary of the Board must go to, but also the possibility that the meeting may be attended via conference call, videoconference or equivalent system, and it must indicate and have available the appropriate technical devices required for this purpose, which in any case must permit direct and simultaneous communication among the members attending the meeting. The Secretary of the Board shall record in the minutes of the meetings held by these means not only the members of the Board physically present or, where appropriate, represented by another director, but also the members attending the meeting via multiconference call, videoconference or similar system.*

*5. The Board shall draw up an annual calendar of its ordinary meetings.*

B.1.23. SPECIFIC REQUIREMENTS THAT ARE DIFFERENT FROM THOSE RELATING TO THE DIRECTORS IN ORDER TO BE APPOINTED CHAIRMAN

**There are no specific requirements, different from those relating to the directors, in order to be appointed Chairman.**

B.1.24. CASTING VOTE OF THE CHAIRMAN

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting. This is understood without prejudice to the provisions of Article 30.2 of the Articles of Association and of Article 3.4 of the Board of Directors' Regulations, referred to in section B.1.22 above.

B.1.25. AGE LIMITS FOR THE DIRECTORS

Article 24.2 of the Board of Directors' Regulations states that the directors must place their office at the disposal of the Board of Directors and, if this should deem it appropriate, tender the relevant resignation:

*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 the founding Chairman of the Company, Amancio Ortega Gaona.*

B.1.26. LIMITED TERM OF OFFICE FOR THE INDEPENDENT DIRECTORS

Neither the Articles of Association nor the Board of Director's Regulations establish a limited term of office for the independent directors.

B.1.27. PROCEDURES ESTABLISHED BY THE NOMINATION AND REMUNERATION COMMITTEE WHICH ENSURE THAT RECRUITMENT PROCESSES ARE FREE FROM ANY IMPLIED BIAS HINDERING THE SELECTION OF FEMALE DIRECTORS AND WHICH ALLOW FOR THE FREE SEARCH FOR WOMEN

Pursuant to the provisions of Article 15.2 (k) of the Board of Directors' Regulations, the Committee shall ensure when filling up any new vacancies and when appointing new Directors that the recruitment process does conform to the prohibition of any manner of discrimination.

#### B.1.28. FORMAL PROCEDURES FOR THE GRANTING OF PROXIES IN THE BOARD OF DIRECTORS

Article 28.3 of the Articles of Association establishes that any director can grant proxy to another director for his representation, such proxy being of a special nature for each meeting, communicating this in writing to the Chairman.

In line with this provision, Article 19.1 of the Board of Directors' Regulations states that the 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, stating further that the directors shall do their best to attend the Board meetings and, when they cannot do so in person, they shall grant a proxy to another member of the Board giving instructions as to its use and communicating the same to the Chairman of the Board of Directors.

#### B.1.29. NUMBER OF MEETINGS THAT THE BOARD OF DIRECTORS HAS HELD DURING THE FISCAL YEAR. TIMES THAT THE BOARD HAS MET WITHOUT ITS CHAIRMAN BEING PRESENT

Number of Board meetings	5
Number of Board meetings without the presence of the Chairman	0

#### Number of meetings held over the fiscal year by the different committees of the Board

Number of meetings of the Executive Committee	0
Number of meetings of the Audit Committee	5
Number of meetings of the Nomination and Remuneration Committee	5

#### B.1.30. NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE FISCAL YEAR AT WHICH NOT ALL OF ITS MEMBERS HAVE BEEN IN ATTENDANCE

Number of non attendance of directors during the fiscal year	4
% of non attendance over the total votes during the fiscal year	7.4%

#### B.1.31. PREVIOUS CERTIFICATION OF INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS PRESENTED FOR APPROVAL. PERSON OR PERSONS WHO HAS/HAVE CERTIFIED THE INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS OF THE COMPANY, FOR THEIR PREPARATION BY THE BOARD

The individual and consolidated annual accounts that are presented in order to be prepared by the Board are previously certified by the Chairman of the Board and C.E.O. and by the Chief Financial Officer.

#### B.1.32. MECHANISMS ESTABLISHED BY THE BOARD OF DIRECTORS TO PREVENT THE INDIVIDUAL AND CONSOLIDATED ACCOUNTS BEING PRESENTED TO THE GENERAL MEETING WITH QUALIFICATIONS IN THE AUDITORS' REPORT

The Audit and Control Committee, made up entirely of independent, non-executive directors, has meetings, without the presence of the management of the Company, with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the Board must provide to the markets and their supervisory Boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drawing up thereof. In such meetings, any disagreement or difference of opinion existing between the management of the Company and the external auditors is put forward, so that the Board of Directors can take the necessary steps so that the audit reports are issued without qualifications.

Furthermore, previously to the drafting of the annual or quarterly accounting statements, the management of the Company also holds a meeting with the Audit and Control Committee and is subjected by the latter to suitable questions as to the application of accounting principles, estimations made in the preparations of the financial statements, etc., matters which are subject to discussion with the external auditors.

In this respect, Article 43.4 of the Board of Directors' Regulations provides that:

*The Board of Directors shall endeavour 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 opinion, it shall publicly explain the content and scope of the discrepancy.*

#### B.1.33. SECRETARY OF THE BOARD OF DIRECTORS

Mr. Antonio Abril Abadín, the General Counsel and Legal Advisor of the Board of Directors, does not sit on the Board.

#### B.1.34. PROCEDURES FOR APPOINTMENT AND REMOVAL OF THE SECRETARY OF THE BOARD

Pursuant to the provisions of Article 10 of the Board of Directors' Regulations, the appointment and removal of the Secretary of the Board shall be approved by the Board in plenary session, prior report of the Nomination and Remuneration Committee; the Secretary needs not be a director.

- The Nomination and Remuneration Committee reports on the appointment.
- The Nomination and Remuneration Committee reports on the dismissal.
- The Board in plenary session approves the nomination.
- The Board in plenary session approves the dismissal.

The secretary of the Board is responsible for specially ensuring compliance with good governance recommendations.

#### B.1.35. MECHANISMS ESTABLISHED BY THE COMPANY TO PRESERVE THE INDEPENDENCE OF THE AUDITOR, THE FINANCIAL ANALYSTS, INVESTMENT BANKS AND CREDIT RATING AGENCIES

Article 43 of the Board of Directors' Regulations, under the heading "Relations with the auditors" states in paragraphs 1, 2 and 3 as follows:

*1. The relations of the Board with the external auditors of the Company shall be channelled through the Audit and Control Committee.*

*2. 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 any auditing firm which would be incompatible in accordance with auditing legislation as well as those audit firms where the fees that the Company expects to pay them for all services in all areas are greater than five percent of the audit firm's total revenues during the last fiscal year.*

*3. The Board of Directors shall publicly disclose the whole of the fees that have been paid by the Company to the audit firm for services other than auditing.*

The mechanisms established to preserve the independence of the external auditor are the following:

- It is incumbent on the Audit and Control Committee, made up exclusively of independent directors, to propose to the Board of Directors, in order

to be studied by the General Meeting of Shareholders, the appointment of the auditors. Furthermore, to propose to the Board of Directors the terms of their contracts, the scope of their professional mandate and, where appropriate, the rescission or non-renewal of their appointment;

- Among the functions of the aforementioned Committee is also that of liaising with the external auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.

- The Committee shall issue a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors, and addressing in all events the rendering by the external auditor of any manner of additional services other than those covered in the audit agreement.

- Likewise, the Audit and Control Committee monitors the conditions 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 by the audit contract.

- The external auditors consult periodically with said Committee, as is explained in point B.1.32 above without the management of the Company being present, in order to review the annual accounts of the Company that the Board of Directors must provide to the markets and its supervisory boards.

- The Company reports in its consolidated annual report on those fees paid to its external auditors for each item that is other than the auditing of the financial statements.

As regards the mechanisms established to guarantee the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

The Company has not contracted services from Investment Banks or Credit Rating Agencies during fiscal year 2011.

#### B.1.36. CHANGE OF EXTERNAL AUDITOR OF THE COMPANY DURING THE FISCAL YEAR

No changes have occurred regarding the external auditor of the Company during the fiscal year.

B.1.37. WORKS CARRIED OUT FOR THE COMPANY AND/OR ITS GROUP BY THE AUDITING FIRM OTHER THAN THAT OF AUDITING. AMOUNT OF THE FEES RECEIVED FOR SAID WORK AND PERCENTAGE THAT IT REPRESENTS OF THE FEES CHARGED TO THE COMPANY AND/OR ITS GROUP

The auditing firm does carry out other work for the Company and its Group other than that of auditing.

	Company	Group	Total
Amount of other work apart from that of auditing EUR (thousands )	216	1,177	1,393
Amount of work other than that of auditing / total amount charged by the auditing firm (in %)	37%	21%	22%

B.1.38 OBSERVATIONS OR QUALIFICATIONS ON THE AUDIT REPORT ON THE ANNUAL ACCOUNTS FOR THE PRIOR FISCAL YEAR. REASONS GIVEN BY THE CHAIRMAN OF THE AUDIT AND CONTROL COMMITTEE TO EXPLAIN THE CONTENT AND SCOPE OF SUCH OBSERVATIONS OR QUALIFICATIONS

No observations or qualifications were included into the audit report on the Annual Accounts for the prior fiscal year.

B.1.39. NUMBER OF YEARS THAT THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE ANNUAL ACCOUNTS OF THE COMPANY AND/OR ITS GROUP. PERCENTAGE THAT REPRESENTS THE NUMBER OF YEARS AUDITED BY THE CURRENT AUDIT FIRM OVER THE NUMBER OF YEARS IN WHICH THE ANNUAL ACCOUNTS HAVE BEEN AUDITED

	Company	Group
Number of consecutive years	10	10
No of years audited by the current audit firm / no. of years that the Company has been audited (in %)	37%	45%

B.1.40. STAKES HELD BY MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY IN THE CAPITAL OF ENTITIES THAT HAVE THE SAME OR A SIMILAR OR COMPLEMENTARY TYPE OF ACTIVITY AS THAT WHICH MAKES UP THE CORPORATE OBJECT, BOTH OF THE COMPANY AND OF ITS GROUP, AND THAT HAVE BEEN COMMUNICATED TO THE COMPANY

All the members of the Board of Directors have reported to the Company that they do not hold stakes in the capital of companies that have the same, similar or complementary

type of activity as that making up the corporate object of the Company and its Group. The external independent director, Mr Nils Smedegaard Andersen, has reported to the Company that he holds the offices of President at Dansk Supermarked and CEO at A.P. Moller-Maersk A/S, which are entities that have a complementary type of activity as that making up the corporate object of the Company.

B.1.41. PROCEDURE WHEREBY THE DIRECTORS CAN GET EXTERNAL ADVICE

The possibility that the directors can request external advice is expressly covered in the Board of Directors' Regulations, which in Article 27 provides the following:

1. *In order to be aided in the performance of their duties, the 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 importance and complexity which may arise in the performance of the office.*

2. *The decision to engage external experts must be notified to the Company Chairman and can be open to veto by the Board of Directors if it proves that:*

*a) it is not necessary for the proper performance of the duties entrusted to the non-executive directors; or*

*b) the cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or*

*c) the technical assistance obtained may be adequately dispensed by in-house experts and technicians,*

*d) the confidentiality of the information to be provided to the expert may be jeopardised.*

B.1.42. PROCEDURE TO ENABLE THE DIRECTORS TO HAVE THE NECESSARY INFORMATION TO PREPARE THE MEETINGS OF THE ADMINISTRATIVE BODIES IN A TIMELY MANNER

Article 17.2 of the Board of Directors' Regulations, classified in chapter V ("Running of the Board"), after establishing that the notice for the ordinary meetings of said body shall be given at least three days in advance of the meeting, states that the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

This is complemented:

- On the one hand, by Article 26 of the aforementioned Regulations, which recognises the widest powers for the director to obtain information on any aspect of the Company (and its subsidiary companies), to examine



its books, registers, documents and other records of the Company's operations and to inspect all its facilities, likewise establishing that the exercise of the powers of information shall be channelled through the Chairman, the Deputy Chairman or any of the Deputy Chairmen, where appropriate, or the Secretary of the Board of Directors, who will attend to the requests of the director by providing him with the information directly, offering appropriate interlocutors at the appropriate level in the organisation or establishing such measures so as to enable them to conduct the desired examinations and inspections *in situ*.

- On the other hand, through the director's obligation to diligently obtain information on the course of business of the Company and prepare suitably for the Board meetings and for the subcommittees they belong to, as is referred to in Article 29 of the Regulations.

#### B.1.43. RULES REQUIRING DIRECTORS TO INFORM THE COMPANY —AND, IF APPLICABLE, RESIGN FROM THEIR POSITION— IN CASES IN WHICH THE CREDIT AND REPUTATION OF THE COMPANY MAY BE DAMAGED

Pursuant to the provisions of Article 24.4 of the Board of Directors' regulations, Directors shall inform the Board and, if appropriate, place their office at the disposal of the Board and formalize the relevant resignation, if said body deems it convenient, when circumstances that may harm the name and reputation of the Company concur in them or, in any other way, jeopardize the Company's interests, as well as when the reasons for their appointment disappear.

#### B.1.44. MEMBERS OF THE BOARD OF DIRECTORS WHO HAVE INFORMED THE COMPANY THAT THEY HAVE BEEN PROSECUTED OR THAT AN ORDER FOR THE COMMENCEMENT OF AN ORAL TRIAL HAS BEEN ISSUED AGAINST THEM FOR THE COMMISSION OF ANY OF THE CRIMES COVERED IN ARTICLE 124 OF THE SPANISH CORPORATION ACT

No one of the members of the Board of Directors has informed the Company that he/she has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for the commission of any of the crimes covered in Article 124 of the Spanish Corporation Act.

## B.2 Committees of the Board of Directors

### B.2.1. ALL THE COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR MEMBERS

#### Executive committee

In accordance with the provisions of Article 30 of the Articles of Association, on 28 February 1997 the Board of Directors established an Executive Committee which

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

Composition of the Executive Committee as at 31 January 2012:

Name	Office
Pablo Isla Álvarez de Tejera	Chairman
Carlos Espinosa de los Monteros Bernaldo de Quirós	Deputy Chairman
Amancio Ortega Gaona	Ordinary Member
Nils Smedegaard Andersen	Ordinary Member
Francisco Luzón López	Ordinary Member
Emilio Saracho Rodríguez de Torres	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member

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

#### Audit committee

Sections 31 of the Articles of Association and 14 of the Board of Directors' Regulations set out the regulations governing the Audit and Control Committee.

Composition of the Audit and Control Committee as at 31 January 2012:

Name	Office
Irene Ruth Miller	Chairwoman
Nils Smedegaard Andersen	Ordinary Member
Carlos Espinosa de los Monteros y Bernaldo de Quirós	Ordinary Member
Francisco Luzón López	Ordinary Member
Emilio Saracho Rodríguez de Torres	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member
D. Juan Manuel Urgoiti López de Ocaña	Vocal

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

## Nomination and remuneration committee

Sections 32 of the Articles of Association and 15 of the Board of Directors' Regulations set out the regulations governing the Nomination and Remuneration Committee.

Composition of the Nomination and Remuneration Committee as at 31 January 2012:

Name	Office
Carlos Espinosa de los Monteros Bernaldo de Quirós	Chairman
Nils Smedegaard Andersen	Ordinary Member
Francisco Luzón López	Ordinary Member
Irene Ruth Miller	Ordinary Member
Emilio Saracho Rodríguez de Torres	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member

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

### B.2.2 DUTIES OF THE AUDIT AND CONTROL COMMITTEE

- Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.

- Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.

- Ensure the independence and effectiveness of the internal audit function; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit department; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the conclusions and recommendations contained in its reports.

- Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.

- Submit to the Board proposals for the selection, appointment, re-election and replacement of the external

auditor, as well as the contractual terms under which it should be hired.

- Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.

- Ensure the independence of the external auditor.

- In the case of groups of companies, favour the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.

### B.2.3. ORGANISATIONAL AND WORKING RULES AND RESPONSIBILITIES ATTRIBUTED TO EACH OF THE COMMITTEES OF THE BOARD

#### The Executive Committee

The regulation of the Executive Committee is found in the Board of Directors' Regulations, Article 13 thereof providing that this shall be made up of a number of directors being no less than three nor greater than seven.

The passing of the resolutions of appointment of the members of the Executive Committee will require at least two-thirds of the members of the Board to have voted in favour thereof.

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

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

The Executive Committee reports to the Board of Directors on the matters discussed and the decisions taken in its meetings.

#### Audit and Control Committee

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, who must all be independent directors. For this purpose, those professionals of repute who are linked to the management team or to the

significant shareholders and who meet the requirements to ensure their impartiality and objectivity of judgment shall be deemed to be independent.

The Chairman of the Audit and Control Committee shall be elected for a period that does not exceed four years and must be replaced at the expiration of the aforementioned period. He may be re-elected once a period of one year has elapsed since the date of his ceasing in the post.

The Committee shall meet in ordinary meeting on a quarterly basis in order to revise the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board 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.

The members of the management team or of the personnel of the Company and its Group shall be obliged to attend the meetings of the Committee and to provide help and access to the information at their disposal when the Committee so requests. Equally, the Committee may require the attendance at its meetings of the auditors of the accounts.

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

#### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee shall be made up of a number of directors that is not less than three or greater than seven and who must necessarily be independent directors. A Chairman will be appointed from among its members.

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 to it by the Chairman, the members of the Board, management or the shareholders of the Company.

The Nomination and Remuneration Committee shall meet each time that it is called to meet by its Chairman, who must do so each time 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 include in its annual public documentation.

#### **B.2.4. ADVISORY AND CONSULTATIVE POWERS OF EACH ONE OF THE COMMITTEES AND POWERS DELEGATED TO THEM**

##### **The Executive Committee**

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

The Executive Committee reports to the Board on the matters discussed and the decisions taken in its meetings, in such manner that the Board has complete knowledge of the decisions of the Executive Committee.

##### **Audit and Control Committee**

The Audit and Control Committee is a consultative committee, with informational, advisory and proposal powers in the matters determined by the Board itself.

Without prejudice to other tasks that the Board assigns to it, the Audit and Control Committee will have the following basic responsibilities, which are:

a) To report to the General Meeting of Shareholders 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 Meeting of Shareholders, the appointment of the auditors of the accounts. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal 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.

l) To examine compliance with the Internal Regulations of Conduct Regarding Transactions in Securities, with these Regulations, with the Code of

Conduct and, in general, with the rules of governance 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 to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.

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 Article 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.

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee is a consultative committee, with informational, advisory and proposal powers in the matters determined by the Board itself.

Without prejudice to other tasks that are assigned to it by the Board, the Committee shall have the following basic responsibilities:

a) To prepare and review the criteria that must be followed for the composition of the Board of Directors, and to select the candidates.

b) To advise on proposed nominations, and where appropriate, on the re-election of directors and, in the 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 internal positions (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors.

d) To propose to the Board the members that should form part of each 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 advise 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 severance agreements, for those cases that imply dismissal or changes in control.

i) To advise on transactions that imply or may imply conflicts of interest, transactions with related parties or those transactions that imply the use of corporate assets and, in general, to report on the matters included in Chapter IX of the Board of Directors' Regulations.

j) To draw up and keep up-to-date a contingency plan to cover those vacancies in key positions within the Company or its Group.

k) 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.

l) To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements.

#### B.2.5 EXISTENCE OF RULES FOR THE BOARD'S COMMITTEES, PLACE WHERE THEY ARE AVAILABLE FOR CONSULTATION AND MODIFICATIONS INTRODUCED DURING THE YEAR. VOLUNTARY PREPARATION ON THE ACTIVITIES OF EACH COMMITTEE

The rules governing the Audit and Control Committee and the Nomination and Remuneration Committee are contained in the Board of Directors' Regulations, as well as in the Articles of Association, and there are no specific individual regulations for each of them.

The full text of the Board of Directors' Regulations is available for consultation on both the corporate web page ([www.inditex.com](http://www.inditex.com)) and on the website of the CNMV.

In compliance with the provisions of Art. 14.2.(n) of the Board of Directors' Regulations, the Audit and Control

Committee prepared a report on the activities it carried out during fiscal year 2011; likewise, the Nomination and Remuneration Committee drew up an annual report on the activities it performed during fiscal year 2011.

#### B.2.6 COMPOSITION OF THE EXECUTIVE COMMITTEE AS REGARDS THE CATEGORY OF ITS MEMBERS

The Executive Committee is made up of one executive director one proprietary director and five non executive directors, four of them independent. All categories of directors sitting on the Board of Directors also sit on the Executive Committee.



## C. Related-party transactions

No relevant transactions from a quantitative or qualitative perspective, which have entailed a transfer of resources or obligations in fiscal year 2011 have taken place between Inditex and the related parties thereto.

However, for transparency purposes, and in accordance with the information broken down in other documents (Annual Report and Consolidated Annual Report, and half-yearly financial Report), below is a list of the transactions with related parties during FY2011 pursuant to the definitions, criteria and groupings provided in Order EHA/3050/2004, of 15 September, to which refer the Instructions to complete this Annual Report included in Annex I of the Circular 1/2004, of 1 April, in the wording provided by Circular 4/2007, of 27 December, of CNMV, whereby the form of the annual corporate governance report of listed companies is amended.

### C.1 Relevant transactions carried out by the Company with directors, significant shareholders or shareholders represented on the Board or with persons related thereto

The Board in plenary session has reserved for itself the power to approve, after a favourable report of the Audit and Control Committee or any other committee entrusted with such duty, transactions carried out by the Company with directors, with significant shareholders or shareholders represented on the Board or with persons related thereto.

### C.2 Relevant transactions carried out which entail a transfer of resources or obligations between the Company, or entities of its Group, and the significant shareholders of the Company

During FY2011, the Inditex Group has carried out with the majority shareholder Gartler, S.L, or with the individuals and companies related thereto, or with Partler, S.L., and other individuals related thereto, the following transactions:

Nature of transaction	Type of transaction	Amount (€ thousand)
Contractual	Assets leases	(23,221)
Contractual	Assets leases	155
Contractual	Securities and guarantees provided	(92)
Contractual	Other Expenses	(20)
Contractual	Rendering of services	14,846

### C.3. Relevant transactions carried out which entail a transfer of resources or obligations between the Company or entities of its Group and the directors or officers of the Company

With regard to remunerations received by directors and officers of the Company, reference is made to the provisions of sections B.1.11 and B.1.12, respectively.

Likewise, Inditex approved in FY2010 a Deferred Incentive Payment Plan (hereinafter, "the Plan") addressed to members of the Management team and other key employees of the Inditex Group, a description of which is provided in the Annual Report. For the purposes of transactions with related parties, an estimate of the amount accrued during the fiscal year, in respect of the incentive assigned to directors and officials which would be paid provided that, however the requirements covered in the Plan are met, is broken down below:

	DIRECTORS	OFFICIALS
ASSIGNED INCENTIVE (in € thousands)	2,278	3,919

During FY2011 Inditex approved a Restricted Shares Award Plan addressed to the Chairman and Chief Executive Officer, Mr Pablo Isla Álvarez de Tejera, whose terms are described in the Annual Report. Such Plan is described as a one-off way to award Mr Isla an incentive, further to his recent appointment as new Chairman of the Company by the AGM held on 19 July 2011. The number of shares subject matter of the Plan amounted to two hundred and twenty-one thousand two hundred and sixty-four (221,264) ordinary shares of the Company which, upon delivery, were shares out of the treasury stock directly held by Inditex, made up of two different groups: a) 41,000 shares purchased at the average cost of EUR 2.18 per share; and, b) 180,264 shares purchased at the average cost of EUR 2.93 per share.

In addition to the above referred remunerations, below is a breakdown of the transactions carried out by and between the Company (or entities of its Group) and the directors or officers of the Company:

Nature of the transaction	Type of transaction	Amount (€ thousand)
Contractual	Compensation	1,070

No other relevant transaction has taken place between the Company or any Company belonging to its corporate Group and the directors or officers of the Company.

#### C.4. Relevant transactions carried out with other companies belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company as regards its object and conditions

A breakdown of the amount of the transactions carried out between Inditex and other Group companies which, although being part of the ordinary business of the Company as regards its object and conditions, have not been fully eliminated in the consolidation process, being consolidated under the equity method, is shown below:

Entity	Brief description of the transaction	Amount (€ thousand)
Joint ventures	Purchase of goods	(338,953)

#### C.5. Situations of conflicts of interest that the members of the Board of Directors have been subject to, according to the provisions of Article 127 third part, of the SCA

The Company has no evidence that any of its directors is in a situation of conflict of interests, whether directly or indirectly, with the interests of the Company.

#### C.6. Mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and/or its Group and its directors, managers or significant shareholders

The Board of Directors' Regulations state in Article 32 ("Conflicts of Interest"):

1.- *It shall be understood that a conflict of interest exists where there is a direct or indirect conflict between the interest of the Company and the personal interest of the Director. It is considered that directors have a personal interest when the matter affects them or a Person Related to them.*

*For the purposes of these Regulations, Related Persons are understood as being the following:*

*a) The spouse of the director or any other person with similar relation of affectivity.*

*b) The ascendants, descendants and siblings of the director or of the spouse (or any other person with similar relation of affectivity) of the director.*

*c) The spouse (or any other person with similar relation of affectivity) of the ascendants, descendants and siblings of the director.*

*d) Those companies where they hold the office of director or senior manager or in which they hold a significant participation, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in section 53 of the Spanish 24/1998 Act, passed on 28 July - "The Stock Exchange Act", and its regulations, and for the case of unlisted national or foreign companies, any direct or indirect participation over twenty (20) percent of its issued share capital.*

*With regard to directors who are legal entities, Related Persons are understood as being the following:*

*a) Those partners who are included with regard to the Director legal entity, in any the situations provided in Article 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange.*

*b) Those companies that are part of the same corporate Group, as defined in Article 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange, and their partners.*

*c) The representative, who is a natural person, the administrators de iure or de facto, the liquidators and the attorneys-in fact of the director, who is a legal entity.*

*d) Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the above-referred provisions regarding directors who are natural persons.*

2.- *The following rules shall apply to the situations of conflict of interest:*

*a) Information: directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any situation of conflict in which they are.*

*b) Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in conflict of interest. With regard to proprietary directors, they shall abstain from taking part in the voting of those matters that might entail a conflict of interest between those shareholders who had proposed their appointment and the Company.*

*c) Transparency: in the Corporate Governance Report, the Company must inform of any situation of conflict of interest in which a director is, that the Company is aware of by virtue of the information of same by the affected person, or by any other means.*

In addition, the Board's Regulations regulate the following situations which can give rise to conflicts of interest:

- The rendering of professional services in competing companies (Article 31).
- The use of corporate assets (Article 33).
- The use of non-public Company information for private ends (Article 34).
- The taking advantage of business opportunities of the Company (Article 35).

Furthermore, Article 37 of the Board of Directors' Regulations, under the heading "Duties of information of the director", provides that the director must inform the Company:

a) of the shares in the same of which he is the direct or indirect holder, as well as of those other shares which are in the possession, directly or indirectly, of his closest relatives, all of which in accordance with the provisions of the Internal Regulations of Conduct Regarding Transactions in Securities;

b) of any stake they might hold in the capital of any companies with the same, similar or complementary business range as the one that makes up the corporate purpose, and of the offices and posts they hold in same. They shall also inform of those businesses conducted for themselves or for somebody else, with the same, similar or complementary business range as the one that makes up the corporate purpose. Said information shall be included on the Annual Report, and

c) of all the positions they hold and of the activities that they carry out in other companies or entities, and, in general, about any fact or situation that could be relevant for their acting as a director of the Company.

As it is expressly provided under Article 1 of the Board of Directors' Regulations, the rules of conduct established thereon for the directors shall apply, to the extent that they are compatible with their specific nature, to the senior management of the Company who are not directors. More particularly and with the due nuances, the following articles shall apply to them: Article 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, as regards significant shareholders, Article 38 of the above referred Regulations provides as follows, under the heading "Transactions with directors and significant shareholders":

1. *The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a significant shareholder.*

2. *In no event will it approve such a transaction if previously a 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 Committee shall examine it also from the standpoint of an equal treatment for all shareholders.*

3. *In the case of transactions within the ordinary course of Company business and being of a habitual or recurrent nature, a general authorization of the line of transactions and their conditions of execution will be sufficient.*

4. *The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the annual corporate governance report, within the scope of the Law. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.*

In addition, the Internal Regulations of Conduct, in Article 5 and after stating in the first paragraph that the general principles that must govern the actions of the persons subjected to conflicts of interest are those of independence, abstention and confidentiality lay down the following:

## 5.2. Declaration of conflict

*The Affected Persons shall undertake in writing to act independently in their activities and to make known to the CCO (Code Compliance Office) using the standard model that is established for this purpose, those conflicts of interest to which they are subject due to their activities outside the Inditex Group, their family relationships, their personal property, or for any other cause with:*

a) *Suppliers, external workshops not being part of the Company and significant contractors for goods or services, or their Directors and general proxies.*

b) *Agents and franchisees of the Inditex Group, or their Directors and general proxies.*

*c) People who are engaged in similar or analogous activities to those of the Inditex Group and that compete with the Inditex Group in the same markets.*

*d) External advisors and suppliers of professional services to the Inditex Group.*

Among the powers granted to the Nomination and Remuneration Committee is that of reporting on the transactions that involve or could involve conflicts of interest, transactions with related parties or that involve the use of Company assets and, in general, on the matters contemplated in chapter IX of the Board of Directors' Regulations (in which all the foregoing articles of the Board of Directors' Regulations are included). In view of that report, it is incumbent on the Board of Directors to approve, where appropriate, the transaction.

### C.7. Companies of the Group listed in Spain

Only one Company of the Group is listed in Spain.

## D. Systems for control of risks

### D.1. Risk policy of the Company and/or of its Group. Risks covered by the system. Justification for the adjusting of those systems to fit the profile of each type of risk

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 Organisation, 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.

In this context, the risks management in the Group starts with the identification and assessment of those factors that may affect negatively the fulfilment of the business objectives, and this translates into a risks map including the main risks grouped in different categories, together with an assessment thereof in accordance with their potential impact, the likelihood of their occurring and the level of preparation of the Group to face up to them. The risk map is subject to review regularly in order to keep it updated by including the amendments regarding the evolution of the Group and of the environment where it operates. Risks management process also covers the taking of a certain answer versus such factors, and the organisation of the required controls measures for such answer to be effective.

Below are the main corporate areas that specialise in the risks management process in different fields:

- Risks Management
- Code Compliance Office
- Financial Management
- Planning and Management Control
- Corporate Social Responsibility
- Occupational Hazards
- Environment
- IT Safety

Additionally, certain specific Committees have been set in respect of the follow-up of the major risks:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee

Among the policies developed and implemented by the above-mentioned areas regarding the management of the different risks, the following should be pointed out:

- Investments Policy
- Payment Management Policy
- Foreign Exchange Risk Management Policy
- Powers of Attorney Policy
- Code of Conduct for external Manufacturers and Workshops
- Health and Safety of the Product Policy
- Occupational Hazards Policy
- Environmental Risk Management Policy
- IT Safety Policy

The process of risks management is subject to the review of the Board of Directors, through the Audit and Control Committee, to which Internal Audit reports directly regarding internal control review and through the Social Board regarding risks associated with corporate social responsibility.

Additionally, these risks are considered upon preparing the Business Plan, etc., as part of the ERM system of the Group.

## 1. BUSINESS ENVIRONMENT

These are risks stemming from external factors, connected with the activity of the Group.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which the Company operates, whether as regards procurement processes or distribution and sale of goods processes. This is inherent in the fashion retail business and consists in the eventual incapacity of the Group to follow and offer a response to the evolutions of its target market or to adjust to the new situations in procurement countries. With this respect, 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

fall in certain markets are, inter alia, factors which may have an impact on the effective achievement of the business goals of the Group.

In order to reduce the exposure to risk 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 the market.

## 2. REGULATIONS

Those are risks regarding the enforcement of the various laws and regulations to which the Group is exposed in the different countries where it is present.

In order to provide a better management of the risks included in this category, they have been classified in accordance with their nature, in: risks regarding the trade and consumption, industrial and intellectual property, tax, custom, labour regulations and others.

In order to reduce the exposure to risk in this area and secure the appropriate enforcement of the prevailing local legislation in force, the corporate Legal, Tax, Industrial Property and Human Resources Departments work in co-ordination with the various people responsible for each country or geographic zone and with the legal external advisors in same. In Section D.4 hereunder, the legislation that usually affects the Group in those countries where it operates, is identified.

The Internal Audit Department conducts regulatory compliance audits on a regular basis with teams of independent professionals specialising in certain regulations which apply to business.

Additionally, the Corporate Social Responsibility Department regularly carries out social audits together with teams of independent professionals, with a great command of the language as well as of the local labour and environmental legislation, to ensure the appropriate respect for both the labour requirements covered by the International Labour Organisation (ILO) Treaties and



for the Human Rights covered in the major Treaties that govern this subject.

### 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 in general.

These risks arise out of a potential improper management of the aspects regarding the social responsibility and sustainability, the responsibility on account of the composition of products, as well as of the corporate image of the Group.

The Group has developed a Social Audit Programme, based on the external and independent verification of the degree of implantation and compliance with the Code of Conduct for External Workshops and Manufacturers in order to minimize the potential risks of harming the image due to improper behaviours by third parties. Said programme specifies the review procedures which secure the gathering of information and evidences on the minimum working conditions that all external manufacturers and workshops must comply with. Additional information on this Programme is provided in the "CSR with suppliers" section of the Annual Report.

In such sizable and visible organisations as those of the Group, some conflicts could arise out of an inappropriate relationship with third parties alien to the operative of the Group (CNVM, communication media, Investors, public authorities, etc.)

The Group, through its Division of Communication and Institutional Relations, responsible for the centralised management of the communications with third parties, 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 the CNMV and the latter is also charged with dealing with the investors.

Moreover, the large experience gained by the Group, given its long international career, allows it to minimize the risk attached to the difficulty in adapting its products and operative to the different social and cultural realities, uses and special features of specific markets, by setting up the right policies which allow it to identify and as the case may be, implement the required measures. Additionally, the Group controls and verifies the level of compliance with its health and safety of the products standards ("Safe to Wear" and "Clear to Wear"), as part of its production process.

### 4. HUMAN RESOURCES

The main risks in the human resources area are those arising out of the difficulty in properly identifying and managing talent, which could lead to an inappropriate positioning, qualifications and flexibility of the human resources, an inappropriate labour environment, high turnover or a potential dependence on key personnel.

To minimize said risk, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel. It has also developed a regular training programme for its staff and has implemented specific systems:

- to combine quality in the performance of their duties by the employees and the satisfaction they may obtain at their workplace;
- to facilitate the exchange of jobs among those employees wishing to broad their experience in the different areas of the Organisation.

On the other hand, the work system implemented within the Organisation 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 labour environment, the Human Resources Department is governed by a series of acting rules which are thoroughly reviewed in the Social and Environmental Performance Report.

On the other hand, 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 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 the Equal Opportunities Plan, 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 corporate commitment towards a better life quality, ensuring a healthy work environment and providing actions to promote family and work balance.

## 5. OPERATIONS

The main operational risks the Group has to face up to arise out of a potential difficulty in recognising and taking in the ongoing changes in fashion trends, manufacturing, supplying and putting on the market new models meeting customers' expectation.

The Group reduces the exposure to this risk through a manufacturing and procurement system that ensures a reasonable flexibility to answer to the unforeseen changes in the demand by our customers. Stores are permanently in touch with the designer team, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows cutting the manufacturing and delivery terms as well as to reduce the stock volume, while the reaction capacity that allows 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.

The risk arising out of the interruption of the transaction is linked with the likely occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or suppliers, discontinuance in the supply of power or fuel, etc.) that might affect significantly the normal operative.

Given the operative of the Group, the main risks included in this category are to be found at the logistics centres and in external operators charged with transporting the goods. The distribution of apparel, footwear, accessories and home ware for all the formats is based upon 12 logistics centres spread throughout the territory of Spain. The use of such logistics centres is optimized on account of the size of each format: thus, Zara currently has four main centres, which favours the implementation of contingency plans in case of any potential accidents or stoppage of the 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 linked to the logistics planning and sizing. Additionally, investments are carried out towards the improvement and automation within the existing centres so as to increase their capacity and efficiency.

To minimize the risks attached to the quality of finished product, the Group resorts to different monitoring systems based upon defined standards ("Safe to Wear" and "Clear to Wear") whose implementation is mandatory within the production line, for all finished products, footwear and accessories.

To reduce exposure to the risk arising out of an improper customer satisfaction and service, the Group applies standard store service procedures, training and monitoring programmes for store managers and assistants, and communication channels available for customers in order to ensure the quality of the sale and post sale service. Likewise, as a result of the introduction of a new sale channel through the online sale, certain mechanisms to follow-up the degree of satisfaction of customers regarding their online purchase have been set up. With this respect, Marketing and Internet Departments of the two formats which currently offer online sale have prioritized the design of their websites, taking into account such premises, while, at the same time, making a large team of professionals available to support the queries, concerns or requests of the customers regarding their online purchase experience. The Group reduces the risk linked to the real estate management, regarding the search and selection of business premises, through the monitoring of local markets where it operates and through the evaluation and supervision of new openings by the Expansion Committee.

## 6. FINANCIAL

The activities of the Group are subject to various financial risks. Included in this category are risks regarding the improper management of exchange rates, cash management and sundry, such as credit or interest rates risks.

The Group operates globally and as a result of using currencies other than the euro in its business transactions, in recognised assets and liabilities and net investment in ventures outside the European Monetary Union, the Group faces an exchange rate risk which must be covered in a sufficient and systematic

manner by seeking to minimize the economic losses and the volatility of financial statements.

To achieve this, the Group companies are governed by the corporate Exchange Rate Risk Management Policy. The Group manages each currency's net position by using external forward foreign currency contracts or other financial instruments which minimize the exposure of the Group to such risk. Thus, the purchase of goods and stock takes place in part through orders placed to foreign suppliers in US dollars. Pursuant to the current Exchange Rate Risk Management Policy, in force, the Group deals in derivatives, mainly in forward contracts, to cover the variations of the cash flow linked to the exchange rate.

The Group has various investments in foreign businesses, the net assets of which are exposed to exchange rate risk. The foreign exchange risk over the net assets of transactions abroad is managed pursuant to the guidelines and policies set out by the Management of the Group.

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. Likewise, the Group also limits its exposure to credit risk by investing solely in products that have high liquidity and credit ratings.

The Group is not exposed to significant liquidity and interest rate risk, as it maintains sufficient cash and cash equivalents to meet the outflows of normal operations. On the other hand, the cash created is subject to the counterparty risk which is managed pursuant to the corporate Investment Policy which seeks to ensure the safety and integrity of the capital invested, optimising the profitability and ensuring the required cash to face up to the operative business needs.

In case of specific needs for funding, whether in Euros or in other currencies, the Group may resort to loan agreements, or any other financial instrument.

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 indexed to a variable interest rate. The Group does not have any financial assets or liabilities at fair value through profit or loss or interest-rate financial derivatives. Nor are there any interest rate derivatives. Consequently, any changes in interest rates at year end will not significantly affect consolidated profits.

Although in relative terms none of those risks are critical for the Organisation, all of them are systematically managed by the Financial Division.

## 7. INFORMATION FOR THE DECISION MAKING

The risks hereunder included are those linked to the appropriate information at all levels: transactional and operative, financing-accounting, management, budgeting and control.

These are not significant risks in relative terms, although the various departments of the Group and especially the Planning and Management Control Department and the Financial Administration Department, which report to the Financial Division, are directly responsible for producing and supervising the quality of such information. Moreover, in order to reduce exposure to this kind of risks, the Group regularly reviews the management information disclosed to the relevant officials and invests in IT, follow-up and budgeting systems, among others.

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. Section 7 of the schedule to this report "Additional information to the current Model of Annual Corporate Governance Report pursuant to Sec. 61 bis of Act 24/1988 of 28th July, on Securities Market (LMV, Spanish acronym) (as amended by the Fifth Final Provision of Act 2/2011 of 4th March, on Sustainable Economy)", provides additional information on this issue.

In addition, the consolidated Annual Accounts 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.

## 8. TECHNOLOGY AND INFORMATION SYSTEMS

The risks hereunder covered are those linked to the technical infrastructure and the efficient management of information and of the computing and robotic networks. The risks connected with the physical and logistical safety of the systems are also included.

To reduce exposure to this type of risks, the Systems Department permanently monitors the streamlining and coherence of the systems, directed at minimizing

the number of software packages, maximising training of all users involved in handling these and guaranteeing the security and stability required for the continuous development of the activities of the Group.

Moreover, there are contingency systems in the event of computer stoppage, with double equipment and data storage in a different location to the main Centre, which would reduce the consequences of a breakdown or stoppage.

## 9. GOVERNANCE AND MANAGEMENT

This category includes the risk of not having the appropriate management of the Group which might entail a breach of the Corporate Governance and transparency standards.

At the present time, transparency and good governance obligations for listed companies are duly governed by the recommendations of several institutions and by a specific legal framework (Financial Act, Transparency Act, Order ECO/3722/2003 and Circular 1/2004 of CNMV.) Lack of information or wrong information on sensitive issues, such as transactions with related parties or the remuneration of officials would harm the good image or the reputation of the Group, being therefore those issues subject to the control of the Audit and Control Committee and of the Nomination and Remuneration Committee, exclusively comprised of independent directors.

There are also Internal Regulations of Conduct regarding Transactions in Securities and a body designated as the Code Compliance Supervisory Board which, according to section 10.2.2 of said Regulations, is charged with observing and enforcing the rules of conduct of the Securities Markets and the rules of the IRC itself (Internal Regulations of Conduct), its procedures and further additional regulations, whether present or future.

### **D.2. Materialization during the fiscal year of the various types of risks affecting the Company and/or its Group**

The risks described in section D.1 are inherent in the business model and the activity of the Group; therefore they are always present somehow, throughout each financial year. However, none of them has had any significant impact on the Organization during last fiscal year, as control systems anticipated to meet such risks have been duly operative.

### **D.3. Committee or governing bodies responsible for establishing and supervising the mechanisms of control**

The main governing bodies responsible for controlling risks are the Board of Directors, the Audit and Control Committee and the Steering Committee.

#### **1.- The Board of Directors**

The Board of Directors is responsible for identifying the main risks of 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 under 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 Independent Directors of the Group, to supervise the process of the financial information and of the internal control systems of the Group, to check the appropriate type and integrity of said systems, to supervise the duties of the Internal Audit Department of the Company and its Group, approving the budget of the Department and the internal audit plan and supervising the material and human resources thereof, whether internal or external.

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 Organisation.

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 Organisation and the Audit and Control Committee, in relation to those matters that are responsibility of Internal Audit.

### 3.- The Steering Committee

The Steering Committee is charged with the co-ordination of the business and corporate areas, and takes active part in identifying, assessing, defining and implementing hedging policies, establishing specific measures to help mitigate the impact of risks in the achievement of the goals of the Group.

#### D.4. Processes of compliance with the various regulations that affect the Company and/or its Group

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Among the external risks that affect the Group, a specific category described as "Regulation" has been included, which has been described under section D.1 above. Within this category, it has been thought fit to classify the risks in four groups, depending on the kind of regulation to which they refer and on the potential impact they have on the Group. This classification shall be used to detail the legislation that affects the Group in its operation.

- Consumer and trade legislation: linked with commercial law, and regulations which govern those commercial issues which apply to retail: (business hours, end of season sales, etc.,) and any other regulations regarding consumers and users. Included in this group are such issues as: licence for store opening, business hours; end of season sales period and advertisement terms related thereto; conditions that must be met by the products being sold in stores, especially in relation to the labels and packaging, and generally, all aspects that affect retail sales.

- Tax legislation, relating to the taxes that are charged on the Group's activities and profits.

- Customs legislation, referring to cross-borders movements of merchandise.

- Labour legislation, which regulates the relations with its workers as regards wages, working hours, labour calendar, health and safety, etc.,

- Other legislation, including common legislation for any listed Company and specific legislation relating to the activity performed by the Group:

- Accounting legislation, relating to the accounting principles and standards.

- Securities market legislation, which affects all listed companies.

- Intellectual and industrial property legislation, relating to rights over designs and trademarks.

- General civil and mercantile legislation, relating to Company law and civil and commercial contracts.

- Competition law, which specifically affects the relations with other competitors in the market.

- Real Estate legislation which fundamentally affects urban regulations, commercial properties and namely, the leases of business premises where the stores of the Group are located.

- Legislation governing the personal data protection, regarding the custody of personal information that is confidential.

- Environmental legislation, regarding the proper treatment of waste, spillage, etc.,

In order to reduce exposure to the risk of non-compliance with the different legislation to which the Group is subject, the corporate Legal, Tax, Industrial Property, Labour and Internal Audit Departments carry out the task of co-ordination with the various members of management of each geographical area and external legal advisors of each country.



## E. General Meeting of Shareholders

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

In accordance with the provisions of the Articles of Association, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, it is granted with the following exclusive powers:

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

(b) To appoint and remove administrators, as well as, confirm or revoke those provisional appointments of said administrators 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-emption rights, 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 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 of stock options, as well as of any other remuneration system linked to the value of the shares, regardless of who is the beneficiary of such remuneration systems.

(g) To pass the present Regulations and their 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 purpose and those whose effect may be equivalent to the liquidation of the Company.

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, to approve, where appropriate, the accounts of the previous year and to 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 which represent at least five percent of the share capital so request, expressing in the request the matters to be discussed. In this latter case, the General Meeting of Shareholders must be convened to meet within the deadline provided in the applicable regulations. The agenda of the meeting will 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 Public Notary to take the minutes of the General Meeting.

Both the Annual and the Extraordinary General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register and on the web site of the Company, at least one month in advance of the day appointed for the meeting or the greatest period that is required by law, where appropriate, due to 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 matters to be discussed therein.

No later than the date of publication, or in any event 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 Securities Markets where the Company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be accessible through the Company's web page.

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and validly held to discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

### E.1. Quorum required for the holding of the General Meeting of Shareholders established in the Articles of Association . Differences with the minimum requirements set out in the [Spanish] Corporation Act (SCA)

	Quorum % different from that established as a general rule in Art. 102 of the SCA	Quorum % different from that established in Art. 103 of the SCA for special cases covered therein
Quorum required on 1 <sup>st</sup> call	50% of the subscribed voting stock	
Quorum required on 2 <sup>nd</sup> call		

Both Article 21.1 of the Articles of Association and Article 15 of the Regulations of the General Meeting provide that the General Meeting will be validly held on first call where shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote. At second call, generally, the General Meeting shall be validly held regardless of the capital attending the same. However, if the Meeting is called to decide on an increase or a reduction in the share capital, the issue of debentures, the transformation of the Company, the merger for the creation of a new Company or via the taking-over of the Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the substitution of the Company purpose as well as any other modification whatsoever of the Articles of Association, shall require, at second call, the attendance of twenty-five percent of the subscribed share capital with the right to vote.

Therefore, the only difference between said rules and the provisions of the SCA (currently, Act on Capital Companies), both in general and for special cases, consists of the quorum necessary for the holding of the General Meeting at first call in accordance with Art. 102 of the SCA (current Article 193 of the Act on Capital Companies, with the same wording), that the Articles of Association and the Regulations of the General Meeting of the Company have made equal to the quorum for valid meetings on first call in accordance with Article 103 of the SCA (current article 194 of the Act on Capital Companies, with the same wording)(shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote). This enhanced quorum may not be deemed to be a restriction on the control by the Company, since it is only applicable to first calls.

This is expressly permitted by Article 193 of the Act on Capital Companies itself, where, after laying down that the

General Meeting of Shareholders shall be validly held on first call when the shareholders present or represented by proxy possess, at least, twenty-five per cent of the subscribed voting share capital, it goes on to provide that the Articles of Association can establish a higher quorum.

### E.2. Differences with the rules provided by the [Spanish] Corporation Act for the passing of corporate resolutions

There are no differences with the Spanish Corporation Act for the passing of corporate resolutions.

### E.3. Rights of the shareholders in relation to general meetings that are different from those established in the SCA

Within the rights for the shareholders recognised by Article 48 of the SCA (current Article 93 of the Act on Capital Companies, with the same wording), the following can be listed in relation to the General Meetings: the right to attend and to vote in the general meetings and to challenge the resolutions of the Company, and the right of information.

These rights are developed in Article 179 and subsequent articles and in Part XIV ("Listed Corporations") of the Act on Capital Companies, former Articles 104 ("Right to attend the meeting"), 105 ("Limitations on the right to attend and vote"), 106 ("Proxies"), 108 ("Representation by a relative"), 112 ("Right to information") and 115 and following (relating to the challenging of resolutions) of the Spanish Corporations Act.

The rights of the shareholders of Inditex in relation to the general meetings are scrupulously respected by the Company, in the terms established in the legislation in force, in the Articles of Association and the Regulations of the General Meeting of Shareholders.

#### **Right to information of the shareholders**

The Investor Relations Department and the Shareholders' Office at Inditex are at the disposal of the shareholders to provide all the information on the General Meeting that they may need. Prior to the General Meeting, those shareholders who so request are sent a copy of the Annual Report and the relevant documentation relating to the items on the agenda.

Moreover, the Company deals, as far as is possible, with the requests for information that are made by the shareholders in relation to the items on the agenda of the General Meeting, both before the General Meeting and during the meeting itself through the question

and answer session, which all shareholders attending the meeting can participate in if they wish and whose participation is always answered.

Section E.4 hereof deals with the regulation of the right of information of shareholders covered by the Regulations of the General Meeting. With regard to the information made available to shareholders from notice of the Meeting, these two issues below are established in addition to the provisions of the SCA (at present, the Act on Capital Companies, with the same wording):

a) The full text of all the proposed resolutions that the Board of Directors submits to the AGM for debate and approval regarding the various items of the agenda; and

b) The following information regarding directors whose ratification or appointment is proposed: a) professional profile and biography; ii) other Boards of Directors where they sit, whether in listed companies or otherwise (except for Boards of property holding companies of the director in question or of his/her next of kin); iii) the category to which they belong, and in case of proprietary directors, stating the shareholders they represent or with whom they have links; iv) date of their first appointment and, as the case may be, of any further appointments to sit on the Board of Directors, and v) the shares in the Company and stock options they hold.

#### **Attendance of General Meetings. Right to Vote**

The right to attend is dealt with in section E.9.

Each share entitles its holder to one vote.

#### **Proxies at the General Meeting**

Section E.10 deals with the issue of proxies at the General Meeting.

### **E.4. Measures taken to promote the participation of the shareholders in the general meetings**

In addition to the publication of the notices provided by Law and in the Articles of Association and of the making available to the shareholders in the registered office of the Company, free of charge, of the information and the documentation related to the agenda of the meeting, the Company publishes the notice of the General Meetings through the corporate web page, including all the relevant documentation to facilitate the attendance and the participation of the shareholders, including the agenda, the directors' reports and the remaining documentation in relation to the General Meeting that is required by Law.

Furthermore, the Regulations of the General Meeting of Shareholders, establishes new instruments directed

at favouring the participation of the shareholders, in particular, through developing their rights of information, attendance and proxy.

In this respect, Article 9 and 10 of the Regulations of the General Meeting establish the following:

*Article 9. Information available as from the notice of the Meeting.*

*As from the publication of the notice of the meeting, the Company shall make the following information available to the shareholders:*

*(a) The documents (such as, among others, the annual accounts, proposals for the distribution of the profit, management reports, auditing reports, directors' reports, proposals for resolutions, literal text of amendments to the Articles of Association, auditors and/or independent experts' reports, merger or split-off plans) which by law must compulsorily be provided in relation to the various items included on the agenda.*

*(b) The full text of the proposed resolutions that the Board of Directors submits to the deliberation and approval of the General Meeting in relation to the different items on the agenda, and all the information regarding directors whose ratification or appointment is proposed pursuant to the provisions of the Board of Directors' Regulations. As an exception, the Board of Directors may omit the publication of those proposals not required by the Law or the Articles of Association to be put at the shareholders' disposal as from the date of the calling of the General Meeting, whenever there are justified reasons that make previous publication not advisable.*

*(c) Practical data related to the General Meeting and the way in which the shareholders exercise their voting rights, such as, amongst others:*

*i. The communication channels existing between the Company and the shareholders, and namely those explanations necessary for shareholders to exercise their right to information, stating the postal addresses and e-mail addresses where they can address their queries.*

*ii. The ways and procedures to grant proxy for the General Meeting.*

*iii. The ways and procedures to cast votes through remote communication systems, including where appropriate, the forms to justify the attendance and the exercise of the vote through remote means in the General Meeting.*

*iv. Information on the location of the place where the Meeting is to be held and the way to access same.*

*v. Information, where appropriate, on the systems or procedures that may facilitate the monitoring of the Meeting, such as simultaneous translation devices, videoconferences, information available in foreign languages, etc.*

*[d] Any other information deemed appropriate to facilitate the attendance and participation of the shareholders at the General Meeting.*

The shareholders shall be able to get, freely and immediately, the documents and data referred to in the previous paragraphs at the registered office, as well as to request the free delivery or dispatch of such documents and data, in accordance with the provisions of the Law. Furthermore, such documents and data shall be incorporated into the Company's web page.

#### *Article 10. Right to information prior to the holding of the General Meeting*

*From the very day the notice of the General Meeting is published, and until the seventh day, included, prior to the day set for the Meeting, every shareholder may request in writing to the Board of Directors the information or clarification they may deem necessary or ask the questions they might think fit, regarding the items on the agenda. Moreover, in the same term and manner, shareholders may request information or clarifications or ask questions in writing concerning the information accessible to the public that the Company had already furnished to the CNMV since the last General Meeting was held. Likewise, shareholders may gather any other information they may need regarding the General Meeting through the Company's web page or through the Individual Shareholders' Department telephone number to be established for that purpose, which shall be appropriately disseminated.*

*The Board of Directors must provide the required information except (i) where the Chairman considers that the publicity of the information requested may be detrimental to the Company's best interests, (nevertheless, this exemption may not be claimed where the request is supported by shareholders representing at least twenty five (25) per cent of the corporate capital; (ii) where the information or clarification requested do not refer to the items on the agenda or to information accessible to the public that the Company has furnished to the CNMV since the last General Meeting was held; (iii) where the information or clarification requested is not considered reasonably necessary in order to reach an opinion over those matters raised to the Meeting or, if by any means, it is considered abusive; or (iv) where legal provisions or regulations so provide.*

*The shareholders' requests for information shall be answered by the Board of Directors itself, by any member thereof, by the Secretary, even if he is not a member of the Board, or by any other person expressly empowered by the Board for this purpose.*

*Under the terms provided in Law the requests for information must be answered in writing and prior to the General Meeting, unless the characteristics of the required information make it unsuitable. Those requests for information that due to the proximity to the date of the Meeting, cannot be answered prior to said Meeting or those that are submitted during*

*the same shall be answered during the General Meeting, in accordance with the criteria stated in these Regulations or, where appropriate, in the shortest period of time as of the date on which the Meeting was held and always, within the maximum term provided by the Law for this purpose.*

*Those answers given to significant questions and put at shareholders' disposal prior to the date on which the meeting is set to be held, shall be at the disposal of the shareholders attending the meeting at the beginning of the same, and shall also be disseminated through the Company's web page.*

The right to information is supplemented by those of attendance and proxy, which are dealt with in sections E.9 and E.10 below.

### **E.5. Chairman of the General Meeting of Shareholders. Measures adopted to ensure the independence and good working of the General Meeting**

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Article 16 of the Regulations of the General Meeting of Shareholders, transforming into rules Article 22 of the Company's Articles of Association, provides that the General Meeting shall be chaired by the Chairman of the Board of Directors or, failing the Chairman, by the Deputy Chairman who replaces him in accordance with the Articles of Association, and failing the Chairman and Deputy Chairman, by the shareholder appointed by the General Meeting itself.

Once the Board of the General Meeting has prepared the list of the attendees, expressing the nature or proxy of each one and the number of own shares or shares of the proxy-grantors attending the meeting, the Chairman shall declare the Meeting to be validly held; shall submit for its deliberation the business that has to be discussed according to the agenda or the previous agreement of the Universal Meetings; shall direct and order the debates signalling the turns for speaking and granting the floor to those shareholders who have made a written request to speak and then to those who have made a spoken request to speak, and may establish turns for speakers in favour and against the motion and may limit the number of those who may speak in favour or against or the time allowed for each speaker; shall declare the business to have been discussed sufficiently and shall order that the voting thereon proceed, proclaiming the result of the voting after such vote. All of these aspects, as well as others regarding the good working of the General Meeting, are developed in detail in the Regulations of the General Meeting of Shareholders.

Lastly, and as a guarantee of the independence and good working of the General Meeting, mention must be made, on one hand, that the preparation of the list of those attending and the calculation of the quorum for the valid

holding of the Meeting is entrusted to a Company of repute in its sector of activity and which acts according to qualified professional practices; and, on the other hand, that the Board of Directors, in compliance with the provisions of Article 7.2 of the Regulations of the General Meeting of Shareholders, requires the presence of a Notary to take the minutes of the Meeting.

## E.6. Modifications introduced during the year in the regulations of the General Meeting

In the course of FY2011, the AGM held on 19 July resolved the partial amendment of sections: 2 of the General Meeting of Shareholders' Regulations "Approval and amendment, validity and construction", 7 "Calling of the General Meeting", 8 "Notice", 11 "Right of attendance", and 13 "Proxy solicitation" of the General Meeting of Shareholders' Regulations. In line with the amendments introduced to the correlate sections of the Articles of Association, to adjust any references and terms of the Regulations to the new revised text of the Act on Capital Companies, approved by Real Decreto Legislativo 1/2010 of 2 July; thus, any references to any specific law have been replaced with a generic reference to the "Law" or the "applicable regulations" in order to prevent that any future amendment to the name of the applicable regulation might entail the obsolescence of the wording of the General Meeting of Shareholders' Regulations.

Likewise, section 6 "Powers of the General Meeting" was also amended to extend the number of powers expressly reserved under the remit of the General Meeting of Shareholders.

## E.7. Attendance figures for the general meetings held during the year to which this report refers

Attendance data	
Date General Meeting	19-07-2011
% attendance in person	0.06%
% attendance by proxy	82.54%
% distance voting	0.10 <sup>(1)</sup>
Electronic vote	
Others	
<b>Total</b>	<b>82.70%</b>

<sup>(1)</sup> A total number of two shareholders cast remote vote by electronic means, and two hundred and four shareholders did so by postal mail.

## E.8. Resolutions passed in the General Meetings held in the year and percentage of votes with which each resolution was passed

The General Meeting of Shareholders of Inditex, in its meeting held on 19 July 2011 and in accordance with the items on the agenda, passed the following resolutions, which are summarised below:

### **"First.- Reporting to the Annual General Meeting on the appointment of a new Chairman of the Board of Directors and consequently, of the General Meeting of Shareholders."**

Pursuant to the relevant fact disclosed on 10<sup>th</sup> January 2011, the General Meeting of Shareholders is hereby informed that the Board of Directors of the Company, in the meeting held on this day prior to the AGM, and after favourable report of the Nomination and Remuneration Committee, has resolved to appoint Mr Pablo Isla Álvarez de Tejera, currently First Deputy Chairman and C.E.O. as the new Chairman and Chief Executive Officer of Industria de Diseño Textil, S.A. (Inditex, S.A.).

### **Second.- Review and approval, where appropriate, of the financial statements (Balance Sheet, Profit and Loss Account, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of Industria de Diseño Textil, S.A. (Inditex, S.A.) for fiscal year 2010, ended 31st January 2011."**

To approve the Financial Statements (Balance Sheet, Profit and Loss Account, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and the management report of Industria de Diseño Textil, S.A. (Inditex, S.A.) for fiscal year 2010 (ended 31st January 2011), laid by the Board of Directors at its meeting held on 22nd March 2011 and signed by all the directors.

This resolution was passed with the vote in favour of 99.94% of the voting quorum.

### **Third.- 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 2010, ended 31st January 2011 and of the management of the Company."**

To approve the Financial Statements (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and the consolidated management report of the Inditex Group for fiscal year 2010 (ended 31st January 2011), laid by the Board of



Directors at its meeting held on 22nd March 2010 and signed by all the directors.

To approve the management of the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A) for fiscal year 2010.

This resolution was passed with the vote in favour of 99.55% of the voting quorum.

#### **Fourth.- Distribution of the income or loss of the fiscal year and distribution of dividends.**

To approve the proposed distribution of the income of fiscal 2010 (ended 31st January 2011), in the amount of Euro one thousand twenty-four million four hundred and seventy six thousand, to be distributed as shown below:

	€ thousands
To voluntary reserve (minimum amount)	27,147
To dividends	997,329

Dividends (maximum amount to be distributed for a fixed gross dividend of €1.60 per share, corresponding to an ordinary dividend of €1.40 per share and an extraordinary dividend of €0.20 per share, for the aggregate 623,330,400 ordinary shares into which the share capital is divided)

<b>TOTAL</b>	<b>1,024,476</b>
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It is thus resolved to pay the shares with the right to dividends the gross amount of one euro and sixty cents (€1.60) per share. The gross amount of eighty Euro cents (€0.80) been paid last 2 May 2011 as interim dividend, it is thus resolved to pay the shares with a right to dividends, a supplementary dividend (ordinary and extraordinary) in the gross amount of eighty Euro cents (€0.80) per share, remaining amount to add up to the total dividend.

This supplementary dividend shall be paid to shareholders as of 2nd November 2011, through those entities linked to the Spanish Central Securities Depositary, in charge of the Register of Securities, and the Clearing and Settlement of all trades (Iberclear) where they have their shares deposited.

This resolution was passed with the vote in favour of 99.96% of the voting quorum.

#### **Fifth.- Re-election of Ms Irene R. Miller to the Board of Directors as independent non-executive director.**

To approve the re-election of Ms Irene R. Miller, whose particulars are already recorded with the Companies Register, to the Board of Directors as independent non-executive director for the five-year term provided in the

Articles of Association, as from the date of this Annual General Meeting.

This resolution was passed with the vote in favour of 99.65% of the voting quorum.

#### **Sixth.- Re-election of Auditors**

To appoint the current auditing firm of the Company, KMPG Auditores, S.L, with registered office at Madrid, Paseo de la Castellana 95, with VAT No (Spanish C.I.F.) B-78510153, registered with the Official Register of Auditors under number S0702, to be the Auditors of the Company in order to review the financial statements and the management reports of the Company and the consolidated financial statements and reports of the Inditex Group, for a period running from 1st February 2011 through 31st January 2012.

This resolution was passed with the vote in favour of 99.91% of the voting quorum.

#### **Seventh.- Proposed amendment to the Articles of Association: sections 1 (Name), 6 (Non-voting shares. Preference shares. Redeemable shares), 8 (Representation of the shares), 10 (Increase and reduction of capital, and issue of bonds or other securities that acknowledge a debt), 11 (Capital calls), 13 (Co-ownership, usufruct and pledge of shares), 16 (Classes of General Meetings), 17 (Notice. Universal General Meetings), 18 (Attendance at Meetings. Right to vote), 26 Number of Directors), 28 (Convening and quorum of Board Meetings. Passing of resolutions), 31 (Audit and Control Committee), and 34 (Web page).**

To amend sections 1, 6, 8, 10, 44, 16, 18, 18, 26 and 28 to adjust all references and terms to the new revised text of the Act on Capital Companies approved by Real Decreto Legislativo 1/2010, of 21st June, replacing any reference to the "Act on Capital Companies" or any other express reference to applicable regulations, with a generic reference to the "Law" or "applicable regulations".

To amend section 17 to adjust its wording to the current provisions set out in sec. 173 of the Act on Capital Companies, regarding the manner of convening the Annual General Meeting of Shareholders and the contents of the notice; section 31, to adjust the duties of the Audit and Control Committee to the new wording of 18th Additional Provision of the Act on the Securities Market, and section 34, regarding the contents of the web page regarding the information available to shareholders, in order to adjust it to the regulatory changes in the matter of publicity through the web site.

This resolution was passed with the vote in favour of 96.93% of the voting quorum.

**Eighth.- Proposed amendment to the General Meeting of Shareholders' Regulations: section 2 (Approval and amendment, validity and construction), 6 (Powers of the General Meeting), 7 (Calling of the General Meeting), 8 (Notice), 11 (Right of attendance), and 13 (Proxy solicitation) of the General Meeting of Shareholders' Regulations.**

To amend sections 2, 7, 8, 11 and 13 in line with the amendment of the correlate sections of the Articles of Association, to adjust all references and terms to the new revised text of the Act on Capital Companies.

To amend sec. 6 in order to adjust its wording to the extended issues expressly reserved under the remit of the General Meeting of Shareholders.

This resolution was passed with the vote in favour of 99.92% of the voting quorum.

**Ninth.- Remuneration of the Board of Directors.**

Under the provisions of Section 33.1 of the Articles of Association, it is hereby resolved to fix the remuneration of the Directors of the Company as it is shown below, for an indefinite term until a subsequent Annual General Meeting of Shareholders would resolve otherwise, effective as of 1st February 2011, the following amounts being fully independent and compatible between each other:

(a) Each director shall receive a fixed annual amount of EUR one hundred thousand (€100,000) for the discharge of his/her office;

(b) The Deputy Chairman of the Board of Directors, or each of them, should there be more than one, shall also receive an additional fixed annual amount of EUR eighty thousand (€80,000);

(c) The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed annual amount of EUR fifty thousand (€50,000), and;

(d) The directors who for their part sit on the Executive Committee, the Audit and Control Committee or / and the Nomination and Remuneration Committee (including the Chairmen of the last two Committees) shall also receive an additional fixed amount of EUR fifty thousand (€50,000).

This resolution was passed with the vote in favour of 99.59% of the voting quorum.

**Tenth.- Approval of a Shares Award Plan addressed to the Chairman and C.E.O.**

To approve, in accordance with the provisions of section 219 of the revised text of the Act on Capital Corporations, as well as Article 33 of the Articles of Association of the Company, a restricted shares award plan, addressed

to the Chairman and C.E.O. (hereinafter, the "Plan") pursuant to the following terms and conditions:

(i) **Description:** The Plan is described as a way to award the Chairman and Chief Executive Officer of the Company an incentive, further to his recent appointment as new Chairman of the Company. The Plan consists of the award of shares out of the treasury stock directly held by the Company.

(ii) **Effectiveness of the Plan and delivery of shares:** shares of the Company subject matter of the Plan shall be delivered on a one-off basis within three (3) months of the date of this resolution.

(iii) **Number of shares under the Plan:** the number of shares subject matter of the Plan amounts to two hundred and twenty-one thousand two hundred and sixty-four (221,264) ordinary shares of the Company.

(iv) **Origin of shares:** shares of Industria de Diseño Textil, S.A. to be awarded are shares out of the treasury stock directly held by the Company remaining from the Stock Option Plan resolved by the Annual General Meeting of Shareholders on 20 July 2000, 19 January 2001 and 20 April 2001, issued further to a resolution to increase the share capital, passed on 20th July 2000, such Plan having been offered further to the Initial Public Offering (IPO) and subsequent application for the shares of the Company to be admitted to trading. Likewise, and pursuant to the provisions laid down in Note 21 of the consolidated annual report for fiscal year 2010, the cost of acquisition of such own shares by Inditex is as follows: a) 41,000 shares acquired at an average cost of €2.18 per share, and b) 180,264 shares acquired at a cost of €2.93 per share.

The Board of Directors of the Company with full power of substitution, is hereby authorised to implement, carry out and execute the Plan, passing such resolutions and subscribing such documents, whether public or private, as might be required or expedient for the Plan to have full effect, including the power to correct, amend or supplement this resolution.

This resolution was passed with the vote in favour of 77.72% of the voting quorum.

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

To delegate to the Board of Directors, expressly empowering it to be substituted by the Executive Committee or by any of its members, as well as to any other person expressly authorised for these purposes by the Board, of the necessary powers as wide as required in law for the correction, development and implementation, at the time that it considers most appropriate, of each of the resolutions passed in this Annual General Meeting.

In particular, to authorise the Chairman of the Board of Directors and C.E.O., Mr Pablo Isla Álvarez de Tejera and to grant a special power of attorney as broad as might be required in law, to the Secretary of the Board, Mr Antonio Abril Abadín so that, either of them, jointly and severally, without distinction, and as widely as is necessary in Law, may carry out whatever actions are appropriate to implement the resolutions passed in this General Meeting in order to record them in the Companies Register and in any other Registries, including, in particular, and amongst other powers, that of appearing before a Notary Public to execute the public deeds and notary's certificates that are necessary or expedient for such purpose, correct, rectify, ratify, construe or supplement the agreements and execute any other public or private document that is necessary or appropriate so that the resolutions passed are implemented and fully registered, without the need for a new resolution of the Annual General Meeting, and to proceed to the mandatory filing of the individual and consolidated annual accounts with the Companies Register.

This resolution was passed with the vote in favour of 99.99% of the voting quorum.

#### **Twelfth.- Reporting to the Annual General Meeting of Shareholders about the Board of Directors Regulations.**

Pursuant to the provisions of section 516 of the Act on Capital Corporations, the Annual General Meeting of Shareholders is hereby informed that it was resolved by the Board of Directors, after report in support issued by the Audit and Control Committee, to amend paragraph 1 of sections 14 and 15 of the Board of Directors' Regulations in order to increase the maximum number of members of the Supervision and Control Committees to seven instead of the current five, and paragraph 2 of section 14, to adjust the powers of the Audit and Control Committee to the reform of additional provision number eighteen of the Act on Securities Market, carried out via "Act 12/2010 of 30 June whereby Act 19/1988 of 12 July on Audit of accounts; Act 24/1988 of 28 July on the Securities Market and the revised text of the Spanish Corporation Act approved by Real Decreto Legislativo 1564/1989 of 22 December are amended, to conform to the EU regulations".

The full text of these resolutions is made available to the public as of 19<sup>th</sup> July 2011 on the corporate website ([www.inditex.com](http://www.inditex.com)) and also on the web site of CNMV.

#### **E.9. By-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders**

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

#### **E.10. Policies followed by the Company in relation to proxies in the General Meeting of Shareholders**

Article 12 of the Regulations of the General Meeting of Shareholders, developing the provisions of Article 20 of the Articles of Association, lays down:

*1.- Any shareholder who has the right to attend may be represented by a proxy in the General Meeting, even if the proxy is not a shareholder. Each Meeting shall require such proxy to be conferred in writing and for each proxy to be specifically granted for each particular meeting. Said requirement shall not apply when the proxy is the spouse, ancestor or descendant of the represented person, nor when the proxy holds a general power of attorney conferred by public document with powers to administer all the estate that the represented person has on national territory. Shareholders may not be represented in a General Meeting by more than one proxy.*

*2.- Proxies may be granted by postal or electronic mail, and in this case, the provisions of Article 23 of the Corporate by-laws regarding the casting of votes in such manners, shall apply, provided that it is not incompatible with the nature of proxy.*

*3.- Proxies shall be included in the list of members in attendance, stating in case they are granted in a public document, the date of execution, the authorizing Notary, and the number of the record. Notwithstanding the above, the person acting as Chairman of the General Meeting in accordance with the provisions of Article 22 of the Articles of Association, may ask the proxy to provide the documentation that proves the nature of its representation. The Company shall keep a record of those documents containing the conferred representations proxies granted.*

*4.- Proxies can always be revoked. The attendance of the proxy-giver at the Meeting, either in person, or having effected the vote by remote communication systems, shall have the effect of a revocation, regardless of the date on which the proxy was granted.*

*5.- Unless the proxy-giver so indicates, should the proxy be in a conflict of interests, it shall be assumed that the proxy-giver has appointed as proxies as well, jointly and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.*

*6.- If no instructions regarding the vote on proposals of the agenda were given, it shall be understood that the proxy shall vote in favour of said proposals submitted by the management body. If no instructions regarding the*

*vote on proposals not included on the agenda were given, it shall be understood that the proxy shall vote against said proposals.*

*7.- Where the document containing the proxy or delegation is submitted to the Company without expressly stating the name of the proxy, it shall be assumed that the proxy-giver has appointed as proxies as well, jointly and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.*

### **E.11. Institutional investors as to participation or lack of participation in the Company's decisions**

The share capital of Inditex is represented by the book-entry system and there is no shareholders' register. The Company is not expressly aware nor has it received any notice regarding the policy of the institutional shareholders with respect to participation in Company decision-making.

### **E.12. Address and means of access to the corporate governance content on the web site**

The address of the corporate website of Inditex is [www.inditex.com](http://www.inditex.com).

During FY2004, a new revision of the Inditex web page was carried out, adapting its content and the time period of the communication of information to the requirements of Spanish Ministerial Order ECO/3722/2003, of 26 December, and, above all, to the requirements established in Circular 1/2004, of the CNMV.

The way to access the corporate governance contents is the following: once you are on the corporate web page, there is a menu with several areas, among them the one called "Information for Shareholders and Investors". If you click on that heading, or place the cursor thereon, the sections headed "Investor Relations", "CNMV filings", "Corporate Governance" and "Contact for Investors" will appear. It is also possible to download from this page many different documents of interest to shareholders and investors.

Within these last two sections of the web page, it is possible to have access to the following information and documentation:

- Rules and regulations: Articles of Association, the Regulations of the General Meeting of Shareholders and the Board of Directors' Regulations and the Internal Regulations of Conduct Regarding Transactions in Securities.

- Shareholding structure: share capital, number of shares, significant holdings, information on treasury stock, etc.

- The General Meeting of Shareholders: notices of meeting, agendas of meetings, proposed resolutions, reports from the members of the Board, full texts of the documents put forward to the General Meeting for their approval or that are submitted thereto for its information, presentations given, quorums, resolutions passed, votes cast and which way they were cast.

- Board of Directors: composition of the Board, of the Executive Committee, of the Audit and Control Committee and the Nomination and Remuneration Committee, with details of the different categories of directors and the positions they hold in each of the committees or bodies and shares held in the Company by the Board of Directors.

- Relevant facts.

- Other relevant information: daily and historic price of the share, investor diary, dividends, financial information, Annual Report for the last few years; financial information (annual and quarterly results, presentations and webcasts), press releases, public periodic information, para-social agreements, transactions with related parties, Annual Corporate Governance Reports and communication channels with the Company.

Furthermore, and in accordance with the provisions in Circular 1/2004 of the CNMV, certain corporate governance documents are directly accessible from the site map on the web site.

Finally, it must be pointed out that the information included on the web page, apart from certain documents, is given in two languages: Spanish and English.

## F. Degree to which the good governance recommendations have been followed

Indicate the degree of conformance of the Company to the recommendations of the Unified Code on Good Governance.

In the event of non-compliance with any of them, explain the recommendations, rules, practices or criteria applied by the Company.

### 1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of the acquisition of its shares on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies ☒ Explain ☐

### 2. When both the parent Company and a Company controlled by it are listed companies, they both provide detailed public disclosure on:

a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed Company and other companies belonging to the Group;

b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 y C.7

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

### 3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the Company and, in particular, the following, are submitted to the shareholders at the General Meeting of Shareholders for approval:

The transformation of listed companies into holding companies through "subsidiarization" or reallocating core activities to controlled entities that were previously carried out by the Company itself, even if the latter retains full ownership of the former;

b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;

c) Transactions whose effect is tantamount to the liquidation of the Company

Complies ☒ Complies in part ☐ Explain ☐

Although the case described under letter a) of this Recommendation is not expressly covered in the General Meeting of Shareholders' Regulations, Chapter III of Act 3/2009 of 3 April on the structural amendments of private companies, expressly governs the segregation (full transfer on account of universal succession of one or several parts of the assets of one Company, each of which sets an economic unit, to one or several companies, and the segregated Company receives shares of the beneficiary companies) and the "subsidiarization" (full transfer of the assets of a Company to a newly incorporated Company, in exchange for the full stock of the beneficiary Company) of private companies, by submitting the above referred transactions (segregation and subsidiarization) to the regulation of split-off, where appropriate. Therefore, such transactions which basically encompass the case referred to under letter a) of this Recommendation should be subject to the prior approval of the Annual General Meeting of Shareholders, pursuant to the provisions of the above referred Act 3/2009 of 3 April.

Likewise, the cases described under letters b) and c) are expressly provided in Section 7.j) of the General Meeting of Shareholders' Regulations as issues which need to be approved by the AGM.

### 4. Detailed proposals of the resolutions to be adopted at the Annual General Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of the General Meeting of Shareholders.

Complies ☒ Explain ☐

### 5. Matters that are substantially independent are voted on separately at the General Meeting of Shareholders, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, which shall be voted on individually;

b) In the event of amendments of the Articles of Association, to each article or group of articles that are substantially independent of one another.

See section: E.8

Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for different clients can divide their votes in accordance with the instructions given by such clients.

Complies ☒ Complies in part ☐ Explain ☐

### 6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for different clients can divide their votes in accordance with the instructions given by such clients.



See section: E.4

Complies ☒ Explain ☐

**7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.**

**It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it operates and upholds any other social responsibility standards to which it has voluntarily adhered.**

Complies ☒ Complies in part ☐ Explain ☐

**8. The Board assumes responsibility, as its core mission, for approving the Company's strategy and the organisation required to put it into practice, and to ensure that Management meets the goals set while pursuing the Company's interest and corporate purpose. As such, the Board in plenary session reserves for itself the right to approve:**

**a) The Company's policies and general lines of strategy, and in particular:**

- i) The Strategic or business Plan as well as the management goals and annual budgets;
- ii) The investment and financing policy;
- iii) The design of the structure of the corporate Group;
- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The policy for compensation and assessment of the performance of senior managers;
- vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
- viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: B.1.10, B.1.13, B.1.14 and D.3

**b) The following decisions:**

- i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.

See section: B.1.14

- 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.

See section: B.1.14

- iii) The financial information that the Company must periodically disclose publicly due to its status as listed Company.

- iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless 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 registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the Group.

**c) Transactions made by the Company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").**

**However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:**

**1st. They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;**

**2nd. They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;**

**3rd. The amount thereof is not higher than 1% of the annual revenues of the Company.**

**It is recommended that related-party transactions be approved by the Board after favourable report of the Audit and Control Committee or, where appropriate, such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should be absent from the meeting room while the Board deliberates and votes on the transaction.**

**It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the Board in plenary session.**

See Sections C.1 and C.6

Complies ☒ Complies in part ☐ Explain ☐

**9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no fewer than five and no more than fifteen members.**

See section: B.1.1

Complies ☒ Explain ☐

**10. External, proprietary and independent directors, are a vast majority on the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate Group and the percentage interest held by the executive directors in the Company's share capital.**

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies ☒ Complies in part ☐ Explain ☐

**11. If there is an external director who cannot be deemed either proprietary or independent, the Company explains such circumstance and the links such director maintains with the Company or its managers or with its shareholders.**

See section B.1.3

Complies ☒ Complies in part ☐ Explain ☐

**12. Among external directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the Company represented by proprietary directors and the rest of its capital.**

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

**1st. In large cap companies where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.**

**2nd. In case of companies with a plurality of shareholders represented on the Board but not otherwise related.**

See sections: B.1.3, A.2 and A.3

Complies ☒ Explain ☐

**13. The number of independent directors represents at least one-third of the total number of directors.**

See section: B.1.3

Complies ☒ Explain ☐

**14. The status of each director is explained by the Board at the General Meeting of Shareholders at which the**

**shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.**

See sections: B.1.3 and B.1.4

Complies ☒ Complies in part ☐ Explain ☐

**15. Where female directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:**

a) Recruitment processes do not have an implied bias that hinders the recruitment of female directors;

b) The Company deliberately seeks women with the target professional profile and includes them among the potential candidates.

See section: B.1.2, B.1.27 and B.2.3

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

**16. The Chairman, being responsible for the effective running of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organises and coordinates regular evaluations of the Board and, where appropriate of the Chief Executive Officer.**

See section: B.1.42

Complies ☒ Complies in part ☐ Explain ☐

**17. Where the Chairman of the Board is also the chief executive officer, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new items on the agenda; to coordinate and echo the concerns of external directors; and to lead the Board's evaluation of the Chairman.**

See section: B.1.21

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

**18. The Secretary of the Board takes particular care to ensure that the Board's actions:**

a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;

b) Comply with the Articles of Association and the General Meeting of Shareholders' Regulations, the Board of Directors' Regulations and other regulations of the Company;

c) Are informed by those good governance recommendations included in this Unified Code as the Company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal are reported by the Nominating Committee and approved by the Board in plenary session; and that such appointment and removal procedures are set forth in the Board's Regulations.

See section: B.1.34

Complies ☒ Complies in part ☐ Explain ☐

**19. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.**

See sections: B.1.29

Complies ☒ Complies in part ☐ Explain ☐

**20. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.**

See sections: B.1.28 and B.1.30

Complies ☒ Complies in part ☐ Explain ☐

**21. Where directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the Company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.**

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

**22. The Board in plenary session evaluates the following on a yearly basis:**

- a) The quality and efficiency of the running of the Board;
- b) On the basis of the report submitted by the Nomination and Remuneration Committee, the performance of their duties by the Chairman of the Board and by the chief executive officer;

**c) The running of its Committees, on the basis of the report they submit;**

See section: B.1.19

Complies ☒ Complies in part ☐ Explain ☐

**23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.**

See section: B.1.42

Complies ☒ Explain ☐

**24. All directors are entitled to call on the Company for the advice they need to carry out their duties. The Company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the Company's expense.**

See section: B.1.41

Complies ☒ Explain ☐

**25. Companies organise induction programmes for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programmes when circumstances so advise.**

Complies ☒ Complies in part ☐ Explain ☐

**26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:**

a) Directors inform the Nomination and Remuneration Committee of their other professional duties, in case they might detract from the necessary dedication;

b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: B.1.8, B.1.9 and B.1.17

Complies ☒ Complies in part ☐ Explain ☐

**27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Meeting of Shareholders, as well as their interim appointment through the co-option system, are approved by the Board:**

a) On the proposal of the Nomination and Remuneration Committee, as regards independent directors;

**b) After report of the Nomination and Remuneration Committee, as regards the remaining directors.**

See sections: B.1.2

Complies ☒    Complies in part ☐    Explain ☐

**28. Companies post the following information regarding directors on their websites, and keep such information updated:**

**a) Professional and biographical profile;**

**b) Other Boards of Directors of listed or unlisted companies on which they sit;**

**c) Indication of the director's category, stating, as regards proprietary directors, the shareholder they represent or to whom they are related.**

**d) Date of their first and subsequent appointments as a Company director; and**

**e) Shares held in the Company and options thereon held by them.**

Complies ☒    Complies in part ☐    Explain ☐

**29. Independent directors do not hold office as such for a straight period of more than 12 years.**

See sections: B.1.2

Complies ☐    Explain ☒

Having reviewed the personal and professional circumstances of the three independent directors concerned by the above referred time limit, the Board of Directors considered that the higher experience and knowledge of the Company acquired by such three independent directors has contributed largely to their better discharge of their duties, without their independence being questioned for the mere lapse of time in their tenure.

**30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them does likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.**

See sections: A.2, A.3 and B.1.2

Complies ☒    Complies in part ☐    Explain ☐

**31. The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set in the Articles of Association, for which he/she was appointed, except**

**where good cause is found by the Board upon a prior report of the Nomination and Remuneration Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his /her position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.**

**The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the share capital structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.**

See section: B.1.2, B.1.5 and B.1.26

Complies ☐    Explain ☒

Article 24 of the Board of Directors' Regulations requires a prior report of the Nomination and Remuneration Committee for the proposed early dismissal by any independent director before his/her tenure expires, but it has not been deemed necessary to include into these regulations the provision pursuant to which this proposal need not be submitted unless there is good cause. Anyway, no proposal for the early dismissal of any independent director has been submitted so far.

**32. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the Company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.**

**If a director is indicted or tried for any of the crimes described in Section 124 of the Spanish Corporation Act, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.**

See sections: B.1.43 and B.1.44

Complies ☒    Complies in part ☐    Explain ☐

**33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the Company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.**

Where the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusion and if he/she chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.

**This Recommendation also applies to the Secretary of the Board, even if he/she is not a director.**

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

**34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the withdrawal is explained in the Annual Corporate Governance Report.**

See section: B.1.5

Complies ☐ Complies in part ☐ Explain ☐ Not applicable ☒

**35. The compensation policy approved by the Board specifies at least the following points:**

a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;

b) The items of the variable remuneration, including, in particular:

i) The categories of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.

ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;

iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and

iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.

d) Terms and conditions that must be included in the contracts of executive directors

**performing senior management duties, which will include:**

i) Term;

ii) Notice periods; and

iii) Any other provisions relating to hiring bonuses, as well as indemnity or golden parachute provisions in the event of early or other termination of the contractual relationship between the Company and the executive director.

See section: B.1.15

Complies ☒ Complies in part ☐ Explain ☐

**36. Remuneration paid by means of delivery of shares in the Company or companies that are members of the Group, share options or instruments indexed to the price of the shares, and variable compensation linked to the Company's performance or pension schemes is confined to executive directors.**

**This recommendation shall not apply to the delivery of shares when such delivery is subject to the condition that the directors hold the shares until they cease to hold office as directors.**

See sections: A.3 and B.1.3

Complies ☒ Explain ☐

**37. The remuneration of external directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to jeopardize their independence.**

Complies ☒ Explain ☐

**38. The compensation linked to Company results takes into account any qualifications included in the external auditor's report that reduce such earnings.**

Complies ☐ Explain ☐ Not applicable ☒

**39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the Company does business or circumstances of this kind.**

Complies ☒ Explain ☐ Not applicable ☐

**40. The Board submits a report on director compensation policy to the vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda and for advisory purposes.**



**This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.**

**Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.**

See section: B.1.16

Complies ☐      Complies in part ☒      Explain ☐

Pursuant to the provisions of Article 28 of the Board of Directors' Regulations, this body must approve (as it has been done in the session held on 14 June 2011), upon proposal of the Nomination and Remuneration Committee, a report on the remuneration of directors with the scope covered by this Recommendation.

This report is published on the website of the Company and is made available to all shareholders together with the notice of the Annual General Meeting of Shareholders; the Company considers this transparency to be sufficient and, therefore, the consultative vote regarding said report needs not be introduced.

With this respect, it must be borne in mind that the General Meeting of Shareholders is charged with approving the remuneration system for directors and the amount thereof; therefore, it is not deemed necessary to submit a resolution whose contents have been previously approved by said body to a subsequent consultative vote of the General Meeting of Shareholders. As it has been explained in section B.1.14 hereof, wherein the system to determine remuneration of directors is described, the Company does not resort to the use of a generic and undetermined system to fix the remuneration of the Board of Directors consisting of a reference to the Board having a share in the profits of the Company. Conversely, it is provided in Article 33.1 of the Articles of Association that *"the remuneration of the Directors shall consist of a fixed annual remuneration for each director, the amount of which shall be decided by the General Meeting of Shareholders for each fiscal year or be valid for those fiscal years that the Meeting establishes"*; in accordance with such provision, it was resolved by the Annual General Meeting held on 15 July 2006 – as amended by the AGM held on 18 July 2008 and by the

AGM held on 19 July 2011 – to fix, for an indefinite term, the remuneration of the directors of the Company on account of the performance of their duties as Board members, as it is explained below under item 41.

**41. The Annual Report list the individual compensation of directors during the fiscal year, including:**

**a) A breakdown of the compensation of each director, to include where appropriate:**

- i) Attendance per diem or other fixed compensation received as a director;
- ii) The additional compensation received as chairman or member of a Board committee;
- iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
- iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
- v) Any severance package agreed or paid;
- vi) Any compensation received as a director of other companies in the Group;
- vii) Compensation for the performance of senior management duties by executive directors;
- viii) Any item of compensation other than those listed above, of whatever nature and provenance within the Group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation received.

**b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:**

- i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
- ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
- iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
- iv) Any change during the year in the terms for the exercise of previously-awarded options.

**c) Information on the relationship, in such past fiscal year, between the compensation received**

by executive directors and the profits or other measures of performance of the Company.

Complies ☒    Complies in part ☐    Explain ☐

**42. Where there is an Executive Committee (hereinafter, the "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.**

See sections: B.2.1 and B.2.6

Complies ☒    Complies in part ☐    Explain ☐    Not applicable ☐

**43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.**

Complies ☒    Complies in part ☐    Explain ☐

**44. In addition to the Audit Committee mandatory under the Stock Exchange Act, the Board of Directors forms a single Nomination and Remuneration Committee as a separate committee of the Board, or a Nomination Committee and a Remuneration Committee.**

The rules governing the make-up and operation of the Audit and Control Committee and the Nomination and Remuneration Committee or committees are set forth in the Board's Regulations, and include the following:

a) The Board appoints the members of such Committees, taking into account the background, knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.

b) These Committees are formed exclusively of external directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.

c) the Chairmen of the Committee are independent directors.

d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.

e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See Sections: B.2.1 and B.2.3

Complies ☒    Complies in part ☐    Explain ☐

**45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit and Control Committee, the Nomination and Remuneration Committee or, if they exist separately, to the Compliance or Corporate Governance Committee.**

Complies ☒    Explain ☐

**46. The members of the Audit and Control Committee and, particularly, the Chairman thereof, are appointed taking into account their background, knowledge and experience in accounting, auditing and risk management matters.**

Complies ☒    Explain ☐

**47. Listed companies have an internal audit function which, under the supervision of the Audit and Control Committee, ensures the smooth operation of the information and internal control systems.**

Complies ☒    Explain ☐

**48. The head of internal audit submits to the Audit and Control Committee his/her annual work plan; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.**

Complies ☒    Complies in part ☐    Explain ☐

**49. Risk control and management policy specifies at least:**

a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the Company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.

b) The determination of the risk level the Company sees as acceptable;

c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;

d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: D

Complies ☒    Complies in part ☐    Explain ☐

**50. It is incumbent on the Audit and Control Committee:**

**1st With respect to the internal control and reporting systems:**

a) To monitor the preparation and the integrity of the financial information relating to the Company and, if appropriate, to the Group, checking

compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.

b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.

c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.

d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the Company that they detect, in particular financial or accounting irregularities.

**2nd With respect to the external auditor:**

a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.

b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.

c) To monitor the independence of the external auditor, to which end:

i) The Company reports a change of auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.

ii) The Committee ensures that the Company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;

iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

d) In the case of groups, the Committee favours the auditor of the Group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies ☒    Complies in part ☐    Explain ☐

**51. The Audit and Control Committee may cause any Company employee or manager to appear before it, and even order their appearance without the presence of any other manager.**

Complies ☒    Explain ☐

**52. The Audit and Control Committee reports to the Board, prior to the adoption thereby of the corresponding decisions, on the following matters specified in Recommendation 8:**

a) The financial information that the Company must periodically make public due to its status as a listed Company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.

b) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the Group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2 and B.2.3

Complies ☒    Complies in part ☐    Explain ☐

The Board of Directors endeavours to present the annual accounts to the shareholders at the General Shareholders' Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit and Control Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: B.1.38

Complies ☒    Complies in part ☐    Explain ☐

**54. The majority of the members of the Nomination Committee –or of the Nomination and Remuneration Committee, if one and the same– are independent directors.**

See sections: B.2.1

Complies ☒    Explain ☐    Not applicable ☐

**55. The Nomination and Remuneration Committee has the following duties, in addition to those stated in the earlier Recommendations:**

a) To assess the qualifications, background knowledge and duties and qualifications required of

the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

**b) To examine or organise, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.**

**c) To report on senior manager appointments and removals that the chief executive proposes to the Board.**

**d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.**

See sections: B.2.3

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

**56. The Nomination and Remuneration Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors.**

**And that any Board member may request that the Nomination and Remuneration Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.**

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

**57. The Nomination and Remuneration Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:**

**a) To propose to the Board of Directors:**

i) The compensation policy for directors and senior managers;

ii) The individual compensation of executive directors and other terms of their contracts.

iii) The basic terms and conditions of the contracts with senior managers.

**b) To ensure compliance with the compensation policy set by the Company.**

See sections: B.1.14 and B.2.3

Complies ☒ Complies in part ☐ Explain ☐ Not applicable ☐

**58. The Nomination and Remuneration Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.**

Complies ☒ Explain ☐ Not applicable ☐

## G. Other information of interest

All the principles or relevant aspects relating to corporate governance practices applied by Inditex have been covered in this Report.

For the purposes of achieving maximum transparency regarding remuneration of the Board of Directors, it is a chart with the individual breakdown of such remuneration per director (see attached Annex 2).

The Company is not subject to any legislation other than the Spanish legislation in corporate governance matters.

Pursuant to the provisions of the Code on Best Tax Practices, to which the Company adhered to during FY2010 further to a resolution passed by the Board of Directors on 21 September, the enforcement and effectiveness thereof during FY2011 is hereby noted.

None of the independent directors has or has had any relationship with the Company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Good Governance Code.

**This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 20 March 2012.**

None of the directors has voted against or abstained in connection with the approval of this Report.

## Annex 1

**Additional information to the current Model of Annual Corporate Governance Report pursuant to Sec. 61 bis of Act 24/1988 of 28th July, on Securities Market (LMV, Spanish acronym) (as amended by the Fifth Final Provision of Act 2/2011 of 4th March, on Sustainable Economy).**

### 1. Securities not traded on the Community Stock Exchange. Classes of shares and rights and obligations inherent in each class of shares. Stake in the share capital represented by the treasury stock of the Company and its significant variations (sec. 61 bis 4, a, 3<sup>th</sup> LMV)

The Company does not have any securities not traded in a regulated Community Stock Exchange.

With regard to the treasury stock of the Company and its significant variation, see section A.8.

### 2. Rules and regulations applicable to the modification of the Articles of Association of the Company (sec. 61 bis 4, a, 4<sup>th</sup> LMV)

Pursuant to sections 285 et seq. of the Act on Capital Companies, approved by *Real Decreto Legislativo* 1/2010 of 2<sup>nd</sup> July (hereinafter, the "Act on Capital Companies"), it is incumbent on the Annual General Meeting of Shareholders to resolve any amendment to the Articles of Association.

Standards applicable to the amendments to the Company's by-laws are provided in the Articles of Association and the General Meeting of Shareholders' Regulations. Section 21 of the Articles of Association and section 15 of the General Meeting of Shareholders' Regulations provide a special quorum in order to call the AGM which is bound to discuss about any amendment to the by-laws.

"The General Meeting shall be validly constituted on first call where shareholders who are present or represented by proxy represent at least fifty (50) percent of the subscribed share capital with the right to vote. At second call, generally, the General Meeting shall be validly held regardless of the capital attending same. However, if the Meeting is called to decide on an increase or a reduction in the share capital, the issue of debentures, the exclusion or restriction to the pre-emptive right, the transformation of the Company, the merger for the creation of a new Company or via the taking-over of the

Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the transfer of the registered address abroad, the substitution of the Company purpose as well as any other modification whatsoever of the Articles of Association, shall require, on second call, the attendance of twenty-five (25) percent of the subscribed share capital with the right to vote".

Section 6.d) of the General Meeting of Shareholders' Regulations expressly assigns to the AGM the power to approve any amendment to the Articles of Association.

"In accordance with the provisions of the Articles of Association, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, it is granted with the following exclusive powers:

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

(b) To appoint and remove administrators, as well as, confirm or revoke those provisional appointments of said administrators 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-emption rights, 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 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 of stock options, as well as of any other remuneration system linked to the value of the shares, regardless of who is the beneficiary of such remuneration systems.

(g) To pass the present Regulations and their 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 purpose and those whose effect may be equivalent to the liquidation of the Company".



### **3. Restrictions whatsoever on the transferability of securities and any restrictions on the voting rights. (sec. 61 bis 4, b LMV)**

As provided under section A.10 of the ACGR, all shares of the Company have the same voting and financial rights, and there are no legal or by-law restrictions on the acquisition or transfer of shares.

With regard to the exercise of voting rights, the only restriction is that addressed under section 83 of the Act on Capital Companies (former section 44 of the Spanish Corporation Act) whereby any shareholder incurring in default regarding any capital calls shall not exercise their voting rights.

### **4. Powers of the members of the Board of Directors. Possibility of issuing or repurchasing shares (sec. 61 bis 4, c, 3<sup>th</sup> LMV)**

The Board of Directors is entrusted with the direction, administration, management and representation of the Company with full powers, subject to any duties which under statute or the provisions of the Articles of Association, are reserved to the General Meeting of Shareholders.

Two members of the Board, the Chairman and C.E.O., Pablo Isla Álvarez de Tejera, and the proprietary director and founder of the Company, Mr Amancio Ortega Gaona have been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those that: a) involve the disposal of funds of above a certain amount, in which case it shall be necessary that the aforementioned Chairman and C.E.O. should act jointly with another person who in virtue of any legal title is also empowered with the power in question; or/and b) involve the alienation or encumbrance of real property of the Company, for which a prior resolution of the Board of Directors or, the Executive Committee, shall be required.

The requirement of joint action provided in the preceding paragraph shall not apply when it involves transactions, actions or contracts that, regardless of the amount involved, are carried out or awarded between companies belonging to the Inditex group of companies, understanding as such those companies, whether Spanish or foreign, in which Inditex, S.A., whether directly or indirectly through other investee companies, is the holder of at least 50% of its share capital, in which case any of the authorized individuals may act severally on their own, in the name and on behalf of the Company,

independently of the amount involved in the matter in question.

List of powers:

1.- To appear and represent the Company vis-à-vis all manner of authorities, agencies, centres, departments and offices of the General State Administration, Central or Peripheral Government, autonomous communities, provinces, municipalities, the Corporate, Independent and European Administration, public registries of all types and, in general, any public or private entity or person whatsoever. To sign and file all manner of applications, petitions, unsworn statements or affidavits, pleadings and documents; make and pursue all types of claims; and, in general, exercise such powers as may be required for the management and defence of the rights of the Company.

2.- To sign, send and receive and collect from the Spanish postal and telegraphic authorities or offices ordinary or registered postal or telegraphic correspondence, declared value items and postal and telegraphic money orders. To file any claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3.- To verify consignments of all kinds of merchandise and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad and shipping companies and against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who intervene in the transport of individuals or in the sphere of the hotel and catering industry.

4.- To claim and collect amounts owing to the Company for whatever reasons and to sign the appropriate receipts. To make payments. To render and require the rendering of accounts, and to challenge or approve the same. To provide, cancel and recover all manner of bonds and deposits, including those at/of the Spanish General Savings Deposit and its branches.

5.- To enter into all manner of loan and credit agreements. To open current, loan, savings or any other account with credit institutions and/or finance companies, both public and private; with respect to all such accounts and any other account existing in the Company's name, to deposit or pay in cash sums, withdraw amounts or dispose of same by means of receipts, cheques and drafts, pay by transfer or order transfers, endorse or send for debiting bills of exchange, trade bills and credit notes, as well as bills or invoices payable by the Company; and to approve or challenge the balances shown in such accounts; to stand guarantee for other companies belonging to the

Inditex group of companies and, in consequence, to sign in favour of those guarantees, bonds and other guarantee documents, as well as guarantee policies and counter-guarantee policies and, in general, to carry out all that is permitted under the legislation and banking practices.

6.- To draw, endorse, assign or transfer by any means other than endorsement, to accept, sign, require conformity, guarantee, cause the assignment of the provision for, collect, discount and pay bills of exchange, promissory notes, cheques, money orders and other commercial drafts, participate in the acceptance or payment of the same, protest such bills or drafts or make the equivalent declaration, and disclose in the protest document the reasons for not having accepted or paid the bills and drafts charged to the Company. To act as a plaintiff or defendant in connection with bills of exchange in all manner of legal matters, acts or dealings and pre-trial and procedural steps or actions due to non-acceptance or non-payment, and to bring any of the other actions provided for in the Bills of Exchange and Cheques Act or any other applicable legislation.

7.- To execute, with the aforementioned limitation in relation to real property, all manner of acts and contracts relating to movables and real property, rights, securities, participation units, shares, interests, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and terms as are deemed appropriate. Specifically, to acquire, assign, grant and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, all manner of movable or real property, rights, trademarks and other distinctive signs and industrial property rights, securities, participation units, shares and interests; take out all manner of compulsory and voluntary insurance; execution of works, services and supplies of all kinds; to rent and let, take in leasing or sublet; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and pledges without transfer of possession and all manner of encumbrances on real and movable property and rights owned by the Company; carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium ownership system, establishing the bylaws which shall govern the same; and to conduct and participate in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel or terminate the same.

8.- To grant all manner of acts and contracts relating to IT, management, security and communication products, equipment and systems, as well as those

referring to intellectual property arising out of or related with the same and, in general, any others referring to all manner of movables; to contract the execution of works, services and supplies of all types, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and conditions as are deemed appropriate. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to rent and let them, take them in leasing or subletting them; to create, amend, acknowledge and extinguish real property rights and guarantee rights on the movables belonging to the Company. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel, terminate or discharge them.

9.- To enter all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution, licence and agency contracts and, in general, all those that the national and international expansion of the Company can require.

10.- To appear in deeds of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the Company any rights that may correspond to it.

11.- To attend, in the name and on behalf of the Company, meetings, general meetings and assemblies of condominiums or co-owners, intervening therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the Company any rights that may correspond to it in Condominium Owner Communities, as well as in the meeting they these may hold in compliance with the current Condominium Property Law and other applicable legislation.

12.- To attend on behalf of the Company all kinds of auctions and bidding called by Central Government, autonomous communities and provincial and municipal authorities and private or public persons and entities and, to this effect, submit tender conditions, declarations, plans and estimates, make bids and provide bonds; holding, in short and without any limitation whatsoever, such powers as may be required to obtain and accept, provisionally or definitively, with such qualifications as are

deemed appropriate, the relevant award and to exercise the rights and perform the obligations arising therefrom.

13.- To set up the offices, workplaces and buildings of the Company and to organise the services provided therein. To hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including executives and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

14.- To represent the Company before any manner of authorities and administrative bodies, whatever they may be, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file, prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the Company, to file its registration as a company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship; those that are necessary for or arise out of the training that has to be given to the personnel of the Company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the Company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

15.- To represent the Company before all manner of authorities and administrative bodies, whatever these may be, that have authority in respect of Health and Safety at Work and Labour Risks, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the workplaces, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and execute the policy for

the prevention of risks; to act in the name of the Company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorized entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks, medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Diseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been signed; to accept positions and participate in those governing boards and advisory boards of such entities collaborating in the management of Social Security.

16.- As regards procedural rules, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answer summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including Meetings of Creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, in general, exercising in the name of the Company any rights that it may be entitled to.

17.- To compromise and refer to arbitrators all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

18.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and notarial demands.

19.- To replace some or all of the foregoing powers by granting the relevant powers of attorney and to revoke all the powers granted, and to get copies of all kinds of records and deeds.

20.- To execute in public deeds the resolutions passed by the Shareholders in General Meeting, the Board of Directors and the Executive Committee.

With regard to the possibility of issuing or repurchasing shares, as at the date of this report, the authorization granted by the AGM held on 13 July 2010 remains in force, whereby the Board of Directors was authorized for the derivative acquisitions of treasury shares by the Company or any of its controlled companies, always within the scope of the prevailing regulations in force.

## 5. Agreements undersigned by the Company becoming valid, whether modified or terminated if the control of the Company changes through a hostile takeover bid

Inditex had not entered into any significant agreement that would become valid, be amended or terminated if the control of the Company changes through a hostile takeover bid.

## 6. Agreements signed between the Company and its officers and managers or employees with compensation rights in the event of resignation or unlawful dismissal or if work relationship is abruptly halted as a result of a hostile takeover bid (sec.61 bis 4, c, 5<sup>th</sup> LMV)

Pursuant to the information provided under section B.1.13 of the Annual Corporate Governance Report, except for what is addressed below regarding one executive director and seven officers, no specific compensation rights are provided in the employment, agreements entered into with the employees of Inditex on account of the expiry

of the work relationship; therefore employees shall be entitled to the relevant compensation, applicable as the case may be, under the prevailing labour regulations.

With regard to certain members of senior management, the Board of Directors of the Company resolved in the meeting held on 9th June 2005, after favourable report of the Nomination and Remuneration Committee, to acknowledge and to consent to eight (8) employment agreements which included severance or golden parachute clauses which are currently existing for certain senior managers, including the Chairman and C.E.O.

Such agreements provided that in case of termination of the relationship, on account, inter alia, of wrongful dismissal or resignation on certain grounds (among which a change in the control of the Company is to be found, provided that, at the same time a significant renovation of the composition of the governing bodies takes place or a change regarding the contents and purpose of its main object) such officer shall be entitled to compensation in an amount equal to two years of his/her aggregate remuneration, on the basis of the pay of the last year of work.

## 7. Main features of the internal control systems over financial reporting and risks (sec. 61 bis 4, h, LMV)

For the purposes of improving the internal control systems of national entities, in line with international standards, Act 2/2011, of 4 March on Sustainable Economy introduced a new section 61 *bis* to Act 24/1988, of 28 July, on Securities Market.

Namely, such amendment requires that, as of fiscal years commencing on 1 January 2011, a description of the main features of internal risks control and management systems regarding financial reporting (hereinafter, SCIIF, Spanish acronym) be included on the Annual Corporate Governance Report (hereinafter, ACGR).

Within such context and prior to the regulatory change, the CNMV was the driving force behind the establishment of a Working Group for Internal Control regarding financial information (hereinafter, GTCI, Spanish acronym) for the purposes of drafting a number of recommendations about SCIIF. As a result of such work, a document headed "*Internal Control on the financial information of listed companies*" (hereinafter, GTCI Document), was published.

Likewise, a draft of a Ministerial Order draft bill has been published, implementing the above referred section of LMV, for the purposes of governing the contents and structure of the ACGR and authorizing CNMV to specify, pursuant to the provisions of such Order, such contents and structure. Pursuant to such authority, CNMV published on 26 October 2011 a Circular bill amending

the form of ACGR, in order to include the manner in which each company should provide the description of the main features of its SCIIF.

With this respect, and further to the benchmark provided in the above referred GTCI document, the Inditex Group has drafted this report.

## 7.1 CONTROL ENVIRONMENT

Specific mechanisms put in place by the different companies belonging to the Inditex Group (hereinafter, the Group) to keep an internal control environment that help create full, reliable and appropriate financial information, thus preventing the potential existence of irregularities and the channels to detect cure them.

### **7.1.1. Bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective SCIIF; (ii) its implementation; and (iii) its monitoring**

- Board of Directors.

Apart for 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 concentrating its efforts on the general supervisory function, which includes directing the policy of Inditex, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the Company and acting as a link with the shareholders.

Pursuant to the provisions of the Articles of Association of Inditex, the Board of Directors has delegated to the Audit and Control Committee the function of monitoring the preparation and submission of the regulated financial information, and of controlling the effectiveness of the SCIIF.

- Audit and Control Committee.

Among the financial and control duties incumbent on the Audit and Control Committee, it is charged with monitoring the financial information process and the effectiveness of the internal control systems of the Group. With this respect, the Committee discharges, inter alia, the following functions:

- To supervise the effectiveness of internal control of the Group, the internal audit, and ERM system.

- 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 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 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 financial control.

- 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.

- 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.

Members of the Audit and Control Committee are independent directors, according to the definition provided in sec. 7 of the Board of Directors' Regulations. The Committee meets on a quarterly basis as well as any time it is called by its Chairman.

- 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. With this respect, it sets out and circulates the policies, guidelines and procedures associated with the generation of financial information, 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. The Internal Audit Charter and Regulations govern the mission and position of such function within the organisation and its authority and independence in the discharge of its duties. It is charged with, inter alia, 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.



**7.1.2. Departments and/or mechanisms in charge of: (i) the design and review of the organisational 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 organisational structure within the Group.

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 independent directors, according to the definition set out in sec. 7 of the Board of Directors' Regulations.

It is incumbent on such Committee, inter alia, to report any appointment and/or resignation of senior managers of the Group to the Board of Directors, upon which falls the task of approving directly, at the behest of the chief executive of the Group, such appointments and eventual resignation of senior managers, as well as their severance pay, where appropriate.

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. The structure, size and definition of the functions and duties of each position within the financial area are defined by the DGF, together with the Human Resources Division.

The DGF is organised in departments which encompass the different duties, tasks and functions:

- Administration Department.

This Department is responsible for drafting and overseeing financial statements of individual companies. It is divided into two corporate areas: Corporate Administration and Stock Administration, mainly charged, inter alia, with defining, preparing and updating all procedures regarding the preparation and internal control on financial information of individual companies. Likewise, both areas exert control on the enforcement and implementation of procedures within the different companies comprising the Inditex Group.

- Planning and Management Control Department.

It is charged with preparing and following up the budget of the Group and the consolidation of the financial statements of the Group. The Consolidation and Reporting area, responsible for drafting the consolidated financial statements and for defining and disseminating the accounting policies of the Group is part of this Department.

- Financial Management Department.

It is responsible for managing and following up the cash of the Group and for disseminating and enforcing investment, financing and foreign exchange risk management policies. Likewise, it exerts control on the financial powers policy of the Group addressed in the *"Regulations for Representatives and Proxies"* which mainly aims at:

- applying uniform criteria in the matter of representation vis-à-vis third parties;
- implementing standard procedures for the granting of representative powers;
- setting up certain control mechanisms on the exercise of such authorities;
- Defining the responsibilities and limits in the scope of the authority, regarding financial transactions;

- Enterprise Risks Management Department.

It is responsible for the risks management of the Group. Its main duties include, inter alia, the identification and assessment of the main factors which might have a negative impact on the achievement of the business targets, which translates in the development and preparation of a map covering the main risks of the Group, among which risks connected with the drafting of the financial information are to be found.

- Tax Department.

This Department is responsible for enforcing all tax obligations of the different companies which make up the Inditex Group. Likewise, it is charged with drafting the tax information of the consolidated annual accounts.

Additionally, the IT Division manages all systems of the Group and is mainly responsible for setting up internal control on financial information policies and procedures, including those supporting financial processes, and which are involved in the drafting of the financial information.

**7.1.3. Existence of a code of conduct, approving body, degree of dissemination and instruction, principles and values covered, body in charge of investigating breaches and proposing corrective or disciplinary action**

The internal regulations of the Group about conduct and regulatory compliance are covered in the following codes:

- The Ethical Code of Conduct.

- The Internal Guidelines for Responsible Practices of the Inditex Group.
- The Code of Conduct for external manufacturers and workshops.
- The Internal Regulations of Conduct regarding transactions in securities (hereinafter, the IRC).
- The Ethical Code of Conduct.

Approved by the Board of Directors in February 2001, this Code is defined as an ethical commitment that includes key principles and standards for the appropriate development of the relations between the Group and its principal stakeholders: (employees, customers, shareholders, business partners, suppliers, and those societies where it carries out its business model) wherever Inditex conducts its business. In the framework of the development of Corporate Social Responsibility by the Group and promoting the ethical and responsible professional behaviour of its employees, the Internal Guidelines for the Responsible Practices of the Inditex Group's Personnel were approved by the Board of Directors in June 2006, after favourable report from the Audit and Control Committee.

- The Internal Guidelines.

These Guidelines encompass the Code of Conduct in its basic principles, both sets of regulations being based, inter alia, on the principles that all the operations of the Inditex Group shall be developed under an ethical and responsible perspective and that all persons, whether natural or legal, who maintain, directly or indirectly, any kind of labour, economic, social or industrial relationship with the Inditex Group shall be treated in a fair and honorable manner.

One of the standards covered under such Guidelines with a specific impact on the control over financial information is the obligation to record transactions, according to which: *"The employees of Inditex shall ensure that any transactions that might have an economic impact they carry out for Inditex appear clearly and precisely on the appropriate records of accounts, as a true representation of the transactions carried out, which shall be available to the internal and external auditors"*.

The enforcement of the Guidelines is ensured by a Committee of Ethics, composed of:

- The General Counsel and Code Compliance Officer.
- The CSR Director.
- The General Director of Human Resources.

The Committee of Ethics may act of its own motion, on the behest of any employee duly identified, and,

exceptionally, further to an anonymous complaint made by the employees in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee, and it is charged with:

- The internal dissemination of the Guidelines among the personnel of the Inditex Group.
- Receiving all manner of written instruments with regard to the enforcement of the Guidelines.
- Dealing with any enquiries regarding the enforcement of these Guidelines until the settlement thereof.
- The construction of any doubts that might arise with regard to the enforcement of these Guidelines.
- Proposing to the Board of Directors, prior report of the Audit and Control Committee, such clarifications and implementing regulations as the enforcement of these Guidelines might require.

Likewise, the Committee of Ethics also ensures in the performance of its duties:

- 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 to the Committee.

The resolutions of the Committee of Ethics shall be binding for the Company and its employees.

The Committee of Ethics submits a report at least once a year, to the Board of Directors, reviewing its proceedings and the enforcement of the Guidelines.

- The Code of Conduct for External Manufacturers and Workshops.

The current wording of the Code of Conduct for External Manufacturers and Workshops, initially approved by the Board of Directors in February 2001, is the result of the amendment introduced therein, further to joining the Ethical Trading Initiative (ETI) in 2005, and for the purposes of including in such Code the main standards of the ETI as well as the main international

regulations on this matter. It was approved by the Board of Directors in July 2007.

- IRC.

On the other hand, pursuant to the provisions of section 78 of Act 24/1988 of 28 July, on the Securities Market and cognate provisions, the Board of Directors approved in the session held on 20 July 2000 the "Internal Regulations of Conduct for Industria de Diseño Textil, S.A. and its Group of Companies regarding Transactions in Securities".

The IRC provides standards about confidentiality of relevant information, transactions made by individuals included in its scope of application dealing with securities of Inditex and its corporate Group, treasury stock policy and disclosure of relevant facts. Revised texts of the Internal Regulations of Conduct were subsequently approved by the Board of Directors in the meetings held on 20 March and 11 December 2003, for the purposes of adjusting its wording first to the new obligations introduced by the Financial Act and then to the recommendations included in the *Aldama* Report, redefining different concepts and reinforcing control on the transactions which might be eventually made by Related Parties involving securities of the Company, *inter alia*. Finally, said revised text was amended, as resolved by the Board of Directors on 13 June 2006 in order to adjust its contents to the provisions of *Real Decreto* 1333/2005, of 11 November implementing the Act on the Securities Market, in respect of market abuse.

Finally, the Code Compliance Supervisory Board, composed of the Chairman and Chief Executive Officer, the General Counsel, the Director of the Capitals Market Department and the Head of Human Resources, reports directly to the Audit and Control Committee. Such Committee is charged with developing procedures and implementation standards to enforce compliance with the Internal Regulations of Conduct of Inditex and its Group of companies regarding transactions in securities. Likewise, and reporting to the Code Compliance Supervisory Board, the Code Compliance Office, headed by the General Counsel, is in charge of enforcing compliance with the standards of securities markets and the standards and procedures of the IRC by all directors, officials and by any staff members subject to such application.

Proceedings of Group companies and of any individual who might have access to any relevant information, and namely financial information shall meet the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the Code Compliance Supervisory Board and the Code Compliance Office ensure that the financial information meets the above referred principles.

With regard to the dissemination of the above referred regulations, it is incumbent on the Human Resources Department to circulate a copy of the Internal Guidelines on Responsible Practices of the Inditex Group to any new employees upon their joining the organisation. Likewise, such regulations are available on the web page of the Group and are subject to the appropriate measures regarding disclosure, training and awareness-raising, so that they may be understood and implemented within the whole organisation.

With regard to the IRC, the Code Compliance Office keeps a general documentary register of all Affected Persons (people to whom the IRC apply) 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. Breaches of the code of conduct and malpractice within the organisation**

There is a "whistle-blowing" channel to file complaints made available to all Group employees, the Committee of Ethics being responsible for receiving and dealing with such complaints. Employees may report any breach of the internal regulations of Inditex on conduct and regulatory compliance. Therefore, any breach and any manner of malpractice may be reported, not only those of a financial and accounting nature.

Reports about any breach or any queries regarding the construction or application of internal regulations on conduct and regulatory compliance may be sent to the Company by post, by e-mail or by fax, and their confidentiality is ensured.

**- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating SCIIF**

From a financial and economic perspective, training is a key tool in the progress of such a dynamic and ever-growing Group as the Inditex Group. Thus, the Training and Development Department of the Group, which reports to the Human Resources Division, 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

Drafting of financial statements by members of any of the departments of the DGG depends mostly on the information provided to them by the remaining departments of the organization, thus the importance of getting to know the different departments of the organization and the existing communication channels. Therefore, the Group promotes training aimed at the internal knowledge of each business unit, as well as of each department with their respective activities, functions and duties within the business.

For such purposes, each area manager who joins the above mentioned departments undergoes a strict training plan lasting on average one month and a half. 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. This training period allows them to become familiar with the different systems and applications used, and to learn about the connection between different departments.

- Specific training

Once they have effectively joined the organization, employees receive regular training and refresher courses focusing mainly on learning about local and international standards governing financial information.

The Training and Development Department within the Human Resources Division organizes custom-made face to face courses taught by other staff members and/or by outside experts, and namely in the event of any significant regulatory change. Employees receive documentation which they later use as another information tool. Among the courses taught to staff members from the financial area, the following schemes may be pointed out: *General Accounting Plan in Spain*, *Internal Control Systems on Financial Information (SCIIF)*, *VAT*, *Consolidation and Accounting Refresher*.

A specific portal of the DGF is available on the intranet to all employees with the material from the above mentioned courses. This portal is also used to report domestic and international news within the

financial, accounting and auditing scope. The foregoing and the subscriptions to specialized financial magazines make up a technical library available to the members of the departments comprising the DGF.

Likewise, employees associated with the control and supervision of SCIIF areas and namely those belonging to the different departments of DGF and Internal Audit attend on a regular basis training courses regarding specific issues, connected with the areas under their remit.

On the other hand, considering the international size of the Group, face to face language courses are provided on a daily basis focusing on teaching globally standard economic, financial and business terms.

Meanwhile, members involved in SCIIF, especially the economic and financial function and the internal audit function are regularly updated about regulatory changes from different sources.

## 7.2. RISKS ASSESSMENT IN FINANCIAL REPORTING

Degree of implementation and systematization of the process whereby the Group is able to identify sources and risks of any mistake or irregularity in financial reporting.

### 7.2.1. Main features of the risk identification process

Within the Group, the system to identify internal control risks regarding financial information is a dynamic and ever-changing process, which shows from time to time such risks which have an impact on the drafting of financial information and the controls which help reduce them.

This process has been documented in the "*Procedure for Risks Management in respect of Financial Information*" prepared by the DGF and Internal Audit.

**- Such process covers the entire goals of financial information.**

- Existence and occurrence: transactions, facts and sundry events shown on the financial information actually exist and have been timely recorded.
- Integrity: the information shows the entire transactions, facts and sundry events regarding which the organization is an affected party.
- Assessment: the transactions, facts and sundry events are registered and assessed pursuant to the applicable laws and regulations.

- Submission, breakdown and comparison: the transactions, facts and sundry events are classified, submitted and disclosed in the financial information pursuant to the applicable laws and regulations.

- Rights and obligations: the financial information shows as at a relevant date, the rights and obligations through the relevant assets and liabilities, under the prevailing laws and regulations in force.

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of SCIIF). This scoping matrix allows the identification of risks and the prioritization of operational processes which have an impact on financial information, by means of comparing financial statements with operational cycles associated with them.

Further to the identification of potential risks, they are assessed based upon the business expertise and understanding of the management, taking into account:

- Quantitative factors (materiality) and;
- Qualitative factors, such as transactions standardizing and automatizing, changes versus the previous year, complexity of accounting estimate and likelihood of occurrence.

#### **- Process to identify the consolidation perimeter**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included.

Recorded in such master are, on the one hand, general information about companies, such as their Company name, accounting closing date, currency, etc., and on the other, legal information such as the date of incorporation, share capital, list of shareholders, stakes, and other relevant data.

Such matter is managed and updated in accordance with the *"Procedure for the Incorporation and Financing of Companies"*.

In accordance with International Standards on Financial Reporting and other applicable rules, and pursuant to the information provided by said matter, the DGF determines on a quarterly basis the whole of the companies which make up the Consolidation Perimeter and the consolidation methods which apply to each of the companies included in the above referred perimeter.

#### **- Effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.)**

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.

Meanwhile, potential risks identified through the Scoping Matrix are added to the Risks Map of the Group. Such Map is regularly updated with the assistance of all the involved areas of the organisation. Thus, the Group is acquainted with the impact that the remaining risks of an operational, technological, legal or environmental type might have on financial statements.

#### **- Governing body of the Company charged with monitoring the process**

Finally, the whole process is monitored and approved on a yearly basis by the Audit and Control Committee.

### **7.3. CONTROL ACTIVITIES**

Main features of specific controls implemented by the Group to reduce the risks of mistake or malpractice regarding the financial information.

#### **7.3.1. Flows of activity and control (including those regarding risk of fraud) of the different types of transactions**

For the purposes of achieving an internal control environment suitable for the creation of full, reliable and timely financial information, the DGF and all other areas associated to SCIIF have proceeded to standardize and document mandatory procedures which describe activities and controls for the main administrative processes with an impact on financial information.

Such procedures set out the guidelines that members of the DGF shall follow upon drafting the financial information of the Group. Additionally, they include manual and automatic 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. Each control activity is incumbent on the relevant manager and is systematically exerted with the required frequency.

Additionally, procedures are represented in flow charts and control activities through scoping risks matrixes. Dissemination of procedures, flow



charts and matrixes to staff members involved in the drafting of the financial information is carried out through the financial portal of the Group available on the intranet, where they may be accessed by any team member. Such financial 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 procedure"*

The different stages of the accounts payable procedure are addressed, including:

- Scoping matrix of risks and controls: description of potential risks identified through the accounts payable procedure and setting of controls to reduce or remove the identified risks.
- Flow chart describing the procedure.
- Segregation of functions policy regarding this matter.

- *"Cash procedure"*

It describes each stage of the cash procedure (loading of bank details, recording of bank transactions, bank reconciliation and payments). Likewise, a relevant scoping matrix of risks and controls and the relevant segregation of functions policy are covered therein.

- *"Stores sales procedure"*

Regulation of control over stock is covered in different procedures spanning from the purchase of goods from external suppliers to the final sale at the store, including all the interim flow charts and the valuation of stock.

Each control to be exerted by those responsible for stock is defined in such procedures, for the purposes of ensuring reliability of the position and valuation of stock.

- *"Tangible Fixed Assets Procedure"*

These regulations aim at the appropriate recording in the financial statements of each Company of the Group of every new entry and every deregistration for tangible fixed assets.

Such procedure covers both general issues, such as accounting regulations, general criteria for the entry and deregistration of fixed assets and specific issues such as the processing of fixed assets at stores, especially underscoring the accounting treatment of refurbished stores.

The Group reviews regularly the average useful life of fixed assets at stores.

Likewise, procedures governing accounting closing are shown below:

- *"Accounting Closings Procedure"*

This procedure thoroughly governs the different tasks involved in accounting closing of each heading of the financial statements of the Group companies (net sales, cost of sales, operating expenses, taxes, fixed assets, cash, customers, stock, accounts receivable, etc.). Likewise, managers responsible for each of the above listed headings are identified and the deadlines for the submission of information are provided.

- *"Accounting Closing Procedure at Central Purchase Units"*

Such procedure covers the accounting closing tasks which apply to Central Purchase Units, mainly regarding the following issues: procurement (finished product, commodities, workshops), accrual, stock (finished product, commodities, other procurement), etc.

- *"Accounting Closing Procedure regarding Consolidated Financial Statements"*

It governs the operation of each stage of the accounting closing procedure regarding consolidated financial statements, from receipt of individual financial statements to the drafting of the consolidated financial statements and annual report.

On the other hand, the procedure to review relevant opinions, estimates, assessments and projections is addressed within the documentation for each of the relevant procedures. However, the "Procedure for the Accounting Closing of Consolidated Financial Statements" specifically 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.

The DGF relies on another control tool, which complements the various 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 various departments comprising the DGF, with the proposal, where appropriate, of corrective measures and specific action plans and the follow-up thereof.

Likewise, the DGF carries out analytical reviews of financial statements of the main companies of the Group on a quarterly basis.

### **7.3.2 Internal control policies and procedures for IT systems 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. Thus, the internal control framework covers all the risks associated with each and every process.

The Computer Security area of the Group, which reports to the IT Division, aims at ensuring security of all computer processes by:

- Setting and disseminating regulations to ensure security. In this respect, the Policy for Information Security (PSI, Spanish acronym) was approved in September 2011.
- 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.

Finally, 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 irregularities.

### **7.3.3 Internal control policies and procedures to oversee activities outsourced to third parties. Appraisal, calculation or assessment activities commissioned from independent experts**

As a general rule, the Inditex Group does not have any process with a relevant impact on financial information outsources 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.

Namely, during FY2011, the main activities entrusted to third parties regarding the drafting of financial statements, involved real estate appraisals and valuation of intangible assets

Such services are engaged by the managers of the relevant areas, ensuring the technical and legal qualifications and capacity of the individuals or companies hired.

## **7.4. INFORMATION AND COMMUNICATION**

Procedures and mechanisms to which the Group resorts, for the purposes of disclosing to the staff involved in the drafting of financial information, the applicable guidelines and the information systems used in such processes.

### **7.4.1 Procedures to review and authorize financial information and the description of the SCIIF, to be published by securities markets. Relevant managers**

Pursuant to the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, *inter alia*, to review the annual accounts and the periodical information that the Board of Directors must provide to the markets and their supervisory bodies, ensuring at all times compliance with the legal requirements and the appropriate application of generally accepted accounting principles in the drafting of such financial information.

Likewise, according to said Board Regulations, the Audit and Control Committee shall meet on a quarterly basis to review the periodical financial information to be submitted to the Stock Exchange authorities and the information that the Board of Directors has to approve and include within its annual public documentation.

Prior to the review by the Committee, the following controls are exerted on financial information:

- The Corporate Administration Department carries out on a quarterly basis, analytical reviews on financial information reported by the most relevant subsidiaries of the Group and on consolidated financial information.

- The Corporate Planning and Control Department carries out a monthly review of results of each subsidiary of the Group and also a quarterly review of the evolution and consistency of the consolidated financial information and the management information, which shall be subsequently submitted to the DGF.

- The DGF is charged with overseeing and approving the reported financial information.

- Internal Audit carries out certain limited procedures of analytical review of consolidated financial information for the first and third quarter of the fiscal year, and it reports the findings of such review to the Audit and Control Committee.

- In addition to auditing the consolidated and individual annual accounts, External Auditors also carry out a limited review of the half-yearly consolidated financial information and reports the findings of such assignment to the Audit and Control Committee.

Prior to stating the annual accounts and approving the half-yearly financial statements, the DGF and the External Auditors meet for the purposes of reviewing and assessing financial information before its submission to the Board of Directors.

The Audit and Control Committee sends this information to the Board of Director upon which falls the approval thereof, for its subsequent submission to the market.

**7.4.2 Specific unit 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 the teams in charge of operations within the organisation**

Accounting policies are centralized and their application for the whole Group falls on the DGF.

Namely, the Consolidation and Reporting area is responsible for drafting, publishing, implementing and updating the Manual of Accounting Policies of the Group.

The duties of such area associated with accounting policies are shown below:

- Defining the Accounting Policies of the Group.
- Drafting the Accounts Plan of the Group.
- Taking part in domestic and international seminars about regulatory changes in accounting matters.
- Training on Accounting Policies of the Group.
- Keeping all those responsible for drafting the financial statements informed on changes in accounting regulations.
- Addressing accounting doubts raised by any Company of the Group.
- Reviewing the main differences between corporate accounting policies and local accounting regulations applicable in each subsidiary.
- Reviewing the accounting treatment of singular transactions that the Group intends to carry out for the purposes of determining their accounting impact pursuant to the Accounting Policies of the Group.
- Disclosing to External Auditors the accounting findings drawn in respect of complex transactions.

#### **7.4.3 Existence of an updated manual of accounting policies circulated to the relevant units within the organisation**

As previously stated, the Group relies on a manual of Accounting Policies of the Group drafted by the Consolidation and Reporting area. Such manual covers transactions inherent in the Groups' business.

The manual is regularly updated. For such updating procedure, the Consolidation and Reporting area includes all accounting changes arisen during the fiscal year which were already advised to those in charge of drafting the financial statements.

Additionally, there is a number of instructions issued regarding the accounting treatment of certain recurring transactions.

The manual and the remaining documentation are available on the corporate intranet.

**7.4.4 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 the capture and preparation of consolidated financial statements is centralized. 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.

For the purposes of reporting financial information, the subsidiaries of the Group rely on a specific application whereby their individual financial statements are captured and which allow them to reconcile transactions and inter-group balances. Such financial statements reported by the subsidiaries are the basis of the consolidation process carried out by the Consolidation and Reporting area.

Financial information reported to the CNMV is drafted based upon consolidated financial statements, 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.

## 7.5. MONITORING OPERATION OF THE SYSTEM

Information which helps understand how SCIIF is overseen, in order to prevent and settle any defect in its design and operation.

**7.5.1 Internal audit function charged, *inter alia*, with supporting the audit committee in the monitoring of the internal system, including SCIIF**

The Group has an independent Internal Audit Department whose mission and goals are provided in its Charter and Regulations. The following duties are incumbent on the Internal Audit Department, *inter alia*:

- Ensuring the effective and independent monitoring of the internal control system (including SCIIF).

- Collaborating in the reasonable reduction of the potential impact of risks which hamper achieving the goals of the Group.

- Promoting, by means of conclusions and recommendations, the existence of appropriate internal control and risk management systems, namely SCIIF; as well as the homogeneous and efficient application of internal control system policies and procedures.

- Serving as the communication channel between the Organisation and the Audit and Control Committee, in relation to those matters that are responsibility of Internal Audit.

To discharge such duties, Internal Audit relies on an Annual Audit Plan approved by the Audit and Control Committee. For organisational purposes, Internal Audit is included in the current structure by means of a direct link to the Board of Directors, to which it reports via the Chairman, and to which it is functionally subordinated through the Audit and Control Committee, which ensures a full independence in the performance of its activities.

**7.5.2 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. Action plan to try and correct or reduce weaknesses observed**

Internal Audit regularly reports to the Senior Management 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 Auditors 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.

On the other hand, the Audit and Control Committee meets with the auditors of individual and consolidated accounts for the purposes of reviewing the annual accounts of the Group and certain half-yearly periodical information that the Board of Directors must supply to the markets and their supervisory bodies, overseeing fulfillment of legal requirements and the appropriate application

of generally accepted accounting principles in the drafting thereof.

Section 43.4 of the Board of Directors' Regulations provides that:

*"The Board of Directors shall endeavour 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, any discussion or different view existing is anticipated in the meetings held between the Audit and Control Committee and the external auditors. Meanwhile, the external auditors report, where appropriate, about the main improvement measures on internal control proposed identified as a result of their work, and the degree of implementation of the relevant action plans set in train by the Management to correct or reduce the issues identified.

### **7.5.3 Scope of SCIIF assessment carried out during the fiscal year, and of the procedure to disclose the results of such assessment. Action plan providing any potential corrective measures. Consideration of the impact of such measures on the financial information**

As stated before, the process of identification and assessing risks of the financial information is carried out every year, and it is as the basis for the annual planning for assessment of SCIIF works by Internal Audit, also supplemented by requests from the Audit and Control Committee and the Senior Management.

Based upon the map of financial information risks, Internal Audit drafts a pluri- annual plan for the regular review of SCIIF of the Group which is submitted to the Audit and Control Committee for approval. 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.

Additionally, as stated above, 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 and eventual weaknesses identified in the course of the assignments, together with the corrective measures proposed, are reported to the Senior Management and the Audit and Control Committee, as well as the follow-up of previous assignments and the degree of implementation of recommendations set.

Included in the scope of SCIIF assessment, based upon the above-mentioned evaluation of financial information risks, is a review of the effectiveness of the design and effective operation of key transactional controls and general controls on the main computer applications used in the drafting of the financial information, together with a review of the general control environment. To carry out such work, Internal Audit resorts to several audit techniques, mostly interviews, analytical reviews, specific transaction control tests and substantive tests. Such scope 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 financial nature and fraud. Execution of such key risk indicators is centralized for all business units and geographical areas, pursuant to the annual plan approved.

### **7.5.4 Monitoring activities about SCIIF carried out by the Audit Committee**

With regard to the monitoring activities about SCIIF carried out by the Audit and Control Committee, it is charged, *inter alia*, with:

- Reviewing 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.
- Proposing to the Board of Directors, so that it may table it to the Annual General Meeting of Shareholders, the appointment of auditors within the statutory terms. Likewise, the Audit and Control Committee proposes 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 Audit Department, the Committee approves the annual activities report of such Department, as well as its budget and the annual audit plan. The internal audit plan approved for FY2011 was



based on the risks detected via the Risks Map of the Group and the Scoping Matrix of SCIIF Risks, and it marks a step forward regarding the pluri-annual review plan of the main areas and processes identified, and changes incurred as a result of the significant international expansion of the Group.

- Reviewing 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 fiscal year.

- Reviewing 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.

- Keeping 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.

#### **7.5.5 Information about SCIIF sent to the markets reviewed by the external auditor**

The Group's Management team has decided to subject the information about SCIIF for FY2011 prepared by the Company to the review by the external auditor. Such report is attached hereto as a Schedule.

## Annex 2 (Below to section G)

For the purposes of achieving maximum transparency regarding remuneration of the Board of Directors, below is a chart with the individual breakdown of such remuneration per director.

Name	Type	Remuneration Board of Directors	Remuneration Deputy Chairmanship Board of Directors	Remuneration for serving on Committees	Remuneration for chairing Committees	Fixed Remuneration	Variable Remuneration	Total
Pablo Isla Álvarez de Tejera	Executive	100	19	8	-	2,454	1,725	4,306
Carlos Espinosa de los Monteros Bernardo de Quirós	Independent	100	80	108.4	50	-	-	338.4
Irene R. Miller	Independent	100	-	100	50	-	-	250
Nils Smedegaard Andersen	Independent	100	-	108.4	-	-	-	208.4
Francisco Luzón López	Independent	100	-	108.4	-	-	-	208.4
Emilio Saracho Rodríguez Torres	Independent	100	-	108.4	-	-	-	208.4
Juan Manuel Urgaiti López de Ocaña	Independent	100	-	108.4	-	-	-	208.4
Gartler, S.L. <sup>(1)</sup>	Proprietary	100	-	-	-	-	-	100
Amancio Ortega Gaona	Proprietary	378	-	-	-	-	-	378
<b>Total</b>		<b>1,178</b>	<b>99</b>	<b>650</b>	<b>100</b>	<b>2,454</b>	<b>1,725</b>	<b>6,206</b>

Amounts in EUR thousands

(1) Represented by Flora Pérez Marcote

# Audit and Control committee

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, Inditex) 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 on this matter. Amongst said adjustments and amendments are those affecting the Board of Directors' Regulations, out of which those aimed at enhancing the tasks of the Audit and Control Committee, either by extending its duties or by allocating new ones thereto, such as that of drawing up an annual activities report, shall be stressed.

This document drawn up by the Audit and Control Committee of Inditex, in the session held on 12 June 2012 is the ninth annual activities report prepared in compliance with the provisions of section 14.2 (o) currently in force of the Board of Directors' Regulations of the Company, and it describes the activities carried out by the Audit and Control Committee through 31 January 2012, fiscal 2011 year-end.

## The Audit and Control Committee of Inditex: origin and evolution, regulations and composition

### Origin and evolution

The Board of Directors of Inditex, in the meeting held on 20 July 2000, approved the Board of Directors' Regulations, under the provisions of section 29.3 of the Articles of Association and 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, since Act 24/1988 of 28 July, governing the Stock Exchange ("LMV" - Spanish acronym) incorporated them, as amended by the Financial Act in November 2002.

Subsequently, in its meeting of 20 March 2003, the Board of Directors resolved:

1) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, through a new wording of section 30, in order to include the regulation of the Audit and Control Committee.

2) To approve the amendment to the Board of Directors' Regulations, in order to enhance the functions of the Audit and Control Committee, with the assumption of new tasks and the extension of those already existing.

Thus, the Additional Provision introduced on the Stock Exchange Law 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 operation.

Subsequently, it was resolved by the Board of Directors in its 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 the Revised Text of the Spanish Corporation Act in order to foster transparency in listed companies ("the Transparency Act") and its bylaws. With this new amendment the Audit and Control Committee was enhanced with the inclusion of a new duty.

Finally, the Board of Directors in its meeting 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 Code on Good Governance. Further to this amendment, the duties of the Audit and Control Committee were extended as it assumes the Recommendations provided by said Unified Code on this issue

### Regulations

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 14 July 2010 in order to increase the number of Committee members, from five to seven, in connection with the appointment of two new independent directors, provides as follows:

#### **Section 31.- Audit and Control Committee.**

*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 directors who must necessarily be independent directors.*

*To this end, 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 shall be elected for a maximum period of four years, upon expiry of which he shall be replaced. However, a year after the date of expiry, he may be re-elected.

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 supervise the internal audit services.

(d) To know the financial information process and the internal control systems of the Company.

(e) To liaise with the external auditors in order to receive information on those matters that could put at risk their independence 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.

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 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.

5.- 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.

6.- 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 was amended further to a resolution of the Board of Directors passed during the meeting held on 13 July 2010, in order to adjust its wording to the recent reform of Additional Provision number eighteen of the Securities Market Act, under the heading "Audit Committee" resulting from Act 12/2010 of 30 June, whereby

Act 19/1988 of 12 July on Auditing; Act 24/1988 of 28 July on the Securities Market and the revised text of the Spanish Corporation Act approved by Real Decreto Legislativo 1564/1989 of 22 December, are amended, so that they conform with EU regulations, and to fix in seven the maximum number of Committee members.

The above referred amendment of Additional Provision number eighteen entailed the addition, mainly, of the following issues: i) the obligation for the Audit Committee to issue on a yearly basis a report on the independence of external auditors, and the respective obligation for these latter to confirm to the Committee, also on a yearly basis and in writing their independence vis-à-vis the Company, namely reporting on the assignments other than those covered by the audit contract; and, ii) specifying the scope and wording of the mandate regarding supervision of the financial reporting process and of the internal control systems.

Further to the above-referred amendment, section 14 of the Board of Directors' regulations currently in force sets forth as follows:

#### **Section 14. The Audit and Control Committee**

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 who shall necessarily be independent directors, and at least one of them shall be appointed on account of his/her knowledge and expertise on accounting and audit matters or on both of them. The Chairman of the Committee shall be elected for a maximum period of four years. He may be re-elected a year after expiry of said maximum period.

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 non-renewal 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, 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, with the Code of Conduct and, in general, with the rules of governance 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 to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.

(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.

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.

## Composition

The Executive Committee of Inditex, S.A., in the meeting held on 27 October 2000, appointed the members of the Audit and Control Committee, resolving thus its initial composition.

Said initial composition was ahead of the provisions subsequently included in the Stock Exchange Act, regarding the requirements that the Committee be formed by a majority of non-executive directors, and that the Chairman be elected amongst said non-executive directors.

However, the amendments to the Board of Directors' Regulations that the Board resolved in its meeting of 20 March 2003 were beyond both the provisions of the recommendations of the Aldama Report, then applicable and of the current Unified Code – which recommends that the Committee should be comprised of non executive directors exclusively, and that the Chairman thereof should be an independent director–, since the requirement that all members of the Audit and Control Committee should be independent directors was made an internal regulation. This resolution entailed a necessary change in the composition of the Committee.

To meet this requirement, the only executive director of the Audit and Control Committee tendered his resignation as a member thereof, and another independent director was appointed as member of this Committee, after report of the Nomination and Remuneration Committee.

On 9 June 2005, it was resolved by the Board of Directors of the Company, after report of the Nomination and Remuneration Committee, to extend the number of members of the Audit and Control Committee to five.

Likewise, the maximum four-year term provided in Additional Provision Number Eighteen of the Stock Exchange Act having expired, and pursuant to the provisions of clauses 31 and 14 of the Articles of Association and of the Board of Directors' Regulations, respectively, it was resolved by the Audit and Control Committee during the meeting held on 9 December 2008, to appoint Ms Irene R. Miller as new Chairwoman of said body, replacing Mr Francisco Luzón López, the former Chairman thereof.

Finally, considering the foregoing, the Board of Directors of the Company resolved during its meeting held on 13 July 2010, after report from the Nomination and Remuneration Committee, to increase the number of members of the Audit and Control Committee, from five to seven, appointing independent directors, Mr Emilio Saracho Rodríguez de Torres and Mr Nils Smedegaard Andersen to serve on the Audit and Control Committee.

The composition of the Audit and Control Committee of Inditex as at the year-end is shown below:

<b>Chairwoman</b>	Ms. Irene Ruth Miller
<b>Ordinary Members:</b>	Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós
	Mr. Nils Smedegaard Andersen
	Mr. Francisco Luzón López
	Mr. Juan Manuel Urgoiti López de Ocaña
	Mr. Emilio Saracho Rodríguez de Torres
<b>Secretary (non member):</b>	D. Antonio Abril Abadín

A brief résumé of each member of the Audit and Control Committee is provided in section B.1.3 of the Annual Corporate Governance Report, which is part of this Annual Report 2011.

All the above referred members of the Audit and Control Committee are independent directors.

## Activities of the Audit and Control Committee

### Sessions held and business transacted

The sessions held by the Audit and Control Committee throughout FY2011 and the main business transacted are shown below:

Date of session	Agenda
06/13/2011	<ul style="list-style-type: none"> <li>-Review of the Annual Accounts of the Company for FY2010.</li> <li>-Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.</li> <li>- Meeting with the external auditors</li> <li>- Financial and Tax Area: issues of its remit.</li> <li>- Internal Audit Assignments.</li> <li>- Annual Corporate Governance Report.</li> <li>- Half-yearly report (August 2010-January 2011) of the Code Compliance Supervisory Board (CCSB).</li> </ul>
06/13/2011	<ul style="list-style-type: none"> <li>- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.</li> <li>- Internal Audit Assignments.</li> <li>- "Triple Report": on financial, social and environmental issues.</li> <li>- Annual activities report of the Audit and Control Committee.</li> <li>- Proposed re-election of the auditors.</li> </ul>
07/18/2011	<ul style="list-style-type: none"> <li>- 2011 External Audit Plan (KPMG).</li> <li>- Report in support of the amendment to the Board of Directors' Regulations (sec. 3.2 R.C.A.).</li> </ul>
09/19/2011	<ul style="list-style-type: none"> <li>- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.</li> <li>- Meeting with the external auditors.</li> <li>- Internal Audit: issues of its remit.</li> <li>- Financial Department: issues of its remit.</li> <li>- Corporate Social Responsibility Report.</li> <li>- Half-yearly report (February-July 2011) of the Code Compliance Supervisory Board (CCSB).</li> </ul>
12/12/2011	<ul style="list-style-type: none"> <li>- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.</li> <li>- Financial Division: issues of its remit.</li> <li>- General Counsel's Office: review of Intellectual Property.</li> <li>- Internal Audit: issues of its remit.</li> <li>- IT Division: issues of its remit.</li> <li>- Annual Report of the Ethics Committee regarding the enforcement of the Internal Guidelines for the Responsible Practices of the Inditex Group's Personnel.</li> </ul>

### Lines of action

As for the lines of action of the Audit and Control Committee during FY2011, they have revolved around the following aspects:

#### PERIODIC FINANCIAL INFORMATION, ANNUAL ACCOUNTS AND AUDITORS' REPORT

The Audit and Control Committee reviews the economical and financial information of the Company prior to the approval thereof by the Board of Directors.

To this end, prior to the drafting of 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, estimations considered while preparing the financial statements, etc.

Likewise, the Committee, fully comprised of non executive independent 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 accounting standards generally accepted are correctly applied.

In its meetings held on 21 March, 13 June, 19 September and 12 December, the Audit and Control Committee proceeded to review thoroughly the results for FY2010 and for the first three quarters of FY2011, 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 Annual Accounts, the individual and consolidated Management Report and the Auditors' Report for FY2010 were reviewed, it being verified by the Committee that the latter was unqualified.

#### EFFICIENCY AND INDEPENDENCE OF THE AUDITORS

With the attendance of the session held on 21 March 2011 by the Auditors of the Group, who had been previously called to this end, the Audit and Control Committee reviewed the audit carried out during FY2010.

The assignment conducted by the auditors consisted of the audit of the consolidated financial statements of the Group as at 31 January 2011 and the audit of the individual financial statements of certain companies within the Group also as at 31 January 2011; likewise during FY2011 the auditors issued a limited review on the financial statements.

In addition, the major issues subject to a special analysis were also reviewed, pointing out different areas:

international, national, accounting issues and other topics of less significance.

## INTERNAL AUDIT

Both the Director and other members of the Internal Audit Department, the Chief Executive Officer and the external auditors attended the meetings of the Audit and Control Committee held throughout 2011 and took the floor, since the internal audit was one of the key lines of action of the Committee during this fiscal year.

In the various meetings it held, the Committee went through several areas of its remit, such as the supervision of the Internal Audit Department and the approval of its budget, and the activities report of said Department.

## ANNUAL CORPORATE GOVERNANCE REPORT

The Audit and Control Committee in its session of 21 March 2011 gave a favourable report to the Annual Corporate Governance Report for FY2010, drawn up as regards its format, contents and structure, pursuant to the provisions of the Circular 1/2004, of 17 March, and it was resolved by the Committee to submit it to the Board of Directors for approval and to recommend the dissemination thereof through those means set forth in the prevailing legislation and regulations in force.

## "TRIPLE REPORT": FINANCIAL, SOCIAL AND ENVIRONMENTAL

In the meeting held on 13 June 2011, the Committee gave a favourable report to the Sustainability Report also known as "Triple Report" for the year 2010, drawn up taking into account the guidelines, in the 2002 version, of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) and following the principles thereof. This is the eighth time this Triple Report has been published.

The Sustainability Report provides full information about the activities of INDITEX, S.A. and its corporate Group over the last years and especially in fiscal 2010, regarding the three major dimensions or areas of the Group: financial, social and environmental.

## ANNUAL REPORT OF THE AUDIT AND CONTROL COMMITTEE

The Committee drew up its eighth Activities Report showing the activities carried out by this body during FY2010.

### Other lines of action

— Review of the quarterly reports drawn up by the Code Compliance Office on the incidences occurred with regard to the compliance with the Internal Regulations

of Conduct Regarding Transactions in Securities (IRC), pursuant to the provisions of section 10.2.4 thereof.

— Review of the half-yearly reports drawn up by the Audit and Control Committee on the measures taken to promote the knowledge and guarantee the enforcement of the provisions of the IRC, in accordance with the provisions of section 10.1.4 thereof.

— Review of the fifth annual report of the Committee of Ethics about the implementation of the Internal Guidelines for the Responsible Practices of the Inditex's Group personnel.

## Main relationships of the Audit and Control Committee

### With the Annual General Meeting of Shareholders

The Chairman 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.

### With the Board of Directors

At the beginning of each session of the Board of Directors, the Chairman of the Audit and Control Committee reports on the main business transacted in the last meeting of the Committee.

### With the Chief Executive Officer and the Senior Management

The Committee encourages the appearance in its sessions of the CEO and of the senior managers and officials of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent.

As at 31 January 2012, fiscal 2011 year-end, all members of the Committee were independent directors.

### With the General Counsel's Office

The General Counsel and Secretary of the Board, in his capacity as Code Compliance Officer also, periodically 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.

### **With the Internal Audit Department**

The Internal Audit is a centralized function included in the current organisational 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 Committee, which is the main recipient of the results achieved by the Internal Audit function, about the assignments performed in the various fields of the auditing activity.

On the other hand, the Audit and Control Committee supervises the Internal Audit Department, approving its budget, the Internal Audit Plan, the annual activities report and the resources of the Department to carry out its tasks as well as the contents of its acts.

### **With 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 the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis is subject to review.

In addition, the Committee proposes to the Board of Directors the appointment of the external auditors, the terms for their hiring, the scope of their professional mandate and their revocation or non renewal; it liaises with them; it supervises 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.



# Nomination and Remuneration committee

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (Inditex, S.A.) (hereinafter, Inditex) 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 on this matter. Amongst said adjustments and amendments are those affecting the Board of Directors' Regulations, out of which those aimed at enhancing the tasks of the Nomination and Remuneration Committee, either by extending its duties or by allocating new ones thereto, shall be stressed.

This document drawn up by the Nomination and Remuneration Committee in the session held on 12 June 2012, is the seventh annual activities report and it describes the activities carried out by the Nomination and Remuneration Committee through 31 January 2012, fiscal 2011 year-end.

## The Nomination and Remuneration Committee of Inditex: origin and evolution, regulations and composition

### Origin and evolution

The Board of Directors of Inditex, in the meeting held on 20 July 2000, approved the Board of Directors' Regulations, under the provisions of Article 29.3 of the Articles of Association and 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").

Article 15 of said Regulations established the Nomination and Remuneration Committee, entrusting it with the relevant duties pursuant to the above mentioned Olivencia Code.

Subsequently, in its meeting of 20 March 2003, the Board of Directors resolved:

1) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, through 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 harmonising some of the duties of the Committee.

Subsequently, it was resolved by the Board of Directors in its 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 once again enhanced, with the inclusion of a new task, regarding the need for the Committee to give a report on the employment agreements of the personnel that include guarantee clauses or severance agreements, before they are subscribed.

Finally, the Board of Directors in its meeting 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 Code. Further to this amendment, the duties of the Nomination and Remuneration Committee are enhanced as it assumes the Recommendations provided by the Unified Code on this issue.

### Regulations

Article 32 of the Articles of Association currently in force, as amended further to a resolution of the Annual General Meeting of Shareholders of 14 July 2010, in order to increase the number of Committee members, from five to seven, in connection with the appointment of two new independent directors provides as follows:

#### Article 32.- Nomination and Remuneration Committee

*1.- A Nomination and Remuneration Committee shall be formed within the Board of Directors, made up of a minimum number of three directors and a maximum of seven who must necessarily be independent directors.*

*To this end, independent directors are understood as those that meet the requirements referred to under the second paragraph of article 31.1.*

*2.- The Chairman of the Nomination and Remuneration Committee shall be appointed by the Board of Directors from among its 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), C.E.O., 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.*

*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, Article 15 of the Board of Directors' Regulations, as amended further to a resolution of the Board passed during the meeting held on 13 July 2010 to increase the number of Committee members from five to seven, connection with the appointment of two new independent directors, sets forth as follows:*

## **Article 15. The Nomination and Remuneration Committee**

*1.- The Nomination and Remuneration Committee shall be made up of a number of directors being no less than three nor greater than seven, and shall be made up necessarily of independent directors. Its Chairman shall be chosen among its 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, C.E.O., 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 advise 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 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.*

*(j) 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.*

*(k) 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.*

*(l) 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 by the Chairman, the members of the Board, management or the shareholders of the Company.*

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.*

## Composition

The Executive Committee of Inditex, S.A., in the meeting held on 27 October 2000, appointed the members of the Nomination and Remuneration Committee, resolving thus its initial composition.

The amendments to the Board of Directors' Regulations that the Board resolved in its meeting of 20 March 2003 were beyond both the provisions of the recommendations of the Aldama Report, then applicable and of the current Unified Code – which recommends that the Committee should be comprised of non executive directors exclusively and that the Chairman thereof should be an independent director–, since the requirement that all members of the Nomination and Remuneration Committee should be independent directors was made an internal regulation. This resolution entailed the necessary modification to the composition of the Committee. To meet this requirement, the only executive director of the Nomination and Remuneration Committee tendered his resignation as a member thereof, and another independent director was appointed as member of this Committee, after report of the Nomination and Remuneration Committee.

Finally, considering the foregoing, the Board of Directors of the Company resolved during its meeting held on 13 July 2010, after report from the Nomination and Remuneration Committee, to increase the number of members of the Nomination and Remuneration Committee, from five to seven, appointing independent directors, Mr Emilio Saracho Rodríguez de Torres and Mr Nils Smedegaard Andersen to serve on the Nomination and Remuneration Committee.

The composition of the Nomination and Remuneration Committee of INDITEX as at year-end is shown below:

<b>Chairman</b>	Mr . Carlos Espinosa de los Monteros Bernaldo de Quirós
<b>Ordinary members</b>	Ms. Irene Ruth Miller
	Mr . Nils Smedegaard Andersen
	Mr . Francisco Luzón López
	Mr . Emilio Saracho Rodríguez de Torres
	Mr . Juan Manuel Urgoiti López de Ocaña
<b>Secretary (non member):</b>	Mr . Antonio Abril Abadín

A brief résumé of each member of the Nomination and Remuneration Committee is provided in section B.1.3 of the Annual Corporate Governance Report, which is part of this Annual Report 2011.

All the above referred members of the Nomination and Remuneration Committee are independent directors.

## Activities of the Nomination and Remuneration Committee

### Sessions held and business transacted

The sessions held by the Nomination and Remuneration Committee throughout FY2011 and the main business transacted are shown below:

Date of session	Agenda
03/21/2011	- Appointment of Directors for Zara and Bershka formats.
06/13/2011	- Report on the re-election of Directors. - Appointment of Director for the Uterqüe Format. - Report on the compensation's policy of the Board of Directors. - Transactions with related parties. - Shares award plan addressed to the Chairman and C.E.O. - Annual Activities Report of the Nomination and Remuneration Committee.
07/18/2011	- Appointment of the new Chairman of the Board of Directors. Sole Deputy Chairmanship.
12/13/2011	- Assessment of the performance of the Board of Directors, the Supervision and Control Committees and the performance of duties by the Chief Executive Officer. - Human Resources report.

### Lines of action

As for the lines of action of the Nomination and Remuneration Committee during FY 2011, they have revolved around the following aspects:

#### APPOINTMENTS WITHIN THE COMPANY

During the meetings held on 21 March and 13 June, the Committee acknowledged the appointments in the management team of three of the Groups' formats.

On 18 July, the Committee gave a favorable report to the appointment of Mr Pablo Isla Alvarez de Tejera as new Chairman of the Board of Directors and its Executive Committee. Consequently, further to the appointment of the then First Deputy Chairman and C.E.O. as Chairman of the Board, the Second Deputy Chairman went on to hold the office of sole Deputy Chairman of the Board.

#### RE-ELECTION OF DIRECTORS

In compliance with the provisions of the Board of Directors' Regulations, the Committee proposed and issued the relevant reports, on the re-election of Directors and on the appointment of internal offices within the Board of Directors.

With this respect, the Committee, in the meeting held on 13 June 2011, with the abstention of the interested party, proposed the submission by the Board of Directors to the Annual General Meeting of Shareholders, of the relevant proposal on the re-election of Ms. Irene R. Miller, as members of the Board of Directors.

#### ASSESSMENT OF THE GOVERNING BODIES

Pursuant to the Recommendations of the Unified Code on Good Governance, and to the provisions of the Board of Directors' Regulations, the Committee reviewed in its meeting held on 13 December 2011, the assessment of the performance of the Board of Directors, of the Supervision and Control Committees, and of the first executive, in accordance with the assessment methodology previously approved.

#### REMUNERATION POLICY

Likewise, pursuant to the Recommendations of the Unified Code on Good Governance and to the internal regulations of the Company, the Committee proposed to the Board of Directors, in the meeting held on 13 June 2011, the report on the director's compensation policy for FY2010, addressing inter alia, the fixed and the variable remuneration of directors and any other relevant terms of the employment agreements of those who discharge senior management duties as executive directors.

## Main relationships of the Nomination and Remuneration Committee

### 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.



**With the Chief Executive Officer and the Senior Management**

The Committee encourages the appearance in its sessions of the First Deputy Chairman and Chief Executive Officer and of the senior managers and officers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent.

**With the Human Resources Department**

In order to keep the Nomination and Remuneration Committee duly informed, the Human Resources Division regularly informs the Committee on the changes, if any, in the global remuneration systems, the market researches on the pay of Senior Management, the annual pay adjustments and the review of the adjustment guidelines for each country, a summary of the annual adjustments carried out and the global programmes for the detection and development of potential in the matter of personnel, and succession plans.

# Annex: Sustainability Balance Sheet

- Environmental indicators
- Social indicators

## Materiality

Inditex maintains a continuous dialogue with its stakeholders in order to identify the issues that most interest or concern them. It is constantly making analyses to determine the issues and indicators it should report on, based on the following principles:

- 1. Sustainability strategic context:** The way in which the organisation contributes to improving trends, progress, and economic, environmental, and social conditions.
- 2. Materiality:** Indicators and aspects reflecting the organisation's most significant social, environmental, and economic impacts as well as those having substantial influence on evaluations and decisions by its stakeholders.
- 3. Stakeholder participation:** Inditex identifies its stakeholders in order to later be able to respond to their reasonable expectations and interests.
- 4. Thoroughness:** Coverage of Inditex's indicators and definition of the information covered should be sufficient to reflect significant social, economic and environmental impacts, and to enable stakeholders to evaluate the group's performance for the year.

To meet this obligation Inditex carries out the following activities in the interest of materiality:

### Design of a pre-evaluation methodology

The content and methodology of the processes for identifying aspects to be evaluated in materiality tests are mainly based on the guide for preparing the *Global Reporting Initiative* (GRI), the *Discussion Paper* from the *Integrated Reporting Council* (IIRC) and the principles found in *AA1000 Accountability Principles Standard of Accountability*.

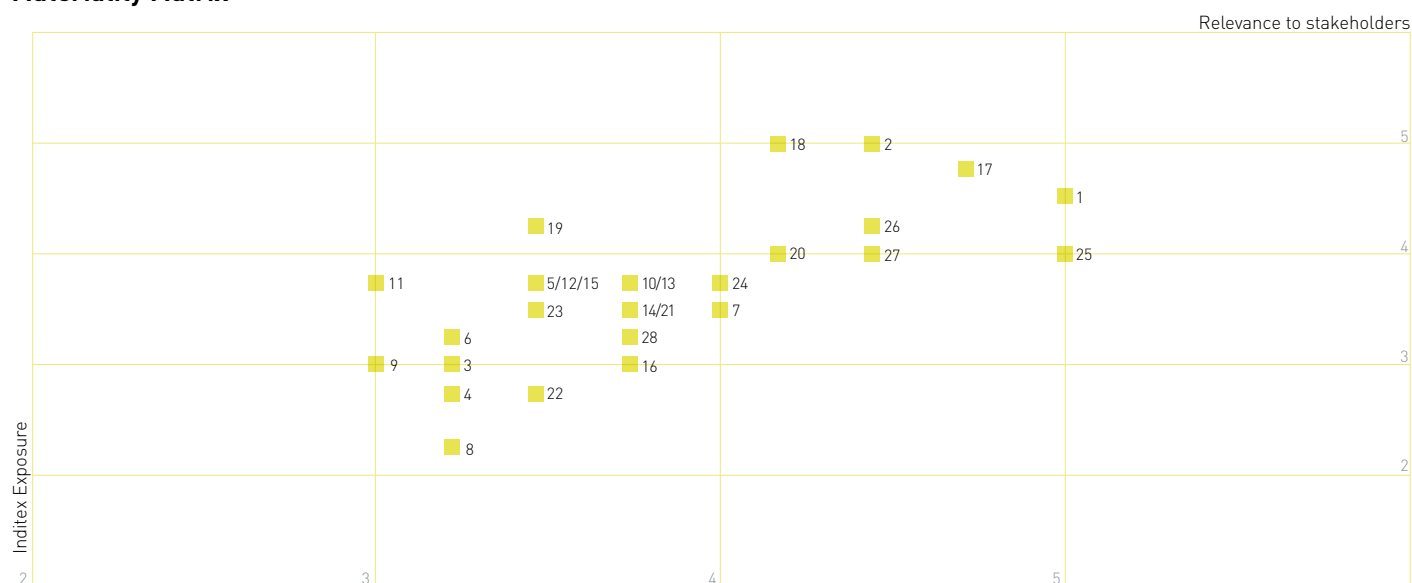
### Evaluation of materiality and preparation of the materiality matrix

The Social Council, as a legitimate representative of the opinions and concerns of Inditex stakeholders, makes tests that evaluate the importance of specific aspects, the probability of those aspects impacting Inditex, and their perception of its capability of responding. A materiality matrix is built using the results obtained from the Social Council's evaluation. It is fashioned as a risk map, defines the criteria to use to orient the Inditex strategy, and its communication through the Annual Report.



In December 2011 Inditex signed on to the *Integrated Reporting Pilot Programme*. The organisation is made up of different groups of entities involved in rendering accounts in order to create a common framework of integrated reporting.

## Materiality Matrix



1 Code of Conduct 2 Corruption 3 Pressure groups 4 Customer Service 5 Strategy for emerging markets 6 R&D 7 Climate change 8 Green Design 9 Green Retail 10 Environmental management 11 Materials used 12 Energy 13 Water 14 Spills 15 Waste 16 Emissions 17 Human Rights 18 Supply Chain integrity 19 Product safety 20 Labour practices 21 Attracting and retaining talent 22 Developing human capital 23 Labour relations 24 Occupational health and safety 25 Local community development 26 Social action investment 27 Commitment to and dialogue with stakeholders 28 Responsible advertising

## 2011 Consolidated sustainability balance sheet

	2011	2010
<b>Customers</b>		
Number internal buyer training programmes	678	110
Number of chemical analyses	>250,000	>70,000
<b>Employees</b>		
Total number of employees	109,512	100,138
- % men	20.5%	19.5%
- % women	79.5%	80.5%
Total sustainability team	2,023	1,128
- Internal team	62	39
- External team	1,961	1,089
<b>Suppliers</b>		
Number of active suppliers	1,398	1,337
Number of "A" suppliers (Complies with the Code of Conduct)	573	531
Number of "B" suppliers (Breaches a non-relevant aspect of the Code of Conduct)	501	447
Number of "C" suppliers (Breaches a sensitive aspect of the Code of Conduct)	183	179
Number of "D" suppliers (Breaches a critical aspect of the Code of Conduct)	107	146
Number of PR suppliers	34	34
Number of discarded suppliers	92	127
Number of social audits	2,379	1,087
Number of initial audits	818	765
Number of monitoring audits	267	322
Number of special audits	1,294	0
Number of external audits	1,698	422
Number of internal audits	681	665
Number of joint Inditex-ITGLWF interventions	3	3
<b>Community</b>		
Number of social investment beneficiary programmes	645,367	500,000
Social investments made (euros)	13,539,472	11,368,207
- Total community development programmes	2,701,873	1,866,936
- Total monitoring programmes	3,307,667	3,307,666
- Total university network	715,509	1,209,762
- Total sponsorship and patronage	3,514,423	4,909,665
- Total emergency programmes	2,300,000	74,178
- Employment programme	1,000,000	-
Number of Social Council meetings	3	1
<b>Shareholders</b>		
Dow Jones Sustainability Indexes score (out of 100)	85/100	76/100
FTSE4Good score	4.3/5	n.a.
<b>Environment</b>		
Overall energy consumption (TJ)	3,381	3,230
Greenhouse emissions per garment (g CO <sub>2</sub> eq)	772.14	762.51

## Environmental Strategic Plan

After the 2007-2010 Environmental Strategic Plan (PEMA) ended, Inditex launched its "Sustainable Inditex 2011-2015" environmental strategic plan that focuses on four strategic areas:

### 1. Energy and climate change

The Inditex strategy for climate change involves analysis of the implications of this phenomenon on the Inditex business model and identifies the associated risks and opportunities. The strategy is designed to quantify and manage Inditex greenhouse gas emissions (GHG). The objective is to reduce GHG emission 20% by 2020.

In order to do that, we have defined four complementary activities:

- Measurement and management of the Inditex carbon footprint, scope 1, 2, and 3.
- Implementation of activities targeting GHG emissions reduction in all 2011-2015 lines of work.
- Launch activities that help compensate for GHG emissions.
- Sensitization and training.

### 2. Water management

This strategy will reduce and optimize use of water all along the Inditex value chain. Specific strategy objectives:

- Measurement and management of the water footprint.
- Implementation of master plans for audits and diagnostics in offices, our own factories, the supply chain, logistics centres and stores.
- Reduce and optimize water consumption
- Sensitization and training.

### 3. Chemical and toxin control

The objective of this strategy is to identify, control, and improve environmental management of chemist in textile industrial processes in our own and our suppliers' factories.

### 4. Natural resources and biodiversity

The objective of this strategy is to promote efficient use of natural resources, while at the same time supporting biodiversity protection. This also has positive influence on other issues like climate change, water quality and reuse, food safety, etc. It increases the use of sustainable materials in manufacturing and sales of our products.

## Environmental indicators

The Inditex system of indicators shows the environmental impact the Group has in terms of consuming natural resources, using energy, generating waste, and generating emissions to the atmosphere. These indicators are expressed in line with the number of garments introduced into the market. This reflects the efficiency of all areas of the company (manufacturing, main office, chain main offices, logistic centres and stores). These relative indicators show that greenhouse gasses (GHG) have been significantly reduced and also reflect the success seen from integrating innovative environmental management into all phases of the business.

Greenhouse gas emissions are calculated as indicated in *Guidelines for National Greenhouse Gas Inventories* 2007, from the *Intergovernmental Panel on Climate Change* (IPCC), and the *WBCSD/WRI GHG Protocol* (2008) for different types of energy:

- Natural gas: 0.2021 Kg CO<sub>2</sub>eq/kWh
- Propane: 3.050 Kg CO<sub>2</sub>eq/kWh
- Diesel: 2.686 Kg CO<sub>2</sub>eq/kWh
- Electricity from the grid: 0.3497 Kg CO<sub>2</sub>eq/kWh

The values used in the ratios are the following:

Ratio = (absolute value of the year/number of garments put on the market during the year) x 1000.

All indicators reflect data from 1 January through 31 December, 2011

### Garments introduced into the market

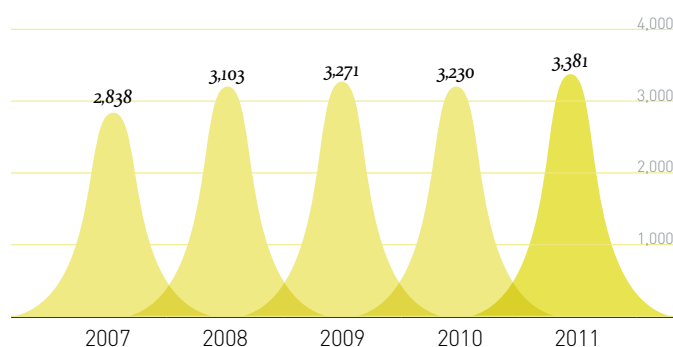
	0	200,000,000	400,000,000	600,000,000	800,000,000	1,000,000,000
2011					835,524,467	
2010					815,600,537	
2009					767,756,829	
2008					696,961,736	
2007					627,295,102	



## 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 consumption includes all factories, the central office, chain main offices, logistic centres, and Group stores. It does not include diesel consumption pertaining to logistics activities carried out by external operators (scope 3).

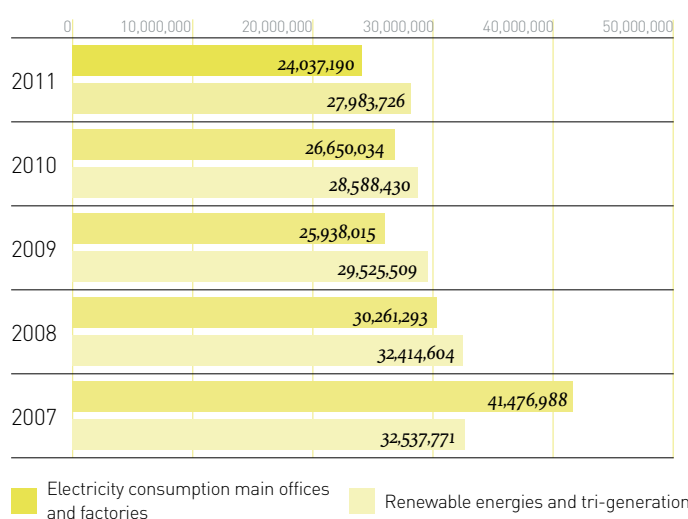
### Overall energy consumption (TJ)



### In main offices and factories

The energy consumption scheme permits the combination of different energy sources including renewable energies. Tri-generation plants consisting of heating and process boilers, solar panels, and wind generators now make up more than 50% of the energy provided at the central office and factories.

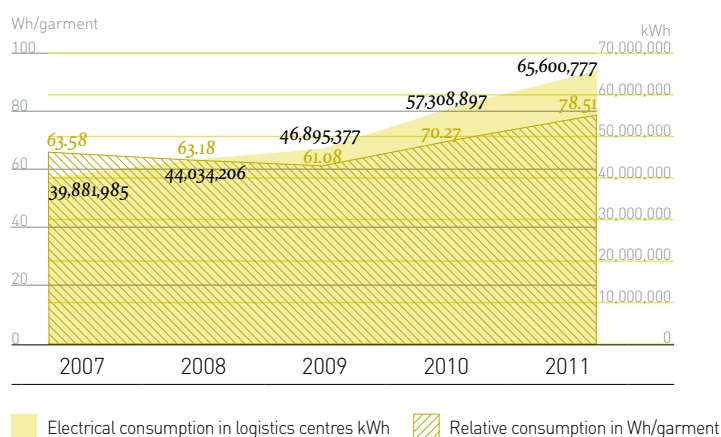
### kWh consumed in main offices and factories kWh



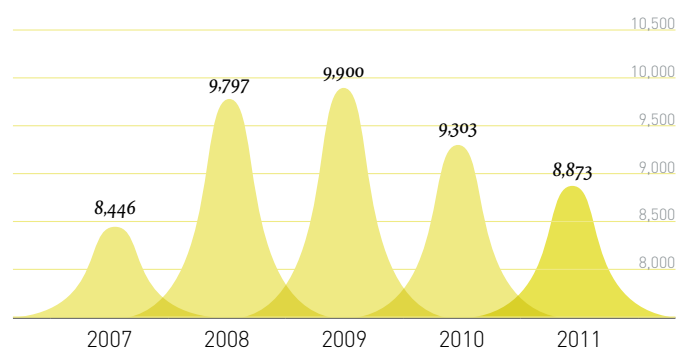
### Logistics centres and transport

All the garments manufactured by Inditex are distributed from the logistics centres. During recent years, Inditex has increased automation for distribution operations at the logistics centres reducing use of fossil fuels. Consequently there has been an increase in electricity consumed per garment introduced into the market (Wh/garment). In order to meet the objective of on-going reduction of greenhouse gases per garment as compared to 2005, the 2011-15 Inditex Sustainable Environmental Strategy includes energy efficiency initiatives for logistics centres.

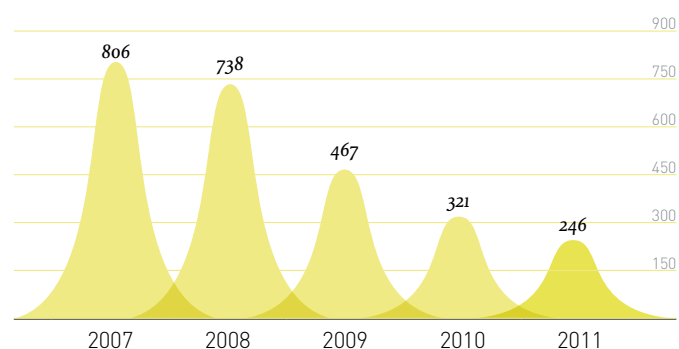
### Electrical consumption in logistics centres



### Overall consumption of natural gas (toe)1

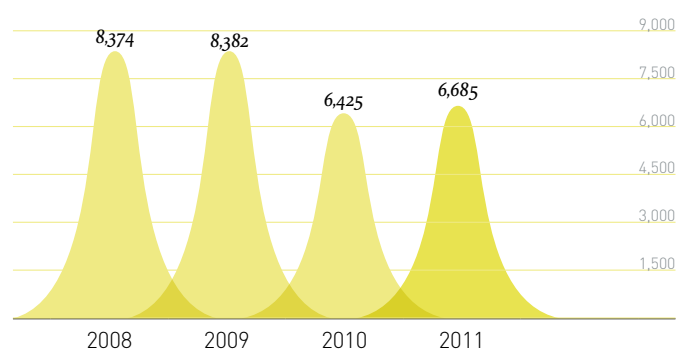


### Overall consumption of diesel (toe)1

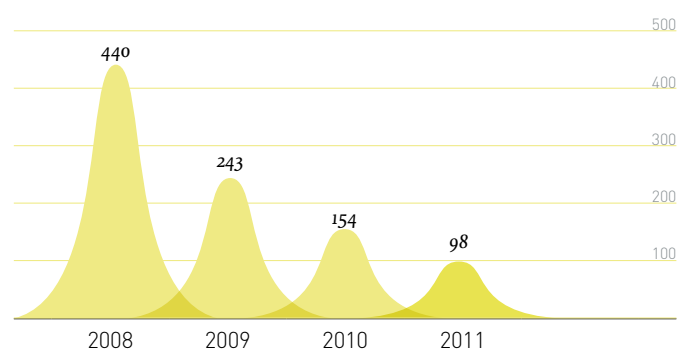


(1) Toe: Tonne of oil equivalent = 41.868 GJ , 103 m<sup>3</sup> of natural gas = 0.9315 toe, 1 tonne of diesel = 1.035 toe

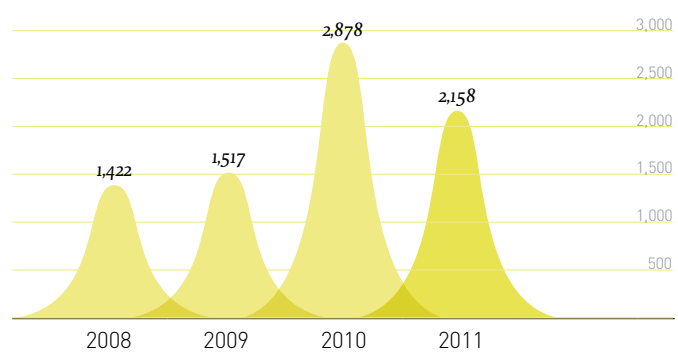
### Consumption of natural gas (toe)2



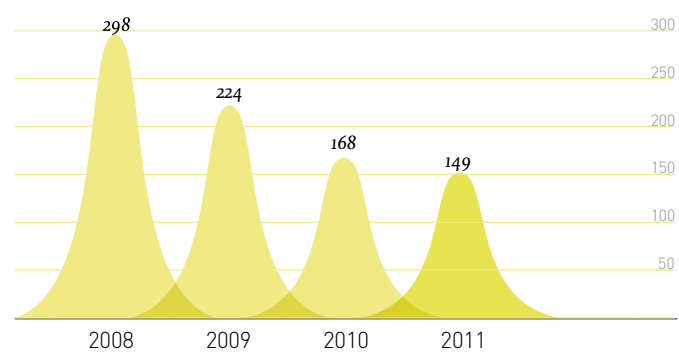
### Consumption of diesel (toe)2



### Natural gas consumption (toe)2



### Diesel consumption (toe)2

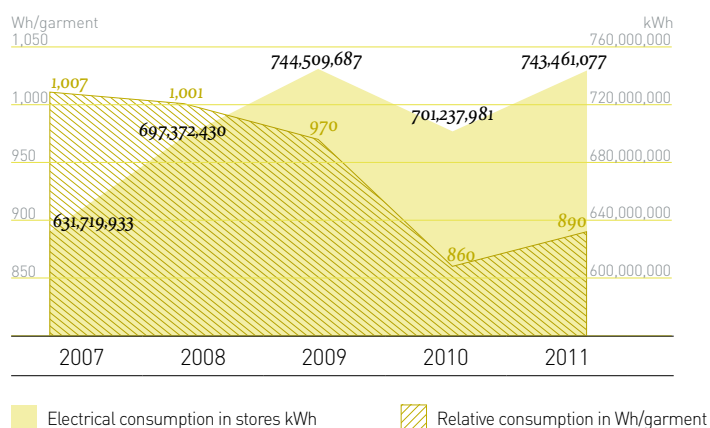


(2) Only four years of history is provided because in prior years the data was grouped and unavailable broken down by these activities.

## Stores

Electricity consumption at stores is without a doubt very important, meaning that a great deal of effort has been made to continue improving the eco-efficient store model. The objective is to achieve a reduction in electricity consumption per garment of 20% before 2020. Nevertheless, it is worth mentioning that the efficiency measures applied since 2005 have made it possible to contain consumption and reduce relative consumption measured in watts-h per garment.

### Consumption of electricity in stores

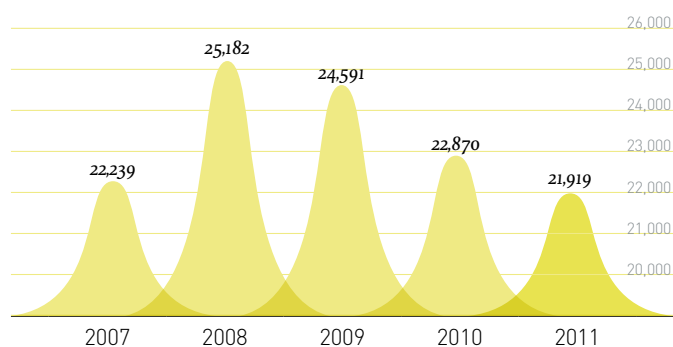


## Greenhouse gas (GHG) emissions

The Group's greenhouse gas (GHG) emissions are calculated and reported following the international directives of the WRI/WBCSD Greenhouse Gas Protocol (2004). The GHG emissions inventory includes direct and indirect emissions for the period beginning 1 January 2011 and ending 31 December 2011.

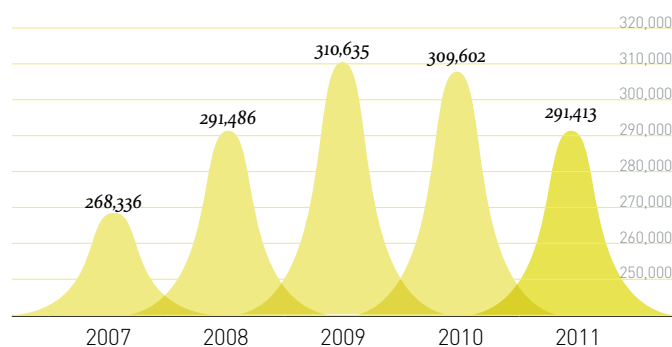
	2007	2008	2009	2010	2011
Scope 1 (t CO <sub>2</sub> eq)	22,239	25,182	24,591	22,870	21,919
Scope 2 (t CO <sub>2</sub> eq)	268,336	291,486	310,635	309,602	291,413
Scope 3 (t CO <sub>2</sub> eq)	253,255	248,833	248,021	289,431	332,097
<b>Total annual emissions (t CO<sub>2</sub> eq)</b>	<b>327,430</b>	<b>354,546</b>	<b>377,286</b>	<b>373,501</b>	<b>354,776</b>
Number of garments released into the market	627,295,102	696,961,736	767,756,829	815,600,537	835,524,467
g CO <sub>2</sub> per garment introduced into the market	866,94	811,38	759,68	762,51	772,14

A history of emissions based on each of the scopes considered by the Greenhouse Gas Protocol is presented in more detail below.

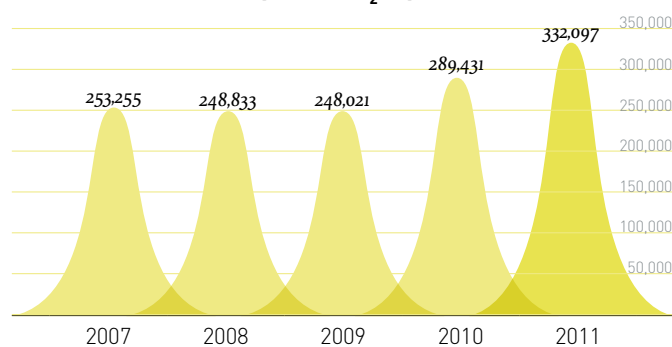
**GHG Emissions - Scope1 (t CO<sub>2</sub> eq)\***

Scope 1: Direct emissions. These are GHG emission associated with sources under Inditex Group control (emissions from combustion in boilers, machinery, and vehicles, emissions pertaining to processes, and emissions escaping from equipment or facilities).

(\*) Scope 1 includes direct emissions coming from central headquarters and the main offices of Zara, Maximo Dutti, Pull&Bear, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe; Group factories (Goa, Fios, Indipunt, Jema, Samlor, Stear, Denllo, Sabón, Inditex cogeneration); logistic centres (Pull&Bear, Tempe, Stradivarius, the Tordera logistics centre, the Bershka logistics centre, the Sabón logistics centre, the León logistics platform, the Europa platform (Zaragoza), the Meco logistics platform (Madrid) and the Tempe logistics centre (Alicante).

**GHG Emissions - Scope2 (t CO<sub>2</sub> eq)**

Scope 2: Indirect emissions. Emissions associated with the generation of electricity or thermal energy that the Group buys. The GHG emissions from central headquarters, the head offices of each of the chains, Group factories, logistics centres, and stores have been accounted for in order to make the calculation.

**GHG Emissions - Scope3 (t CO<sub>2</sub> eq)**

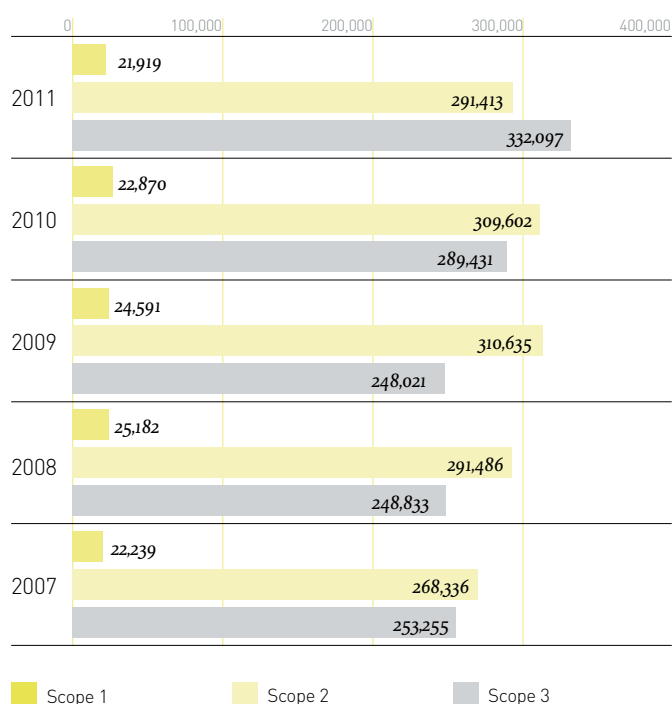
Scope 3: Indirect emissions associated to the goods and services demand chain. Emissions associated with the transport of garments to stores by external logistics operators are included here. Emissions produced by the supply (suppliers) chain have not been accounted for.

Next, we present the change in Inditex Group GHG emissions produced during the last five years. All operations under control of the Inditex Group are included. GHG emissions associated with the supply (suppliers) chain are not included.

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). Said emissions have been calculated based on the weight of the product shipped and the number of kilometres travelled by each mode of transport. The following emission coefficients, as proposed by GHG Protocol, are used:

- Kg of CO<sub>2</sub>/km truck=0.87
- Kg of CO<sub>2</sub>/km plane short flight(←452Km)=2.071
- Kg. of CO<sub>2</sub>/km plane on medium-length flight (between 452 and 1,600 km) = 1.4388
- Kg of CO<sub>2</sub>/plane on long flight(→1,600Km)=0.6649
- Kg of CO<sub>2</sub>/km ship=0.035

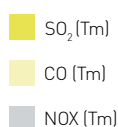
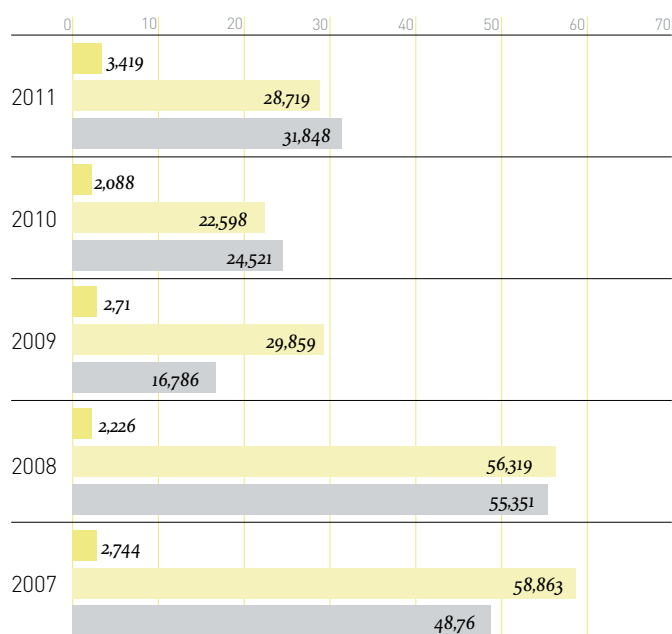
Finally, we include data referring to GHG emissions by garment introduced into the market as an efficiency ratio.

**GHG total emissions (t CO<sub>2</sub> eq)**


## Other atmospheric emissions

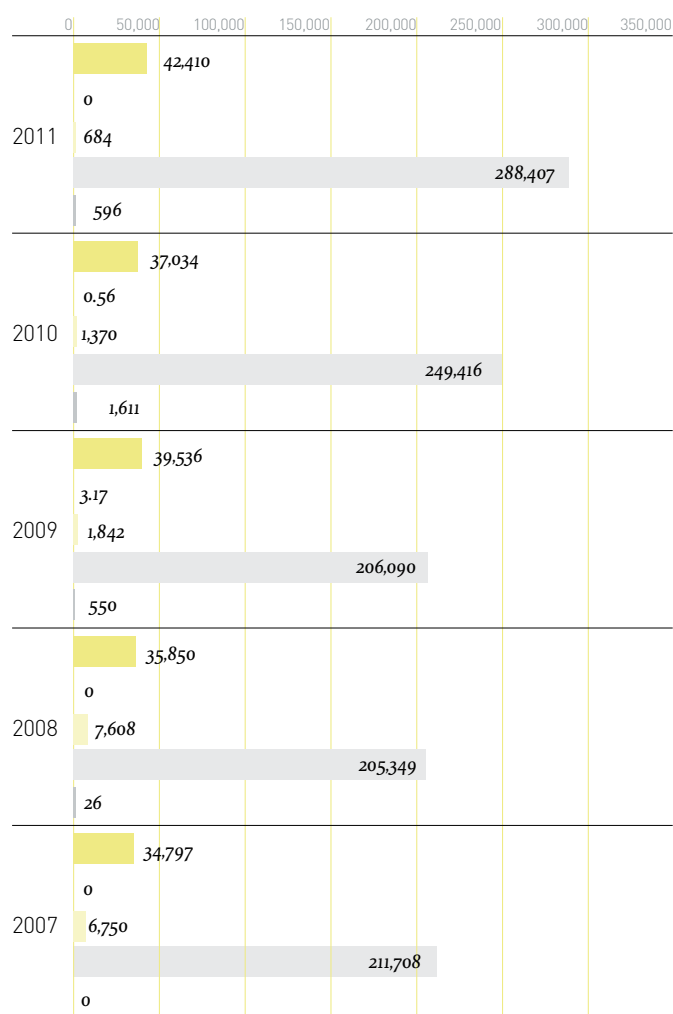
Annual change in other emissions from manufacturing and logistics centres

This includes the central headquarters, all Inditex factories, the head offices of chains, and logistics centres. All emission sources undergo strict and frequent controls by an authorised inspection company, each in accordance with the parameters established by legislation in force.

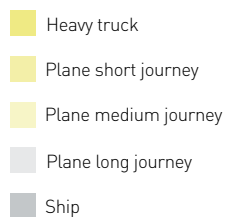
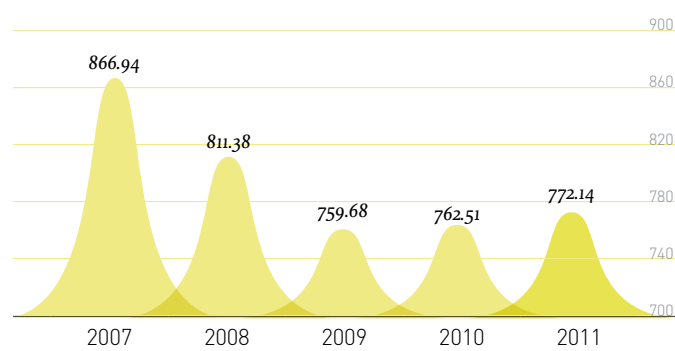
**Other atmospheric emissions (t)**




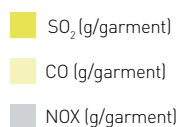
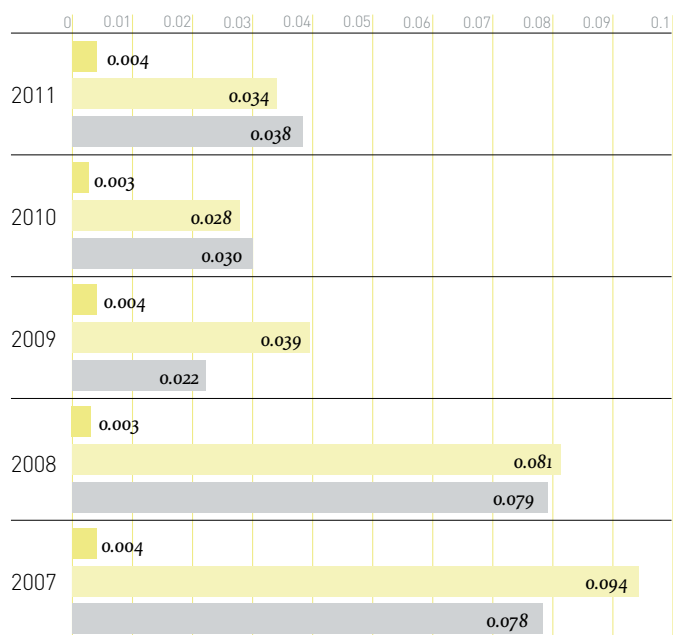
### GHG emissions by transport used (t CO<sub>2</sub> eq)



### GHG emissions by garment (g CO<sub>2</sub> eq/garment)



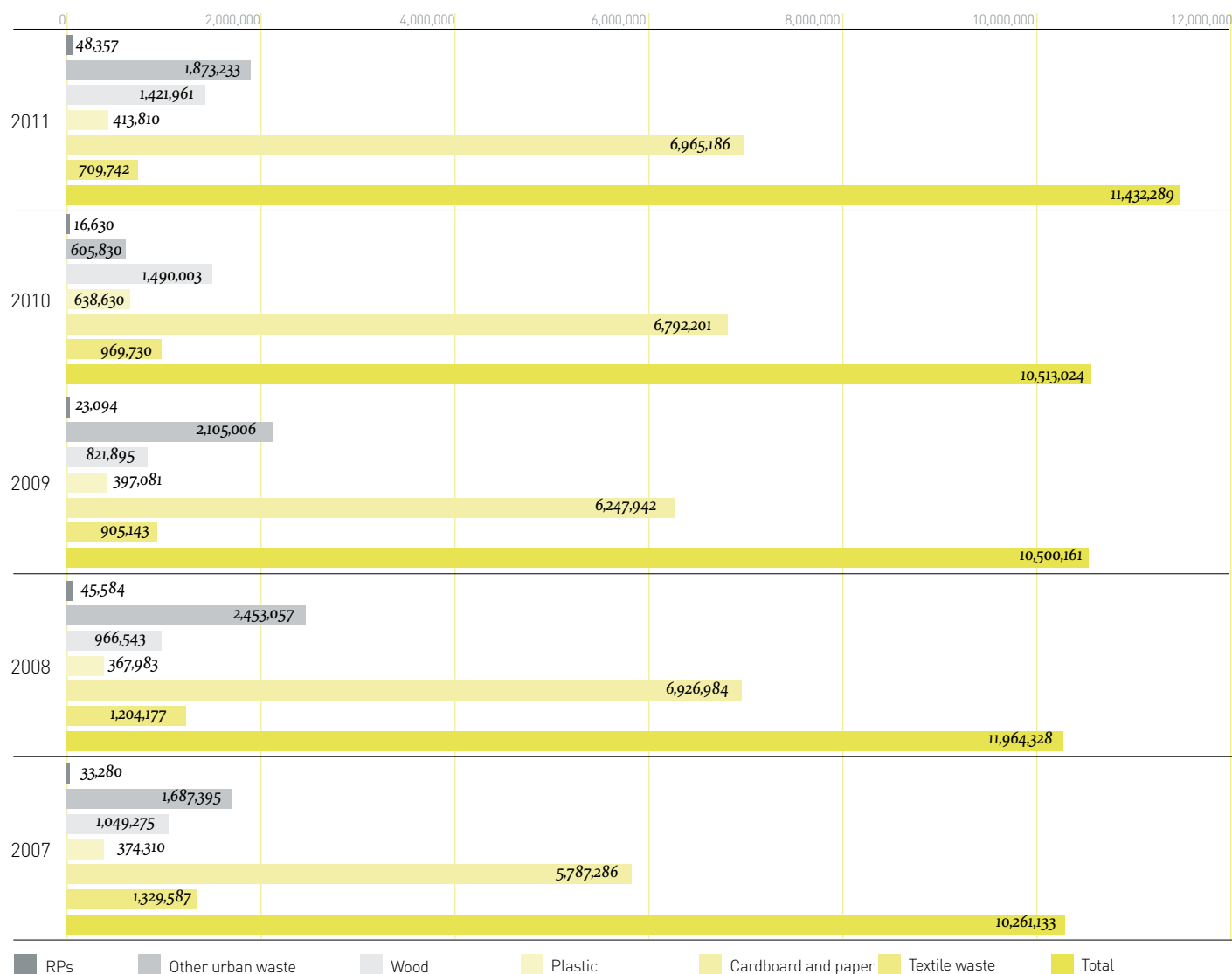
### Other atmospheric emissions (g/garment)



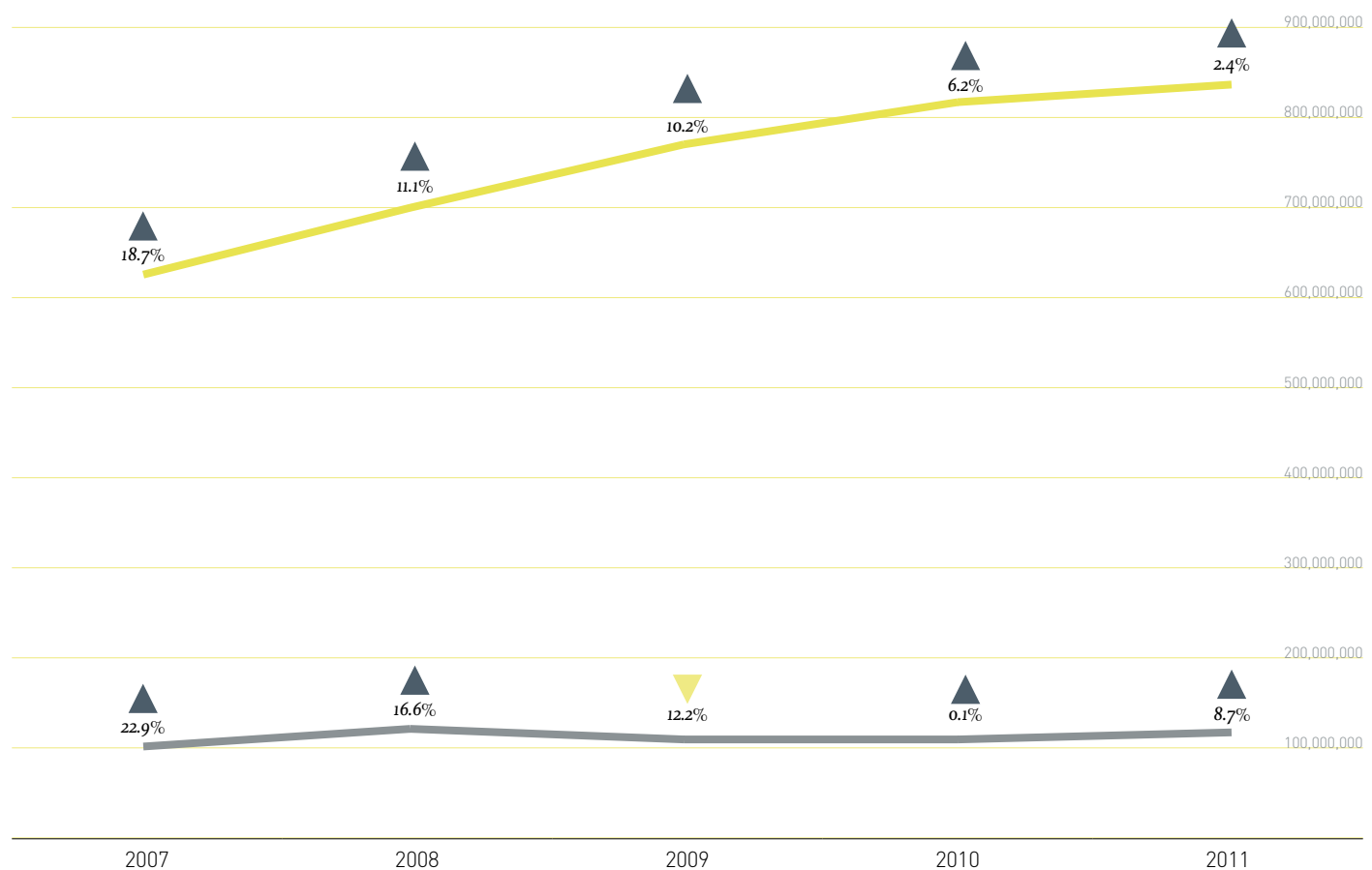
## Generation and waste management

Even though the number of garments manufactured increased, the amount of textile, plastic, and wood waste generated as compared to the previous year was reduced. This was thanks to the waste minimization plan and the effort of all employees.

### Evolution of industrial waste generation (kg)



## Comparison of garments put on the market with the total of industrial waste generated



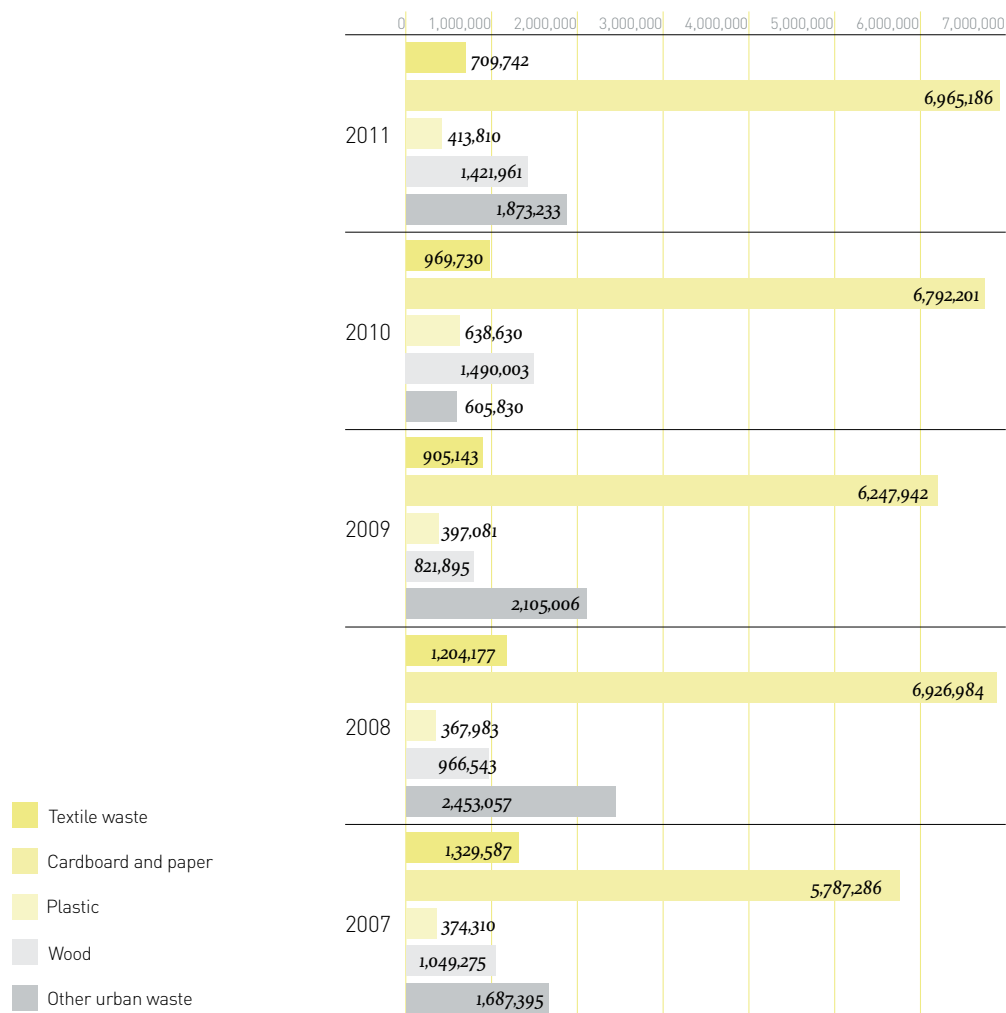
— Total number of garments released on the market.  
— Total waste from industrial centres (Kg\*10)

▲ Increase in the number of items put in the market during the period 2005-2011: **102.04%**  
▲ Increase of industrial waste generated during the period 2005-2011: **20.46%**

## Annual generation of urban or similar waste

The waste is classified in accordance with the European Waste Catalogue (EWC) and its transposition into national and regional legislation.

### Absolute data (kg)



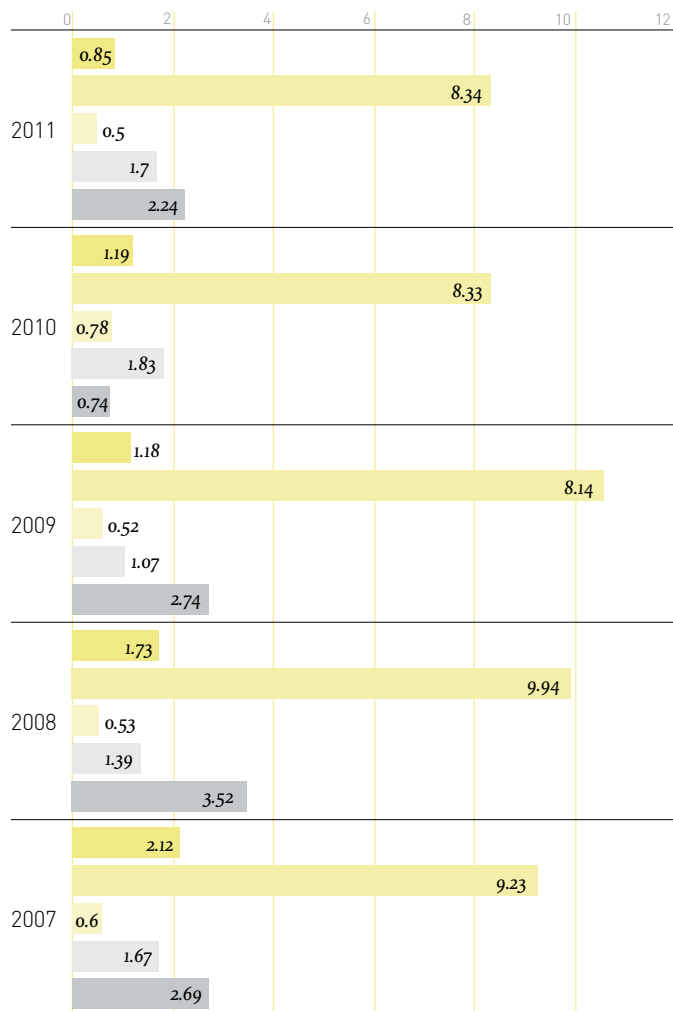
## Use and recycling of alarms

This year we introduced a reusable alarm system that enables a significant reduction in single use alarms. This initiative, in addition to financial savings, provides an important environmental benefit by reducing natural resource consumption, atmospheric emissions, and the amount of waste generated.

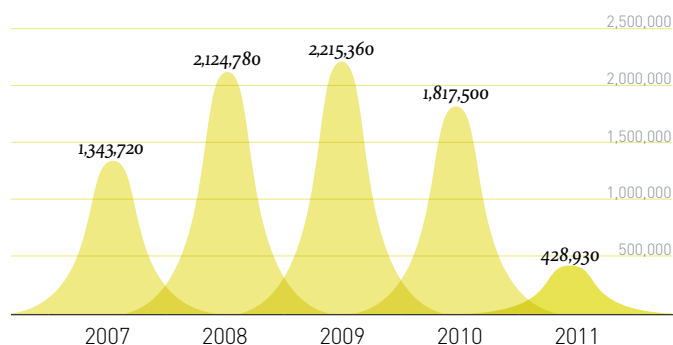
Single use alarms that have not been replaced yet are recycled to create appliqués and clips used in packaging footwear. In 2011 more than 400 tonnes of alarms were recycled.

The difference seen in the recycling of single use alarms in 2011 as compared to 2010 is owing to the introduction of re-usable alarms.

### Related urban waste data as a function of no. of garments introduced on the market (g/garment)



### Recycled alarms (kg)



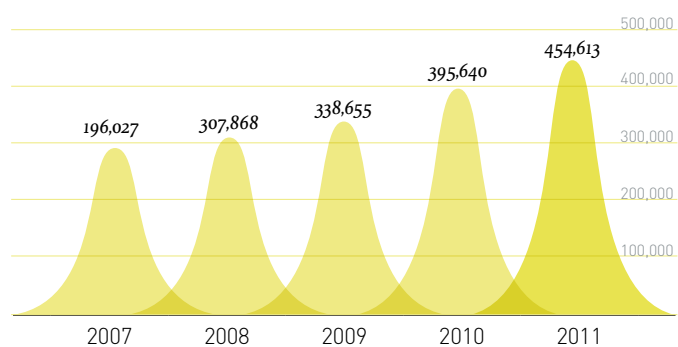
## Consumption and use of water

Water supply at all the centres for both processes and for consumption comes from public and authorised supply networks with the result that Inditex has no impact on protected habitats.

Most water consumed in the commercial network is for domestic use - mainly cleaning and basic consumption. For this reason it is impossible to recycle it. In the area of industrial activities, water is mainly needed for generating steam and for industrial refrigeration in a closed cycle, where recirculation systems are used.

Waste water from all of our sites is dumped into sewage systems, with the relevant administrative authorisation in all cases. This assumes that analysis is done periodically to guarantee compliance with current law and to detect possible maintenance problems. The only incident that occurred in 2011 was an accidental spill in the Indipunt factor sewage system in Narón (A Coruña). Considered a minor infraction by the Administration, the fine was only 5,000 euros. The amount of waste water is estimated to be the same as water consumed. There are no productive processes that consume water and the cooling systems are on a closed cycle. In order to better use water, the Indipunt factory facilities are implementing a waste water purifier that can purify 90% of water used.

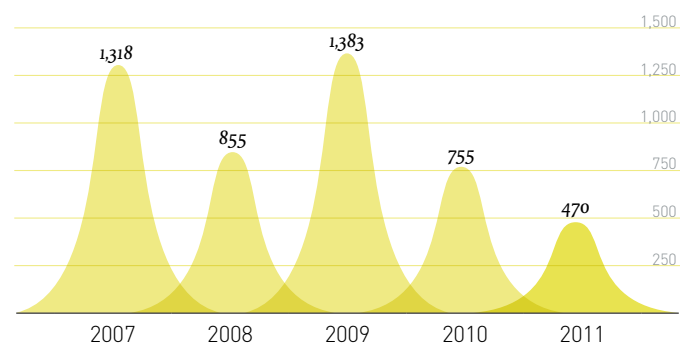
### Consumption of water (m³)\*



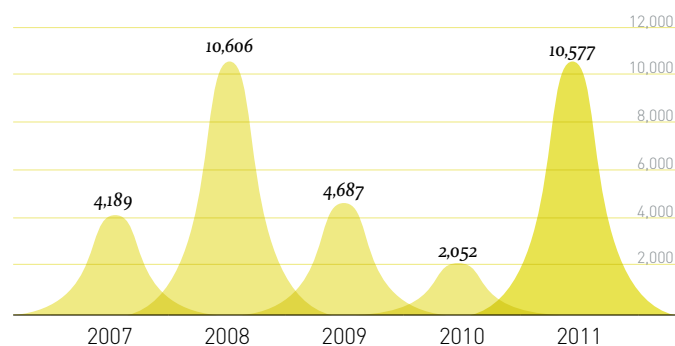
(\*) In the case of factories and logistics centres, the water consumption data are taken from direct consumption measurements and from supplier invoices (public supply networks). In the case of stores, the data was obtained by sampling utility bills for a group of stores and extrapolating the total stores from them.

## Annual generation of common dangerous waste

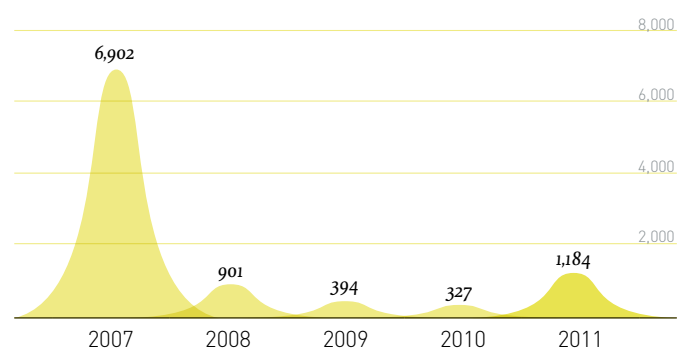
### Batteries (Kg)



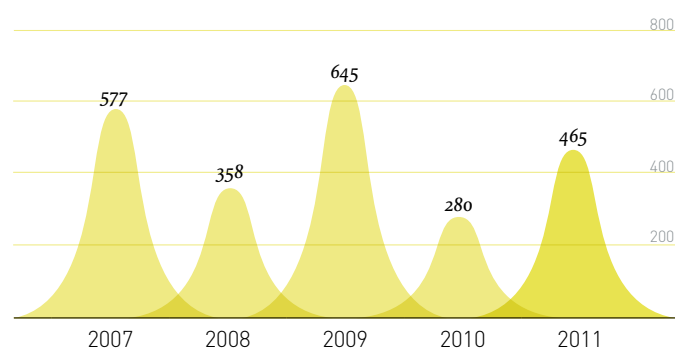
### Office waste (Kg)



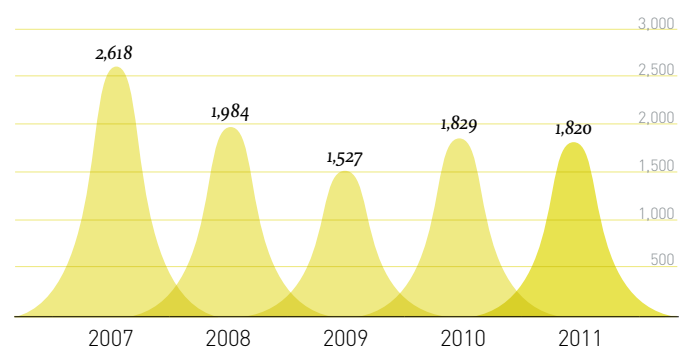
### Oil filters (Kg)



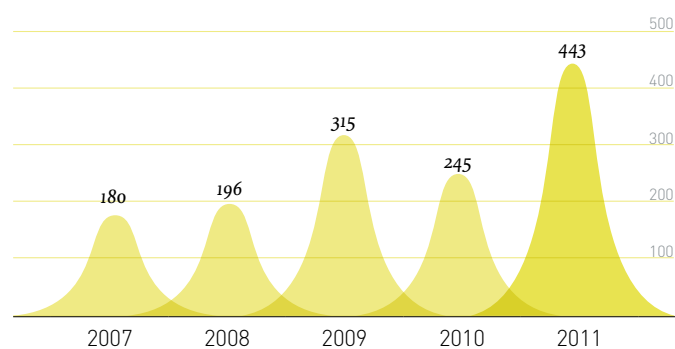
### Contaminating metallic packaging (Kg)



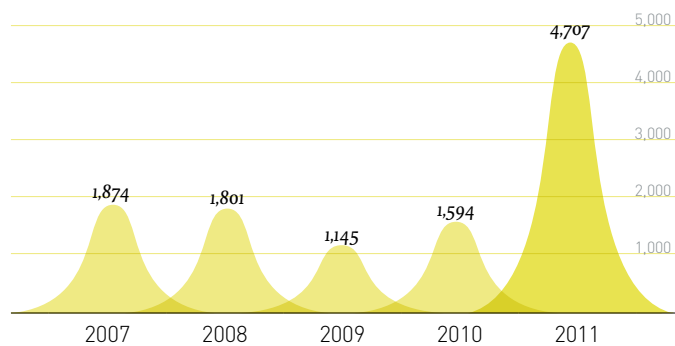
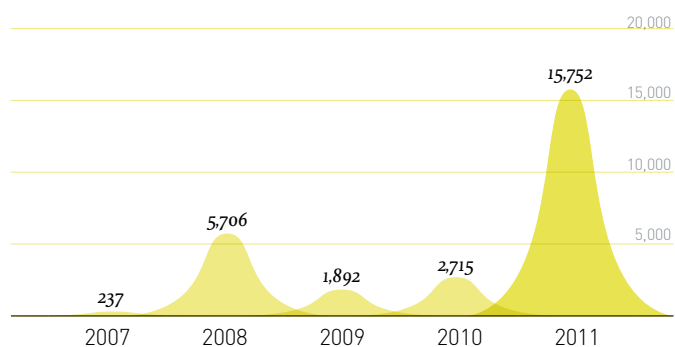
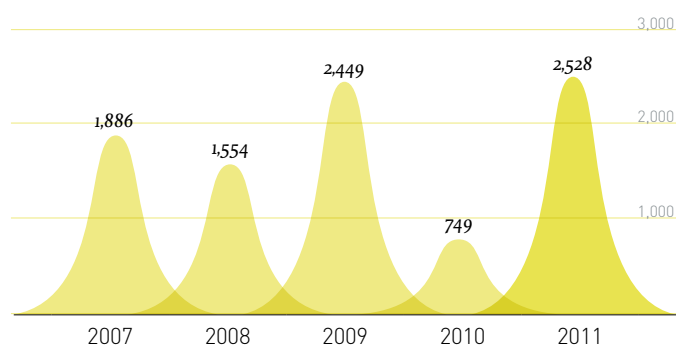
### Contaminated absorbents (kg)



### Paint (Kg)



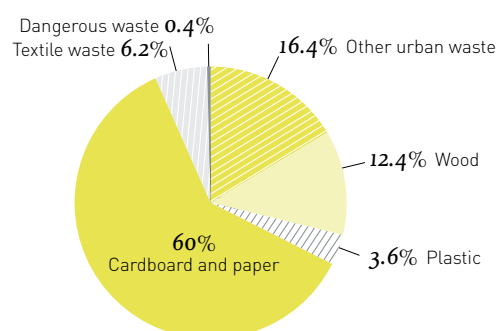


**Fluorescents (Kg)****Used mineral oil (Kg)****Contaminated plastic packaging (Kg)****Waste allocation according to its type and treatment**

As the last step of the Waste Minimization Plan, all waste generated by Inditex is collected and managed by a legally authorised entity that will send the waste for recycling (in the case of alarms or paper), for composting or processing (wood, plastics), or it will be taken care of in an environmentally friendly way.

With respect to the recovery of products released on the market, it is not viable to evaluate the volume generated nor its management on a worldwide level, given that there is no collection system or specific management for textile materials.

The packaging materials released onto the market (cardboard and plastic bags, labels, protective elements) associated with the products marketed by Inditex, are appropriately managed by authorised agents. Inditex adheres to the available Integrated Management Systems for Packaging and Wrapping in every country it operates in. The commitment to these systems means that each Inditex chain pays a not-for-profit management agency whatever it costs to collect and manage the waste generated by the stores. This management agency is established with the recognition of the authorities of each country (in Spain, Ecoembes) to ensure that the waste generated by the stores is suitably collected, managed and recycled.

**Proportion of generated waste**

## Social indicators

### Code of Conduct Compliance Programme

#### PHASE III: MANUFACTURER AUDITS

#### 2011 Audits

Auditing firm	SA 8000 Accreditation	Auditing firm	Starting	Follow-up	Special (*)	Total
External audits			660	165	873	1,698
SGS Group	Yes		274	64	161	499
		China	52			52
		Morocco	24	42		66
		Turkey	156	21		177
		Brazil	37	1	104	142
		Spain	5			5
		Argentina			57	57
Intertek Group.	Yes		335	90	104	529
		China	101	19		120
		India	32	4		36
		Romania	8			8
		Albania	1			1
		Bulgaria	6			6
		Pakistan	18	2		20
		Italy	7			7
		Bangladesh	19			19
		Brazil	30	13		43
		Tunisia	18	4		22
		Egypt	8	5		13
		Thailand	1	2		3
		Indonesia	4	12		16
		Vietnam	31	14		45
		Mexico	9	1		10
		Sri Lanka	2			2
		Argentina	3		30	33

Auditing firm	SA 8000 Accreditation	Auditing firm	Starting	Follow-up	Special (*)	Total
		Philippines	2			2
		Madagascar	1			1
		Cambodia	3	1		4
		Morocco	30	13		43
		South Korea	1			1
		Turkey			74	74
UCP	No		51	11		62
		Spain		4		4
		Portugal	51	7		58
Bureau Veritas	Yes				18	18
		Argentina			18	18
PWC	No				50	50
		Argentina			50	50
APCER	Yes				20	20
		Brazil			20	20
KPMG	No				520	520
		India			520	520
Internal audits			158	102	421	681
		Bangladesh	69	25		94
		China	2	1		3
		Spain	6	2		8
		India	79	72	156	307
		Morocco	1			1
		Mexico	1			1
		Turkey		2		2
		Mexico			31	31
		Brazil			234	234
<b>TOTAL</b>			<b>818</b>	<b>267</b>	<b>1294</b>	<b>2379</b>

(\*) Included in this epigraph are audits for pre-assessment, of process (e.g prevention sandblasting), competence visits and other requirements.

## PHASE IV: SUPPLIER RATING

## Ratio and production volume of suppliers active as of 31/01/2012

	2011		2010		2011	2010
	No. of suppliers	% suppliers	No. of suppliers	% suppliers	% units	% units
A	573	40.99%	531	39.72%	26.61%	26.15%
B	501	35.84%	447	33.43%	62.22%	58.77%
C	183	13.09%	179	13.39%	6.86%	8.30%
D	107	7.56%	146	10.92%	3.16%	4.91%
PR	34	2.43%	34	2.54%	1.16%	1.86%
<b>Total</b>	<b>1,398</b>	<b>100.00%</b>	<b>1,337</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Ratio and production volume of suppliers active as of 31/01/2012 by geographic area

	2011		2010		2011	2010
<b>Africa</b>	No. of suppliers	% suppliers	No. of suppliers	% suppliers	% units	% units
A	86	70.49%	75	63.56%	67.59%	56.57%
B	22	18.03%	24	20.34%	20.94%	23.81%
C	4	3.28%	3	2.54%	2.07%	0.63%
D	8	6.56%	12	10.17%	2.31%	5.24%
PR	2	1.64%	4	3.39%	7.08%	13.75%
<b>Total</b>	<b>122</b>	<b>100.00%</b>	<b>118</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100%</b>

<b>America</b>	No. of suppliers	% suppliers	No. of suppliers	% suppliers	% units	% units
A	47	73.44%	49	77.78%	37.80%	54.76%
B	14	21.88%	6	9.52%	61.09%	40.95%
C	2	3.13%	6	9.52%	0.91%	2.84%
D	-	-	-	-	-	-
PR	1	1.56%	2	3.17%	0.21%	1.44%
<b>Total</b>	<b>64</b>	<b>100.00%</b>	<b>63</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100%</b>

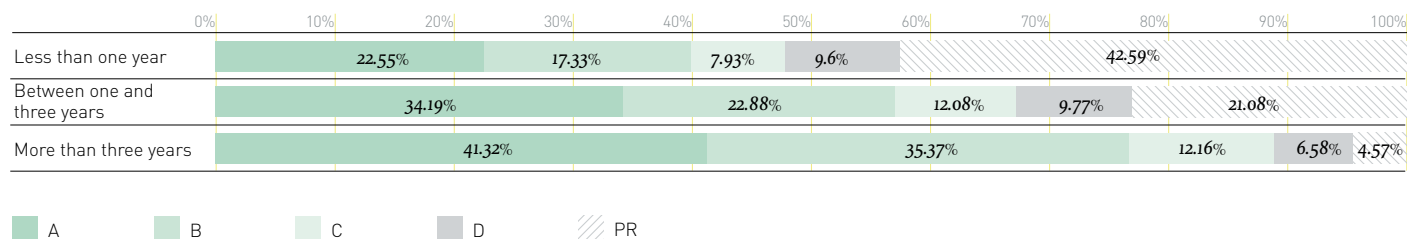
<b>Asia</b>	No. of suppliers	% suppliers	No. of suppliers	% suppliers	% units	% units
A	166	26.56%	149	24.87%	24.10%	23.05%
B	230	36.80%	198	33.06%	58.90%	53.42%
C	144	23.04%	129	21.54%	11.26%	16.16%
D	69	11.04%	102	17.03%	4.55%	6.54%
PR	16	2.56%	21	3.51%	1.19%	0.83%
<b>Total</b>	<b>625</b>	<b>100.00%</b>	<b>599</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100%</b>

	2011		2010		2011	2010
<b>EU</b>	No. of suppliers	% suppliers	No. of suppliers	% suppliers	% units	% units
A	241	52.74%	233	50.98%	27.12%	26.57%
B	161	35.23%	163	35.51%	68.58%	64.30%
C	24	5.25%	27	5.88%	2.90%	5.20%
D	21	4.59%	28	6.10%	0.98%	0.89%
PR	10	2.19%	7	1.53%	0.42%	3.03%
<b>Total</b>	<b>457</b>	<b>100.00%</b>	<b>458</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100%</b>

<b>Non-EU Europe</b>	No. of suppliers	% suppliers	No. of suppliers	% suppliers	% units	% units
A	33	25.38%	25	25.77%	13.81%	18.50%
B	74	56.92%	56	57.73%	79.42%	74.97%
C	9	6.93%	14	12.38%	2.48%	5.70%
D	9	6.92%	4	4.12%	4.10%	0.83%
PR	5	3.85%	-	-	0.19%	-
<b>Total</b>	<b>130</b>	<b>100.00%</b>	<b>99</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100%</b>

## PHASE V: CORRECTION ACTION PLAN

**Classification of the suppliers according to the years of commercial relations with Inditex**

## Cluster programme

	2011	2010
<b>Portugal</b>		
Number of suppliers	147	124
Number of manufacturers	291	225
Workers who make up the staff of manufacturers that work for Inditex in Portugal	15,678	16,129
<b>Turkey</b>		
Number of suppliers	129	98
Number of manufacturers	251	235
Workers who make up the staff of manufacturers that work for Inditex in Turkey	48,130	49,955
<b>India</b>		
Number of suppliers	114	133
Number of manufacturers	174	166
Workers who make up the staff of manufacturers that work for Inditex in India	51,602	55,158
<b>Brazil</b>		
Number of suppliers	69	-
Number of manufacturers	232	-
Workers who make up the staff of manufacturers that work for Inditex in Brazil	10,975	-
<b>Bangladesh</b>		
Number of suppliers	84	60
Number of manufacturers	150	143
Workers who make up the staff of manufacturers that work for Inditex in Bangladesh	223,540	194,258
<b>Morocco</b>		
Number of suppliers	104	103
Number of manufacturers	158	153
Workers who make up the staff of manufacturers that work for Inditex in Morocco	48,088	41,742
<b>China</b>		
Number of suppliers	248	-
Number of manufacturers	761	-
Workers who make up the staff of manufacturers that work for Inditex in China	166,118	-



## Data for&from

### for&from Tempe Allariz (Ourense)

Sales	121,581
Area of the store (in m <sup>2</sup> )	65
Sales by m <sup>2</sup>	1,870
Number of workers	5

### for&from Tempe Elche (Alicante)

Sales	451,100
Area of the store (in m <sup>2</sup> )	367
Sales by m <sup>2</sup>	1,229
Number of workers	8

### for&from Massimo Dutti Allariz (Ourense)

Sales	701,638
Area of the store (in m <sup>2</sup> )	120
Sales by m <sup>2</sup>	5,847
Number of workers	9

### for&from Massimo Dutti (Palafolls)

Sales	903,519
Area of the store (in m <sup>2</sup> )	140
Sales by m <sup>2</sup>	6,454
Number of workers	9

### for&from Bershka (Palafolls)

Sales	399,137
Area of the store (in m <sup>2</sup> )	80
Sales by m <sup>2</sup>	4,989
Number of workers	6

## Social investment consolidated by year and project (Figures in euros)

Project Type	Collaborating organisation		2011	2010
Community development	Entreculturas Foundation:	Argentina	232,285	208,334
		Brazil	241,577	216,667
		Peru	353,075	316,668
		Venezuela	262,991	227,063
		Chile	111,497	100,000
		Colombia	173,705	
		Latin American regional project	-	164,603
		Uruguay	55,748	50,000
		Mexico	303,403	267,179
		Other costs that can be imputed to the projects	-	178,830
	Caritas International	Cambodia	300,000	-
		Bangladesh	500,000	-
	New Light	India	30,000	-
	Carolina Foundation		137,592	137,592
Total community development			2,701,873	1,866,936
Monitoring programmes				
	JRS International	Sudan	361,508	348,750
		Burundi	370,701	323,958
		Central African Republic	366,466	329,083
		South Africa	375,658	310,042
		Other costs that can be imputed to the projects	-	162,500
	JRS LAC	Colombia, Ecuador, Panama, Venezuela	333,334	333,333
	MSF	India	500,000	500,000
		Morocco	300,000	300,000
		Somalia	700,000	700,000
		Total monitoring programmes		
Network of universities			715,509	1,209,762
Sponsorship and patronage	Culture		419,975	1,215,145
	Sport		226,667	160,197
	Training		546,537	380,282
	Business promotion		116,978	105,991
	Health		167,180	478,938
	Social assistance		2,037,086	2,569,112
	Total sponsorship			3,514,423
Job creation programmes	Caritas Spain		1,000,000	-
Total (*)			11,239,472	11,294,029
Emergencies	Colombia Earthquake		-	74,178
	MSF Ethiopia		1,000,000	-
	Japanese Red Cross		1,000,000	-
	MSF Emergency Unit		300,000	-
	Total emergencies (**)			2,300,000
TOTAL			13,539,472	11,368,207

(\*) This sum corresponds to recurring social investment, and excludes investment targeting emergency programmes. This is so that comparisons between fiscal years can be done.

(\*\*) Given the non-recurrent nature of the social investment linked to emergencies, its comparative evolution is offered independently.

## Company cash flow

(millions of Euros)	2011 Financial Year	2010 Financial Year
Net cash received for sale of products and services	13,793	12,527
Cash flow received from financial investments	30	21
Cash received for sales of assets	0	0
<b>Total value-added cash flow</b>	<b>13,823</b>	<b>12,548</b>
<b>Distribution of value-added cash flow</b>		
Employee wages	2,234	2,009
Dividends paid out to shareholders	1,004	751
Tax payments	693	508
Financial debt return	37	67
Corporate social investment	14	11
Cash withheld for future growth	19	984
External payments made outside the group for purchasing goods, raw materials and services	8,473	7,463
Payments made for investments in new productive assets	1,349	754
<b>Total distribution of value-added cash flow</b>	<b>13,823</b>	<b>12,548</b>

## 2012 Goals

<b>Suppliers</b>	<ul style="list-style-type: none"> <li>-Consolidation of the new pre-assessment program</li> <li>-Preparing a procedures manual for clusters</li> <li>-Implementing new technology for the assessment of external manufacturers and workshops. Reducing the number of D and PR classified suppliers</li> <li>-Keeping the number of initial audits, 20% increase of monitoring audits and consolidation of special audits</li> <li>-Increasing the collaboration with stakeholders in implementing corrective action plans</li> <li>-Increasing the number of training and awareness-raising programs for suppliers on the "Clear to Wear" and "Safe to Wear" health and safety standards.</li> <li>-Performance of technical and monitoring audits in textile, dying, printing workshops and launderettes</li> <li>-Design of manuals on best practices to help suppliers in health and safety of the product issues</li> <li>-Drafting risks identification guidelines about health and safety of the product issues for suppliers</li> <li>-Increasing participation in dialogue platforms associated with the supply chain</li> <li>-Promoting enforcement of the Framework Agreement entered into with ITGLWF</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>-Implementing Inditex's CTW and STW Reasonable &amp; Responsible Testing Program within the supply chain</li> <li>-Active participation in debate forum and committees regarding the implementation of health and safety of the product policies.</li> <li>-Promoting cooperation programs to reinforce the supply chain</li> <li>-Ongoing update of the health and Safety standards</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>-Extending the scope of social investment programs in key countries in terms of the supply chain</li> <li>-Sizing the "for&amp;from" program with the launching of new stores</li> <li>-Promoting gifts in kind for charity purposes</li> <li>-Promoting employment schemes for vulnerable groups</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>-Team consolidation in clusters in Turkey, China and Morocco</li> <li>-Consolidation of health and safety of the product teams</li> <li>-Developing specific training schemes for teams of buyers regarding health and safety of the product issues.</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>-Consolidating Inditex's rating in Dow Jones Sustainability and FTSE4Good indexes</li> </ul>

# Verification of the audit of Global Reporting Initiative Indicators



## INDEPENDENT VERIFICATION REPORT

### 1. SCOPE

SGS ICS Ibérica, S.A. (hereinafter, SGS) has carried out, at the request of INDITEX, S. A. (hereinafter, INDITEX), the Independent Verification of the information relating to practices regarding Human, Social and Environmental Resources corresponding to the financial year ending on 31<sup>st</sup> January 2012 and contained in the Annual Report 2011 (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 (G3) of *Global Reporting Initiative (GRI)* (hereinafter, the Guide) and the principles set down in the standard AA1000 *Accountability Principles Standard 2008 of Accountability* (AA1000APS).

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 financial year ending on 31<sup>st</sup> January 2012.
- 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.
- The comparison of the data and the conclusions that are listed in the Economic Dimension of the Report are in accordance with those others revealed in the INDITEX Consolidated Annual Accounts, corresponding to the financial year ending on 31<sup>st</sup> January 2012, which were audited by KPMG Auditores, S.L.

### 4. TEAM

The SGS team responsible for the Independent Verification was made up of:

- Ms. Carlota Abalo Sinde.
- Ms. Laura López Sanjurjo.



## INDEPENDENT VERIFICATION REPORT

### 5. AREAS OF IMPROVEMENT

We have additionally presented our recommendations relating to the areas of improvement to the Management of Inditex so as to consolidate the processes, programmes and systems linked with the management of the GRI Indicators. The most relevant recommendations refer to:

- Improving the reporting system of data by extending the scope to any information currently not available within the Human Resources area for certain brands and countries.
- Improving the system to gather GRI indicators every year.

### 6. STRONG POINTS

- The structure and organization of the Report has improved, as it has been prepared considering the main stakeholders.
- With regard to the Corporate Responsibility annual report for fiscal year 2010, the section on human resources and training has been reinforced.

### 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 Guide.
- The conclusions which are derived from the tests carried out, with the scope described in sections 1 and 3 above, have not discovered any significant errors.
- The "Level of Application *GRI*" declared by INDITEX (A+) 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.

7<sup>th</sup> JUNE 2012

Carlota Abalo Sinde

# Global Reporting Initiative Indicators



In December 2011 Inditex signed on to the Integrated Reporting Pilot Programme. The organisation is made up of different groups of entities involved in rendering accounts in order to create a common framework of integrated reporting.

Transparency being the pillar of its relationship with the society, Inditex has followed since the publication of its first Sustainability Report back in 2002 the G3 guidelines of Global Reporting Initiative. In addition to the main indicators of the G3 guidelines, specific indicators for the textile and footwear sector have been added, in whose drafting Inditex has taken part, and they are identified as follows:

#### Specific indicator for the sector

##### ■ Specific comment of the indicator for the sector

In order to define the most relevant contents of this Sustainability Report, Inditex has carried out an internal deliberation process based upon the results achieved through the direct dialogue with its stakeholders; the participation in venues within the industry; the identification of sustainability challenges within the sector, etc.. Therefore, the preparation process of this report renders it easier to meet the principles set by GRI to define the contents thereof.

GRI further requires that the reporting organisation would apply the following principles regarding quality of information:

- Balance: This report addresses both positive and negative issues regarding the performance of the organization, which allows a reasonable assessment by its stakeholders of the general performance of the company

- Comparability: Information disclosed in the report has been consolidated and reported in a consistent and comparable manner. Stakeholders are thus offered the chance to review the evolution of the performance of the organisation and compare it with the previous reports or with other companies within the sector. The report also records any significant change in the scope or calculation methodology used.

- Accuracy: Inditex considers that the information provided shows the level of detail required to meet the expectations of its stakeholders.

- Timeliness: The report is disclosed every year together with the publication of the legal documentation of the Group

- Clarity: The Group works continuously with the goal of disclosing the information with clarity and meeting the expectations of its stakeholders, by avoiding the use of too technical terminology, by providing

explanations where it is deemed more appropriate, and by contextualising the information provided.

- Reliability: The 2011 Annual Report has been verified by SGS, according to ISO 19011.

Likewise, a range of eleven relevant indicators have been reviewed by KPMG pursuant to ISAE 3000 Standard. These indicators have been picked out based upon a risks review procedure, which has enabled to identify the most relevant issues for the stakeholders, also considering the information available on the Report.

## The global compact's principles

Inditex has adhered to United Nations Global Compact. In the GRI index of this Report, which also serves as Report on Progress, the different parts of the document linked to each of the Global Compact Principles are covered.

**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.

## 1. Strategy and analysis

1.1 Statement from the most senior decision-maker of the organization.	6 Letter from the Chairman
1.2 Description of key impacts, risks, and opportunities.	10 A look back over 2011 16-17 198 System for control of risks

## 2. Organizational profile

2.1 Name of the organization.	12, 115
2.2 Primary brands, products, and/or services.	22 Retail formats 27 Zara 29 Pull&Bear 31 Massimo Dutti 33 Bershka 35 Stradivarius 37 Oysho 39 Zara Home 41 Uterqüe
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	146 Composition of the Inditex Group
2.4 Location of organization's headquarters.	115
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	20-21, 163-164
2.6 Nature of ownership and legal form.	169 Ownership structure
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	20-21, 163-164
2.8 Scale of the reporting organization.	16, 260
2.9 Significant changes during the reporting period regarding size, structure, or ownership.	16, 114 153 Performance in FY2011
2.10 Awards received in the reporting period.	18-19, 78

## 3. Report parameters

### Report profile

3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	115
3.2 Date of most recent previous report (if any).	2010
3.3 Reporting cycle (annual, biennial, etc.)	115
3.4 Contact point for questions regarding the report or its contents.	296

### Report scope and boundary

3.5 Process for defining report content.	257, 282
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	20-21, 115, 163-164
3.7 State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Based on the report boundary indicated in section 3.6, Inditex believes that the Annual Report gives a reasonable and balanced account of the Group's economic, environmental and social performance. In respect of information presented for a different time horizon or covering a different entity vis-à-vis the declared boundary, scope and time period, the scope limitations are disclosed alongside the indicator in question.
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	114, 139 Basis of consolidation 146 Composition of the Inditex Group
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	140 Accounting principles 258, 259 Environmental indicators 272 Social indicators

## GRI G3 INDICATORS

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- |      |  |  |
|------|--|--|
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, measurement methods). | No significant changes have occurred that have led to a redrafting of the information. |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.  | 114,<br>153 Performance in FY2011  |

## GRI content index

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| 3.12 | Table identifying the location of the Standard Disclosures in the report. | 284 |
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## Assurance

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| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | 109 Auditor's Report on the Consolidated Annual Accounts<br>188-189, 247-248<br>280 Independent verification report |
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## 4. Governance, commitments and engagement

## Governance

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|------|--|---|
| 4.1  | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.   | 172-173   |
| 4.2  | Indicate whether the Chair of the highest governance body is also an executive officer.  | 175 Powers delegated to the Managing Director   |
| 4.3  | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.   | 173 Members of the Board and their different categories<br><a href="http://www.inditex.es/en/who_we_are/board_members/">http://www.inditex.es/en/who_we_are/board_members/</a>  |
| 4.4  | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.  | 103-104<br>106 Inditex corporate governance<br>169, 191, 232  |
| 4.5  | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).  | 181-182, 195, 211   |
| 4.6  | Processes in place for the highest governance body to ensure conflicts of interest are avoided.  | 195 Related-party transactions<br>198 System for control of risks   |
| 4.7  | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.  | 183-184   |
| 4.8  | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.   | 6 Letter from the Chairman<br>8-9<br>14 Code of Conduct for External Manufacturers and Suppliers:<br><a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/</a><br>169 Code of Conduct of the Inditex Group: <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_interna/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_interna/</a><br>Sustainability strategic plan of the Inditex Group: <a href="http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/">http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/</a><br>259 Environmental Strategic Plan:<br>Inditex's environmental policy: <a href="http://www.inditex.es/en/corporate_responsibility/environmental/policy/">http://www.inditex.es/en/corporate_responsibility/environmental/policy/</a><br>Corporate social responsibility: <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/">http://www.inditex.es/en/corporate_responsibility/social_dimension/</a><br>Values, policies, standards and codes of Inditex are an integral part of daily management within the Group. |
| 4.9  | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | 106, 198 System for control of risks  |
| 4.10 | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.  | 183-184   |

## Commitments to external initiatives

- |      |  |                                 |
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| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization. | 198 System for control of risks |
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- |      |  |  |
|------|--|--|
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.  | 14 ,45-46<br>55-56, 61, 62 Framework Agreement between Inditex and the ITGLWF,<br>65, 95<br>90 Monitoring programmes |
| 4.13 | Memberships in associations [such as industry associations] and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic. | 45, 55-56, 61, 62 Framework Agreement between Inditex and the ITGLWF,<br>65, 280                                     |

## Stakeholder engagement

- |      |   |  |
|------|---|--|
| 4.14 | List of stakeholder groups engaged by the organization.   | 42 Customers<br>54 Suppliers<br>70 Employees<br>84 Community<br>100 Shareholders   |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage.   | 257<br>Inditex conducts detailed analysis of its stakeholders in order to identify the impact its activities have on them and designs its strategy with a view to making its processes sustainable.  |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.   | 44, 64, 71, 86-87, 104-105<br>In determining materiality, Inditex uses the results of the materiality analysis performed by its Social Council for the purpose of developing both sustainability strategy and preparing the Annual Report. |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. | 257  |

## 5. Management approach and performance indicators

### Supply chain

#### CODE OF CONDUCT

- |     |                                       |   |
|-----|---------------------------------------|---|
| AF1 | Code of conduct content and coverage. | 55, 56 The monitoring and improvement of the supply chain<br>59, 62 |
|-----|---------------------------------------|---|

#### AUDIT PROCESS

- |     |   |  |
|-----|---|--|
| AF2 | Parties and personnel engaged in code of conduct compliance function. | 56 The monitoring and improvement of the supply chain<br>64 Clusters of suppliers<br>272-273         |
| AF3 | Compliance audit process.   | 44, 56 The monitoring and improvement of the supply chain<br>59, 64 Clusters of suppliers<br>272-273 |

#### NON-COMPLIANCE FINDINGS

58, 60, 258, 274-275

#### GRIEVANCE PROCEDURES

- |     |  |  |
|-----|--|--|
| AF4 | Policy and procedures for receiving, investigating, and responding to grievances and complaints. | 66-67, 68 Brazil Project<br>107 Code of Conduct<br>Inditex's Code of Conduct for External Manufacturers and Suppliers establishes the rights to which all supply chain workers are entitled and can be downloaded from Inditex's website.<br><a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/</a> |
|-----|--|--|

#### CAPACITY BUILDING

- |     |   |   |
|-----|---|---|
| AF5 | Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance. | 44, 59 Monitoring programmes, Protocol for the Prevention of Child Labour<br>60-61, 64-65<br>258 Inditex provides its employees with sustainability-specific training courses. Inditex's Environmental Strategy also engages the Group's suppliers which must incorporate environmental considerations into their work processes. |
|-----|---|---|

#### BUSINESS INTEGRATION

- |     |   |  |
|-----|---|--|
| AF6 | Policies for supplier selection, management, and termination. | 55, 58-59<br>Inditex's Code of Conduct for External Manufacturers and Suppliers stipulates the standards and requirements to which suppliers looking to form part of Inditex's supply chain are bound. This Code can be downloaded from Inditex's website at:<br><a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/</a> |
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## Economic dimension

### Economic performance

43, 77, 127-128  
129 Income tax,  
136, 137 Remuneration of the board of directors and transactions with related parties

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**Market presence**20-21, 64-65  
163-164  
272-273**Indirect economic impacts**64-65  
88 Community development programmes  
90 Monitoring programmes  
92 Emergency programmes**Environmental performance indicators****Materials**

45, 47-48

**AF18** Programs to replace organic-based adhesives and primers with water-based adhesives and primers.

44

**AF19** Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems.

44

**Energy**46 Clean logistical distribution  
48 Eco-efficient stores  
259, 260 Energy consumption**Water**48 Eco-efficient stores  
259, 269**Biodiversity**

95, 259

The Annual Report does not disclose the biodiversity indicators due to the result of the materiality analysis in respect of Inditex's activities and markets (and/or habitats) in which it pursues its business model.

**Emissions, effluents and waste**48, 95, 259, 262 Greenhouse gas emissions of the Inditex Group  
264 Other atmospheric emissions, 266 Generation and waste management  
269  
[http://www.inditex.es/en/corporate\\_responsibility/environmental/strategic\\_plan/](http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/)**Products and services**

44-45

**Compliance**61  
Environmental strategy of the Inditex Group:  
[http://www.inditex.es/en/corporate\\_responsibility/environmental/policy/](http://www.inditex.es/en/corporate_responsibility/environmental/policy/)**Transport**46  
263 GHG emissions - Scope3  
265 GHG emissions by transport used  
[http://www.inditex.es/en/corporate\\_responsibility/environmental/strategic\\_plan/](http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/)**Overall**95, 259 Environmental Strategic Plan and Environmental indicators  
Inditex's environmental policy:  
[http://www.inditex.es/en/corporate\\_responsibility/environmental/policy/](http://www.inditex.es/en/corporate_responsibility/environmental/policy/)  
[http://www.inditex.es/en/corporate\\_responsibility/environmental/strategic\\_plan/](http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/)**Social-labour practices and decent work****EMPLOYMENT****AF22** Policy and practices regarding the use of employees with non-permanent and non-fulltime status.

76, 78, 80-81

**AF23** Policy regarding the use of home working.

78-79

**AF24** Policy on the use and selection of labor brokers, including adherence to relevant ILO Conventions.

N/A

Inditex analyses and monitors compliance with its Sustainability Strategy by suppliers of finished products which it subsequently distributes by means of its Code of Conduct for External Manufacturers and Suppliers Compliance Programme (indicators tracking manufacturing activity do not directly apply).

**WAGES AND HOURS****AF25** Policy and practices on wage deductions that are not mandated by law.

N/A

Inditex does not apply wage deductions that are not mandated by law.

**AF26** Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime.

78

**Labor/management relations**

71, 77-78

**Occupational health and safety**

79

**Training and education**

75-76

**Diversity and equal opportunity**

77

<b>AF27</b>	<b>Policy and actions to protect the pregnancy and maternity rights of women workers.</b>	Building on the effort initiated in 2010, in the course of 2011 Inditex signed equality plans at the Stradivarius and Pull&Bear logistics centres. These plans, as with those signed in 2010, include initiatives designed to protect workers' rights during pregnancy/maternity leave, among others issues. For more information, please see the 2010 Annual Report.
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## Social-human rights dimension

<b>Investment and procurement practices</b>	56 The monitoring and improvement of the supply chain 272-273
<b>Non-discrimination</b>	55, 60, 64-65, 82
<b>Freedom of association and collective bargaining</b>	55, 59-60 62 Framework Agreement between Inditex and the ITGLWF 64 Clusters of suppliers
<b>Child labor</b>	59-60
<b>Forced and compulsory labor</b>	55, 59-60
<b>Security practices</b>	The Group's security personnel are all outsourced; they are hired through external companies in all its operating markets. However, Inditex sees that all its employees, whether in-house and sub-contracted, comply with its Internal Code of Conduct, which can be downloaded from the corporate website at <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_interna/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_interna/</a>
<b>Indigenous rights</b>	N/A  Inditex's activities do not have significant impacts on indigenous communities.

## Social-society dimension

<b>Community</b>	85,88 Community development programmes 90 Monitoring programmes 92 Emergency programmes 94 Network of universities 96 Sponsorship and patronage
<b>Corruption</b>	The Inditex Group's Internal Code of Conduct, Code of Conduct for External Manufacturers and Suppliers and Internal Directive on Responsible Staff Practices cover the prevention of corruption in all its manifestations. These codes and protocols can be downloaded from the corporate website: <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/">http://www.inditex.es/en/corporate_responsibility/social_dimension/</a>
<b>Public policy</b>	55, 62-63, 65
<b>Anti-competitive behavior</b>	No material  There are no monopoly practices or other forms of anti-competitive behaviour in Inditex's business sector.
<b>Compliance</b>	The Group's Internal Directive on Responsible Staff Practices includes a dedicated section on compliance with the law which also covers how to proceed in the event of receiving notification of any manner of fine or penalty. This directive can be downloaded from the corporate website: <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/directriz_interna/">http://www.inditex.es/en/corporate_responsibility/social_dimension/directriz_interna/</a>

## Social-product responsibility dimension

<b>Customer health and safety</b>	44, 57
<b>Product and service labelling</b>	43-44
<b>Marketing communications</b>	43
<b>Customer privacy</b>	Inditex complies with prevailing legislation in respect of customer data protection matters.
<b>Compliance</b>	44, 57

## Performance indicators

### Financial performance indicators

#### Supply chain

##### CODE OF CONDUCT

<b>AF7</b>	<b>Number and location of workplaces covered by code of conduct.</b>	55 The Code of Conduct for External Manufacturers and Suppliers applies to 100% of Inditex's suppliers and external workshops.
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## GRI G3 INDICATORS

## PAGE NUMBER OR ANSWER PROVIDED

AUDIT PROCESS		
AF8	Number of audits conducted and percentage of workplaces audited.	57, 272-273 The Group keeps track of the number of first line suppliers and manufacturers and the number of audits undertaken during the year. Under the umbrella of its clusters programme, the Group also carries out data mining in order to monitor second and successive lines of production.
NON-COMPLIANCE FINDINGS		
AF9	Incidents of non-compliance with legal requirements or collective bargaining agreements on wages.	60, 64 Clusters of suppliers 272-273
AF10	Incidents of non-compliance with overtime standards.	60
AF11	Incidents of non-compliance with standards on pregnancy and maternity rights.	60
AF12	Incidents of the use of child labor.	59-60 64 Clusters of suppliers
AF13	Incidents of noncompliance with standards on gender discrimination.	60
AF14	Incidents of non-compliance with code of conduct.	60
AF15	Analysis of data from code compliance audits.	59, 64 Clusters of suppliers
REMEDATION		
AF16	Remediation practices to address non-compliance findings.	59 Application of corrective action plans 63 Cambodia 66 India 68 Brazil
BUSINESS INTEGRATION		
AF17	Actions to identify and mitigate business practices that affect code compliance.	59-60 62 Framework Agreement between Inditex and the ITGLWF 64 Clusters of suppliers One of the jobs assigned to Inditex's CSR Department is to report the results of its social audits back to its internal buyers in order to raise self-awareness regarding their buyer practices and to foster rectification if warranted as a result of the audit findings.
ECONOMIC PERFORMANCE		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	278-279
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	<a href="http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/">http://www.inditex.es/en/corporate_responsibility/environmental/strategic_plan/</a> Although the Group's direct business does not have a significant impact on climate change, Inditex does pursue energy efficiency activities and initiatives in order to mitigate risks that are not specifically quantified.
EC3	Coverage of the organization's defined benefit plan obligations.	78, 127-128, 135
EC4	Significant financial assistance received from government.	129-130, 135 During the reporting period the Group did not receive significant financial assistance from governments in the form of subsidies, grants, royalty holidays or financial assistance from export credit agencies.
MARKET PRESENCE		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	57-58, 64-65 The external manufacturers and suppliers making the products sold by Inditex are located all over the world. The rest of its suppliers of goods and services, associated with store openings, are usually local suppliers located in the same country as the stores.  The proportion of spending on locally-based suppliers by country is tracked by Inditex but is not disclosed in the Annual Report as it is considered sensitive and confidential.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Inditex does not have a specific policy for granting preferences to local residents when hiring workers or senior management in its significant locations of operation. However, a sizeable percentage of its workforce qualifies as local, i.e. work in their home province.
INDIRECT ECONOMIC IMPACTS		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	88 Community development programmes 90 Monitoring programmes 92 Emergency programmes 120 Property, plant and equipment 278-279

## Environmental performance indicators

### MATERIALS

<b>EN1</b>	<b>Materials used by weight or volume.</b>	N/A  Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers.	<b>8</b>
<b>EN2</b>	<b>Percentage of materials used that are recycled input materials.</b>	47-48, 268-269	<b>8 and 9</b>
<b>AF20</b>	<b>List of environmentally preferable materials used in apparel and footwear products.</b>	N/A  Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers.	

### ENERGY

<b>EN3</b>	<b>Direct energy consumption by primary energy source.</b>	261	<b>8</b>
<b>EN4</b>	<b>Indirect energy consumption by primary source.</b>	260, 262  The indirect energy consumed consists of power taken from the grid. Its source depends on the various national energy mixes over which Inditex has no control.	<b>8</b>
<b>AF21</b>	<b>Amount of energy consumed and percentage of the energy that is from renewable sources.</b>	260	
<b>EN5</b>	<b>Energy saved due to conservation and efficiency improvements.</b>	47, 48 Eco-efficient stores, 260, 262	<b>8 and 9</b>
<b>EN6</b>	<b>Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.</b>	47, 48 Eco-efficient stores	<b>8 and 9</b>

### WATER

<b>EN8</b>	<b>Total water withdrawal by source.</b>	269	<b>8</b>
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### BIODIVERSITY

<b>EN11</b>	<b>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</b>	N/A  The sites owned by Inditex are neither adjacent to nor located within protected areas or areas of high biodiversity value, so that its activities do not have significant impacts on biodiversity.	<b>8</b>
<b>EN12</b>	<b>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</b>	N/A  The sites owned by Inditex are neither adjacent to nor located within protected areas or areas of high biodiversity value, so that its activities do not have significant impacts on biodiversity.	<b>8</b>

### EMISSIONS, EFFLUENTS AND WASTE

<b>EN16</b>	<b>Total direct and indirect greenhouse gas emissions by weight.</b>	258-259, 262 Greenhouse gas emissions (GHG)	<b>8</b>
<b>EN17</b>	<b>Other relevant indirect greenhouse gas emissions by weight.</b>	262 Greenhouse gas emissions (GHG)	<b>8</b>
<b>EN18</b>	<b>Initiatives to reduce greenhouse gas emissions and reductions achieved.</b>	47, 48 Eco-efficient stores, 258, 259 <a href="http://www.inditex.com/en/corporate_responsibility/environmental/strategic_plan/">http://www.inditex.com/en/corporate_responsibility/environmental/strategic_plan/</a>	<b>7, 8 and 9</b>
<b>EN19</b>	<b>Emissions of ozone-depleting substances by weight.</b>	There are plans to replace air conditioning units in existing stores with more efficient Class A units in order to ensure the non-emission of ozone-depleting substances.	
<b>EN20</b>	<b>NOx, SOx, and other significant air emissions by type and weight.</b>	264-265  Inditex reports SOx, NOx and carbon emissions. The rest of the emissions contemplated in this indicator are not tracked since Inditex's core business is to distribute fashion items. The emission of particles deriving from transportation is generated by transportation carriers and not by Inditex.	<b>8</b>
<b>EN21</b>	<b>Total water discharge by quality and destination.</b>	269	<b>8</b>
<b>EN22</b>	<b>Total weight of waste by type and disposal method. For footwear total chromium discharges.</b>	266, 268 Annual generation of urban or similar waste, 270-271 None of the waste generated is disposed of by deep well injection or stored on site.	<b>8</b>
<b>EN23</b>	<b>For Apparel: Report on the discharge of antimony, arsenic, cadmium, chromium, cobalt, copper, cyanide, lead, mercury, nickel, and zinc.</b>	There were no significant spills during the reporting period.	<b>8</b>

## GRI G3 INDICATORS

## PAGE NUMBER OR ANSWER PROVIDED

## PRODUCTS AND SERVICES

<b>EN26</b>	<b>Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. The use of recycled materials and the recyclability of products and packaging.</b>	Para consultar Iniciativas para mitigar el impacto: 45, 47-48, 61 Para consultar la mitigación del impacto: 260, 262 Greenhouse gas emissions (GHG) 264 Other atmospheric emissions 266 Generation and waste management 271	<b>7, 8 and 9</b>
<b>EN27</b>	<b>Percentage of products sold and their packaging materials that are reclaimed by category.</b>	266 The packaging materials placed on the market are recovered at the end of their useful lives for recycling by authorised waste handlers in the countries in which integrated waste packaging management systems exist. Inditex does not have a specific system for collecting and managing textile waste.	<b>8 and 9</b>

## COMPLIANCE

<b>EN28</b>	<b>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.</b>	Inditex did not receive notification of any significant fines or sanctions levied in 2011.	<b>8</b>
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## TRANSPORT

<b>EN29</b>	<b>Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.</b>	46-47, 263 GHG Emissions - Scope 3 The main environmental impact of transporting the company's goods is the energy consumed and the related emissions.  The direct impact of employee transportation is not deemed material in respect of the impact of transporting the company's goods, as 86.4% of Inditex's employees do not travel for professional purposes.	<b>8</b>
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## GENERAL

## Labour practices and decent work performance indicators

## EMPLOYMENT

<b>LA1</b>	<b>Total workforce by employment type, employment contract, and region.</b>	72-73, 78  Because of the nature of the company's business, it does not report on employment contracts as this indicator is not considered meaningful; in contrast, Inditex does exhaustively monitor the suppliers with which the organisation works.	
<b>LA2</b>	<b>Total number and rate of employee turnover by age group, gender, and region.</b>	72 Rate of new employee hires: 9.4%.  The total number and rate of new employee hires and employee turnover by age group, gender and region is not available at the time of reporting. Inditex plans to report this indicator in 2013.	<b>6</b>
<b>LA3</b>	<b>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.</b>	77-78 The Group provides the same benefits to temporary and part-time workers as it does to full-time workers.	

## LABOR/MANAGEMENT RELATIONS

<b>LA4</b>	<b>Percentage of employees covered by collective bargaining agreements.</b>	This indicator did not change significantly with respect to that reported in 2010.	<b>1 and 3</b>
<b>LA5</b>	<b>Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.</b>	The prevailing collective bargaining agreements do not include a minimum notice period for officially communicating significant operational changes at Inditex. However, whenever significant developments occur, they are duly announced with the notice period(s) provided for in prevailing labour law (article 41 of the Spanish Workers' Statute).	<b>3</b>
<b>AF29</b>	<b>Percentage of workplaces where there is one or more independent trade union(s)</b>	This indicator did not change significantly with respect to that reported in 2010.	
<b>AF30</b>	<b>Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.</b>	N/A  The Group does not participate in worker-management committees that do not have union representation.	

## OCCUPATIONAL HEALTH AND SAFETY

<b>LA7</b>	<b>Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. It includes health issues associated with reduced lung function due to dust. It includes risk assessments and preventative measures for accidents and injuries.</b>	Not available  Inditex is working on tracking this indicator at the date of closing this Annual Report. Inditex plans to report this indicator in 2013.	<b>1</b>
<b>AF31</b>	<b>Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders.</b>	79	

GRI G3 INDICATORS	PAGE NUMBER OR ANSWER PROVIDED	
<b>LA8</b> Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	75-76 As a general rule, the Group's employees are not involved in activities that present a significant incidence of, or risk of contracting, specific serious diseases.	<b>1</b>
<b>TRAINING AND EDUCATION</b>		
<b>LA10</b> Average hours of training per year per employee by employee category.	75  Inditex is working on developing the IT system needed to track this indicator at the date of closing this Annual Report. Inditex plans to report average hours of training per year by employee category in 2013.	
<b>LA11</b> Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	The average age of Inditex's employees is 26.5, which is why the Group does not foresee the need to develop programmes to assist employees in managing career endings in the near future.	
<b>LA12</b> Percentage of employees receiving regular performance and career development reviews.	76	
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>		
<b>LA13</b> Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	77, 173 Members of the Board and their different categories Inditex provides disclosures regarding the members of its Board of Directors in the Annual Corporate Governance Report it files with Spain's securities market regulator, the CNMV.  Inditex is working on tracking this indicator at the date of closing this Annual Report. Inditex plans to report the breakdown of its employees per employee category according to age in 2013.	<b>1 and 6</b>
<b>LA14</b> Ratio of basic salary of men to women by employee category.	Not available  Inditex is currently working on establishing the IT system needed to track this indicator. Inditex plans to report this indicator in 2014.	<b>1 and 6</b>
<b>AF32</b> Actions to address gender discrimination and to provide opportunities for the advancement of women workers.	77	

## Human rights performance indicators

<b>INVESTMENT AND PROCUREMENT PRACTICES</b>		
<b>HR1</b> Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	55, 60 272-273 All the Group's investments are carried out in accordance with the Internal Code of Conduct. Purchases from suppliers, meanwhile, are governed by Inditex's Code of Conduct for External Manufacturers and Suppliers, which is articulated around the principle of respect for basic human and labour rights. Both these codes can be downloaded from the corporate website: <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_fabricantes/</a>	<b>1, 2, 3, 4, 5 and 6</b>
<b>HR2</b> Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	57 59 Application of corrective action plans 63 Cambodia Project 66 India 68 Brazil 272-273 All of Inditex's suppliers are bound by the Code of Conduct for External Manufacturers and Suppliers Compliance Programme.	<b>1, 2, 3, 4, 5 and 6</b>
<b>HR3</b> Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not available  Inditex is working on developing the internal reporting systems needed to be able to report this indicator in 2013.	<b>1, 2, 3, 4, 5 and 6</b>
<b>NON-DISCRIMINATION</b>		
<b>HR4</b> Total number of incidents of discrimination and actions taken.	60,107 No incidents of discrimination among the Inditex Group's employees were reported in 2011	<b>1, 2 and 6</b>
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>		
<b>HR5</b> Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	55, 56 The monitoring and improvement of the supply chain 62 Framework Agreement between Inditex and the ITGLWF 64 Clusters of suppliers The programme for supervising the fulfilment of Inditex's Code of Conduct for External Manufacturers and Suppliers assesses delivery of workers' right to exercise freedom of association. The Code is applicable to all of the Group's operations and suppliers. The table provided on page 60 indicates the percentage compliance with the Code of Conduct among audited suppliers comprising Inditex's supplier chain in 2011.	<b>1, 2 and 3</b>

## GRI G3 INDICATORS

## PAGE NUMBER OR ANSWER PROVIDED

## CHILD LABOR

<b>HR6</b>	<b>Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.</b>	55, 56 The monitoring and improvement of the supply chain 59, 64 Clusters of suppliers The programme for supervising the fulfilment of Inditex's Code of Conduct for External Manufacturers and Suppliers assesses delivery of workers' basic labour rights, including the prohibition of child labour. The Code is applicable to all of the Group's operations and suppliers. The table provided on page 60 indicates the percentage compliance with the Code of Conduct among audited suppliers comprising Inditex's supplier chain in 2011.	<b>1, 2 and 5</b>
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## FORCED AND COMPULSORY LABOR

<b>HR7</b>	<b>Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.</b>	55, 56 The monitoring and improvement of the supply chain 64 Clusters of suppliers The programme for supervising the fulfilment of Inditex's Code of Conduct for External Manufacturers and Suppliers assesses delivery of workers' basic labour rights, including the prohibition and elimination of all forms of forced or compulsory labour. The Code is applicable to all of the Group's operations and suppliers. The table provided on page 60 indicates the percentage compliance with the Code of Conduct among audited suppliers comprising Inditex's supplier chain in 2011.	<b>1, 2 and 4</b>
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## Social performance indicators

## COMMUNITY

<b>SO1</b>	<b>Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.</b>	56 The monitoring and improvement of the supply chain 64 Clusters of suppliers 88 Community development programmes 90 Monitoring programmes 97 The Social Council Inditex's Environmental Strategic Plan <a href="http://www.inditex.es/en/corporate_responsibility/environmental/policy/">http://www.inditex.es/en/corporate_responsibility/environmental/policy/</a> The Community Development and Monitoring Programmes and the assessments of the Group's impacts on the environment and community are applicable to 100% of the Group's operations.	
<b>AF33</b>	<b>Priorities in community investment strategy.</b>	84 Community programmes 86 Social investment programmes 2011 88 Community development programmes 96 Sponsorship and patronage	
<b>AF34</b>	<b>Amount of investment in worker communities broken down by location.</b>	82, 86 Social investment programmes 2011 88 Community development programmes 92 Emergency programmes 94 Network of universities 96 Sponsorship and patronage 278-279	

## CORRUPTION

<b>SO2</b>	<b>Percentage and total number of business units analyzed for risks related to corruption.</b>	The Inditex Group's Internal Code of Conduct and Internal Directive on Responsible Staff Practices cover the prevention of corruption in all its manifestations. These standards are applicable to 100% of the Group's business units and can be downloaded from the corporate website at: <a href="http://www.inditex.es/es/responsabilidad_corporativa/social/codigo_conducta_interna">http://www.inditex.es/es/responsabilidad_corporativa/social/codigo_conducta_interna</a> <a href="http://www.inditex.es/es/responsabilidad_corporativa/social/directriz_interna">http://www.inditex.es/es/responsabilidad_corporativa/social/directriz_interna</a>	<b>10</b>
<b>SO3</b>	<b>Percentage of employees trained in organization's anti-corruption policies and procedures.</b>	The Inditex Group's Internal Code of Conduct and Directive on Responsible Staff Practices (applicable to 100% of the Group's employees) cover the prevention of corruption in all its manifestations and envisage the correct dissemination of both bodies of rules among all employees. Both documents can be downloaded from Inditex's website at: <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_interna/">http://www.inditex.es/en/corporate_responsibility/social_dimension/codigo_conducta_interna/</a> <a href="http://www.inditex.es/en/corporate_responsibility/social_dimension/directriz_interna/">http://www.inditex.es/en/corporate_responsibility/social_dimension/directriz_interna/</a>	<b>10</b>
<b>SO4</b>	<b>Actions taken in response to incidents of corruption.</b>	No incidents of corruption within the organisation were detected during the reporting period.	<b>10</b>

## PUBLIC POLICY

<b>SO5</b>	<b>Public policy positions and participation in public policy development and lobbying. Public policy position on the inclusion of labor and environmental protections in trade agreements and the degree to which lobbying positions integrate considerations about the potential effects on workers, communities, and organizations in the supply chain.</b>	55, 62-63, 65 There are no significant differences between Inditex's positions and public policy positions.	<b>1, 2, 3, 4, 5, 6, 7, 8, 9 and 10</b>
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## COMPLIANCE

<b>SO8</b>	<b>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</b>	Inditex did not receive notification of any significant fines or sanctions levied in 2011.	
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## Product responsibility performance indicators

### CUSTOMER HEALTH AND SAFETY

<b>PR1</b>	<b>Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.</b>	44 The Group's product health and safety standards are compulsory across the entire production chain. The methodology used by Inditex covers all product life cycle phases.	<b>1</b>
<b>PR2</b>	<b>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.</b>	No incidents of non-compliance with regulations concerning health and safety impacts of products were detected in 2011.	<b>1</b>

### PRODUCT AND SERVICE LABELLING

<b>PR3</b>	<b>Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.</b>	44-45, 61 The Group's product health and safety standards are compulsory across the entire production chain (100%). Inditex does not have a specific collection and management system for the elimination of textile waste.	<b>8</b>
<b>PR4</b>	<b>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.</b>	No incidents of non-compliance with regulations and voluntary codes concerning product information and labelling were detected in 2011.	<b>8</b>
<b>PR5</b>	<b>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</b>	51, 201	

### MARKETING COMMUNICATIONS

<b>PR6</b>	<b>Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.</b>	Programmes of this nature are not contemplated in this report due to the immaterial risk of fashion items becoming the subject of public debate or being banned in specific markets.	
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### COMPLIANCE

<b>PR9</b>	<b>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</b>	No significant fines for non-compliance with laws and regulations concerning the provision and use of products and services were levied on Inditex in 2011.	
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The **Annual Report 2011** provided information under the terms of the triple –economic, social and environmental– dimension.

The Annual Report 2011 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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