

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

We, the members of the Board of Directors of the company, do hereby state and represent that, to the best of our knowledge and belief, the annual consolidated accounts for fiscal year 2020 (1 February 2020 – 31 January 2021), stated by the Board of Directors in the meeting held on 9 March 2021, drafted pursuant to the applicable accounting principles, give the true and fair view of the assets, the financial situation and the results of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, and that the consolidated financial report includes a true review of the evolution and the corporate results, as well as of the position of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, together with the description of the main risks and uncertainties they face up to.

In Arteixo (A Coruña), on 9 March 2021.

Mr Pablo Isla Álvarez de Tejera  
Executive Chairman

Mr Amancio Ortega Gaona  
Ordinary Member

Mr José Arnau Sierra  
Deputy Chairman

Mr Carlos Crespo González  
CEO

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

Bns Denise Patricia Kingsmill  
Ordinary Member

Ms Pilar López Álvarez  
Ordinary Member

Ms Anne Lange  
Ordinary Member

Mr José Luis Durán Schulz  
Ordinary Member

Mr Rodrigo Echenique Gordillo  
Ordinary Member

Mr Emilio Saracho Rodríguez  
Torres  
Ordinary Member

# **INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS AS AT 31 JANUARY 2021**

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

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

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

### Report on the Consolidated Financial Statements

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#### Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2020").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2021, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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#### Basis for Opinion

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

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

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

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#### Key Audit Matters

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

## Measurement of leases

### Description

Most of the premises in which the Group's stores are located, as well as certain logistics centres and other assets, are leased (see Note 1).

The measurement of the leases in accordance with the regulation in force (IFRS 16) requires management to make judgements and estimates that have a significant effect on the measurement of the right-of-use assets and of the associated financial liabilities, the most critical of which are those related to the determination of the term of, and the discount rate applicable to, each lease.

In turn, the evolution of the Group's business model towards an integrated model has led to frequent renegotiation of the leases in search for greater flexibility, and this trend has accelerated following the appearance of the covid-19 pandemic, which has increased the volume of renegotiations and, therefore, the risk of misstatements in accounting for the agreed-upon modifications.

The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made lead us to consider this matter to be a key matter in our audit.

### Procedures applied in the audit

In response to this key matter, our audit included, among others, the following procedures:

- An evaluation of the design, implementation and operating effectiveness of the key controls established by the Group on the significant estimates such as the lease term and the discount rates.
- An evaluation of the reasonableness and consistency of the main assumptions used by management and the appropriateness thereof in relation to the applicable accounting framework.
- For a representative sample of leases, verification that the lease term considered and the discount rate used were appropriate to the characteristics of the lease.
- For a representative sample of rent concessions received as a consequence of the covid-19-related renegotiations, verification of the correct accounting in accordance with the regulation in force.
- An evaluation of whether the disclosures included in the notes to the consolidated financial statements were in conformity with the applicable regulatory framework.

The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.



## Measurement of inventories

### Description

The carrying amount of the Group's inventories was EUR 2,321 million at 31 January 2021, representing 8.8% of its total assets.

These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale.

The fast-moving nature of fashion, the effects that the covid-19 pandemic is having on the performance of inventories and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the recoverable amount of each SKU, together with the importance of the inventories balance, lead us to consider this matter to be a key matter in our audit.

### Procedures applied in the audit

In response to this key matter, our audit included, among others, the following procedures:

- An evaluation of the coherence of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2021 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year.
- An evaluation of the design, implementation and operating effectiveness of the key controls established by the Group in the inventory measurement process.
- An evaluation of the key estimates used by Group management to determine the net realisable value of the Group's inventories, and of the consistency thereof with Group policies and other available information, such as sales returns after the reporting date, the historical sales of similar seasons and future sales forecasts, considering the potential impacts that the covid-19 pandemic might have thereon.
- A recalculation of the recoverable amount of the Group's finished goods inventories, for which we involved our IT experts.
- An evaluation of whether the disclosures included in the notes to the consolidated financial statements were in conformity with the applicable regulatory framework.

The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

IT systems	
Description	Procedures applied in the audit
<p>The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof.</p> <p>In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.</p> <p>Also, the restrictions and measures established as a result of covid-19 have given rise to changes in the performance of various processes and an increase in remote working, which increase certain cybersecurity risks such as unauthorised access to the systems and the system configuration required to ensure adequate remote working.</p> <p>Due to their importance and the audit effort required, the knowledge, evaluation and validation of operating effectiveness of the general IT controls and of certain automatic controls over financial reporting including controls relating to software maintenance and development and systems security and operation, were considered to constitute a key matter in our audit.</p>	<p>In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:</p> <ul style="list-style-type: none"> <li>- Identification of relevant IT items and software in the financial information preparation process.</li> <li>- Obtainment of the required understanding of the IT systems involved in the financial information preparation process and evaluation of the level of internal control over the systems. Our understanding focused, among other aspects, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software.</li> <li>- An evaluation of the design, implementation and operating effectiveness of general IT controls relating to access control, management of changes and of operations and maintenance of the software we considered relevant.</li> <li>- An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain business cycles, such as sales, cost of sales and the accounting closing.</li> <li>- A review of the cybersecurity risk management model for the main IT systems and evaluation of the security measures and action plans in relation to the risks stemming from the remote working environment.</li> </ul> <p>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements.</p>

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### **Other Information: Consolidated Directors' Report**

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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



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

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

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

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

### **Report on Other Legal and Regulatory Requirements**

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#### **European Single Electronic Format**

We have examined the digital files in European Single Electronic Format (ESEF) of Industria de Diseño Textil, S.A. and its subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Industria de Diseño Textil, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

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

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 8 March 2021.

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### Engagement Period

The Parent's Annual General Meeting held on 14 July 2020 appointed us as auditors for a period of one year from the year ended 31 January 2020.

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

DELOITTE, S.L.

Registered in ROAC under no. S0692



Cleber H. Beretta Custodio

Registered in ROAC under no. 22.169

17 March 2021

## Appendix to our auditor's report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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



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

(Amounts in millions of euros)	(Notes)	2020	2019
Net sales	(3)	20,402	28,286
Cost of sales	(4)	(9,013)	(12,479)
<b>GROSS PROFIT</b>		<b>11,390</b>	<b>15,806</b>
		<i>55.8%</i>	<i>55.9%</i>
Operating expenses	(5)	(6,807)	(8,176)
Other losses and income, net	(6)	(31)	(33)
<b>GROSS OPERATING PROFIT (EBITDA)</b>		<b>4,552</b>	<b>7,598</b>
Amortisation and depreciation	(7)	(3,045)	(2,826)
<b>NET OPERATING PROFIT (EBIT)</b>		<b>1,507</b>	<b>4,772</b>
Financial results	(8)	(139)	(152)
Results of companies accounted for using the equity method	(17)	33	61
<b>PROFIT BEFORE TAXES</b>		<b>1,401</b>	<b>4,681</b>
Income tax	(24)	(297)	(1,034)
<b>NET PROFIT</b>		<b>1,104</b>	<b>3,647</b>
<b>NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		<b>(2)</b>	<b>8</b>
<b>NET PROFIT ATTRIBUTABLE TO THE PARENT</b>		<b>1,106</b>	<b>3,639</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE, euros</b>	<b>(9)</b>	<b>0.355</b>	<b>1.168</b>

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

(Amounts in millions of euros)	(Notes)	2020	2019
Net profit		1,104	3,647
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		(393)	35
Cash flow hedges			
Profit	(25)	-	1
Loss	(25)	(3)	(6)
Tax effect		-	1
<b>TOTAL</b>		<b>(396)</b>	<b>31</b>
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(1)	(3)
Loss	(25)	6	11
Tax effect		(1)	(3)
<b>TOTAL</b>		<b>4</b>	<b>5</b>
<b>Total comprehensive income for the year</b>		<b>713</b>	<b>3,684</b>
Total comprehensive income attributable to:			
Equity holders of the Parent		714	3,676
Non-controlling interests		(2)	8
<b>Total comprehensive income for the year</b>		<b>713</b>	<b>3,684</b>

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

(Amounts in millions of euros)	(Notes)	31/01/2021	31/01/2020
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		<b>15,460</b>	<b>16,977</b>
Rights of use	(15)	5,477	6,043
Other intangible assets	(14)	444	410
Goodwill	(16)	201	207
Property, plant and equipment	(13)	7,401	8,355
Investment property		21	21
Financial investments	(17)	261	249
Other non-current assets	(18)	380	456
Deferred tax assets	(24)	1,276	1,236
<b>CURRENT ASSETS</b>		<b>10,957</b>	<b>11,414</b>
Inventories	(12)	2,321	2,269
Trade and other receivables	(11)	715	780
Income tax receivable	(24)	257	174
Other current assets		88	78
Other financial assets	(25)	2	14
Current financial investments	(20)	176	3,319
Cash and cash equivalents	(20)	7,398	4,780
<b>TOTAL ASSETS</b>		<b>26,418</b>	<b>28,391</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>		<b>14,550</b>	<b>14,949</b>
Equity attributable to the Parent		14,520	14,913
Equity attributable to non-controlling interests		30	36
<b>NON-CURRENT LIABILITIES</b>		<b>5,529</b>	<b>6,136</b>
Provisions	(21)	252	217
Other non-current liabilities	(22)	280	380
Financial debt	(20)	3	6
Lease liability	(15)	4,599	5,163
Deferred tax liabilities	(24)	396	370
<b>CURRENT LIABILITIES</b>		<b>6,338</b>	<b>7,306</b>
Financial debt	(20)	11	32
Other financial liabilities	(25)	27	40
Lease liability	(15)	1,552	1,649
Income tax payable	(24)	88	142
Trade and other payables	(19)	4,659	5,443
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,418</b>	<b>28,391</b>

**INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES****CONSOLIDATED STATEMENT OF CASH FLOWS**

(Amounts in millions of euros)	(Notes)	2020	2019
<b>Profit before taxes and non-controlling interest</b>		<b>1,401</b>	<b>4,681</b>
<b>Adjustments to profit</b>			
Amortisation and depreciation	(7)	3,045	2,826
Foreign exchange translation differences		-	(19)
Provisions for impairment		(223)	244
Results from companies consolidated by equity method	(17)	(33)	(61)
Lease financial expenses	(8)	120	142
Other		6	90
Income tax paid		(452)	(1,207)
<b>Funds from operations</b>		<b>3,864</b>	<b>6,695</b>
<i>Variation in assets and liabilities</i>			
Inventories		93	201
Receivables and other current assets		34	(10)
Current payables		(974)	14
<b>Changes in working capital</b>		<b>(847)</b>	<b>205</b>
<b>Cash flows from operating activities</b>		<b>3,017</b>	<b>6,900</b>
Payments relating to investments in intangible assets		(241)	(238)
Payments relating to investments in property, plant and equipment		(467)	(914)
Collections relating to divestments of property, plant and equipment		36	40
Payments relating to investments in companies		(5)	-
Collections relating investment in other financial investments		12	70
Payments relating investment in other assets	(18)	(6)	(7)
Collections relating investment in other assets	(18)	42	63
Changes in current financial investments		3,143	(1,390)
<b>Cash flows from investing activities</b>		<b>2,514</b>	<b>(2,377)</b>
Payments relating to non-current financial debt		(6)	(3)
Changes in current financial debt		(17)	(49)
Lease payments fixed charge		(1,673)	(1,836)
Dividends		(1,090)	(2,741)
<b>Cash flows used in financing activities</b>		<b>(2,786)</b>	<b>(4,629)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,745</b>	<b>(106)</b>
Cash and cash equivalents at the beginning of the year	(20)	4,780	4,866
Effect of exchange rate fluctuations on cash and cash equivalents		(127)	20
<b>Cash and cash equivalents at the end of the year</b>	<b>(20)</b>	<b>7,398</b>	<b>4,780</b>



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

	Equity attributable to the Parent										
	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
<b>Balance at 31 January 2019</b>	<b>94</b>	<b>20</b>	<b>14,719</b>	<b>117</b>	<b>206</b>	<b>(77)</b>	<b>(420)</b>	<b>(6)</b>	<b>14,653</b>	<b>30</b>	<b>14,683</b>
Adjustment on initial application of new Reporting standards	-	-	(670)	-	-	-	-	-	(670)	-	(670)
<b>Balance at 1 February 2019</b>	<b>94</b>	<b>20</b>	<b>14,049</b>	<b>117</b>	<b>206</b>	<b>(77)</b>	<b>(420)</b>	<b>(6)</b>	<b>13,982</b>	<b>30</b>	<b>14,013</b>
Profit for the year	-	-	3,639	-	-	-	-	-	3,639	8	3,647
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-
Transfers	-	-	50	(34)	-	-	(17)	-	-	-	-
Other movements	-	-	(28)	-	(1)	-	-	-	(29)	(2)	(30)
Argentina reexpresion	-	-	9	-	-	-	-	-	9	-	9
Other comprehensive income for the year	-	-	-	-	-	-	35	2	36	-	36
· Translation differences related to foreign operations	-	-	-	-	-	-	35	-	35	-	35
· Cash flow hedges	-	-	-	-	-	-	-	2	2	-	2
Operations with equity holders or owners	-	-	(2,718)	(25)	-	17	-	-	(2,726)	-	(2,726)
· Share-based collections	-	-	-	27	-	-	-	-	27	-	27
· Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)
· Dividends	-	-	(2,741)	-	-	-	-	-	(2,741)	-	(2,741)
<b>Balance at 31 January 2020</b>	<b>94</b>	<b>20</b>	<b>14,993</b>	<b>58</b>	<b>214</b>	<b>(60)</b>	<b>(402)</b>	<b>(4)</b>	<b>14,913</b>	<b>36</b>	<b>14,949</b>
<b>Balance at 1 February 2020</b>	<b>94</b>	<b>20</b>	<b>14,993</b>	<b>58</b>	<b>214</b>	<b>(60)</b>	<b>(402)</b>	<b>(4)</b>	<b>14,913</b>	<b>36</b>	<b>14,949</b>
Profit for the year	-	-	1,106	-	-	-	-	-	1,106	(2)	1,104
Distribute results	-	-	(251)	190	61	-	-	-	-	-	-
Distribute dividends	-	-	25	-	(25)	-	-	-	-	-	-
Transfers	-	-	(83)	-	(8)	-	91	-	-	-	-
Other movements	-	-	(28)	-	(2)	-	-	-	(29)	(4)	(33)
Argentina reexpresion	-	-	10	-	-	-	-	-	10	-	10
Other comprehensive income for the year	-	-	-	-	-	-	(393)	1	(392)	-	(392)
· Translation differences related to foreign operations	-	-	-	-	-	-	(393)	-	(393)	-	(393)
· Cash flow hedges	-	-	-	-	-	-	-	1	1	-	1
Operations with equity holders or owners	-	-	(1,069)	(27)	-	9	-	-	(1,087)	-	(1,087)
· Share-based collections	-	-	-	9	-	-	-	-	9	-	9
· Share-based payments	-	-	22	(35)	-	9	-	-	(5)	-	(5)
· Dividends	-	-	(1,090)	-	-	-	-	-	(1,090)	-	(1,090)
<b>Balance at 31 January 2021</b>	<b>94</b>	<b>20</b>	<b>14,703</b>	<b>221</b>	<b>240</b>	<b>(51)</b>	<b>(704)</b>	<b>(3)</b>	<b>14,520</b>	<b>30</b>	<b>14,550</b>

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

## **NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP**

### **AS AT 31 JANUARY 2021**

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A., ( “the Group”, “the Group Inditex”, “the Company” or “the Parent”) for 2020 were prepared by the Board of Directors on 9 March 2021 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2019 were approved by the shareholders at the Annual General Meeting held on 14 July 2020.

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

Inditex’s financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2020 will hereinafter be referred to as “2019”, the twelve-month period ended 31 January 2021 as “2020”, and so on.

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

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

The separate annual accounts of the Parent (Inditex) for 2020 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2021, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2020 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

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

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

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

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

Other alternative measures of performance are as follows:

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

These annual financial statements have been prepared on a going concern basis, in the absence of doubts as to the Group's ability to continue its operations. The assessment that there are no material uncertainties affecting the Group's capacity to continue with its operations was based on the following information:

- The Group obtained positive results in 2020 overall and in all of its operating segments (Note 10).
- Performance forecasts for spring/summer 2021.
- The capacity to adapt the supply chain to changing conditions.
- The flexibility of the model based on sales channel integration.
- The capacity to manage the financial risks to which the Group is exposed (see Note 25 Risks and Uncertainties, relating to the impact of the pandemic on the Inditex Group's identified risks).
- The positive net financial position and the existence of sufficient undrawn financing facilities to fund the Group's activities.

## Impacts of Covid-19

The COVID-19 pandemic and the measures to combat it adopted by the various governments of countries in which the Group conducts its activity have had a significant effect on the Group's activity and results in 2020. Store closures and/or reduced opening hours, limitations on capacity and restrictions on movements have led to a decrease in the Group's earnings and profitability, which was partially offset by the sizeable increase in e-commerce. Likewise, the pandemic also took its toll on supply markets and, as a result, the supply chain, due to temporary factory closures, delayed deliveries, etc. The Group has implemented measures aimed at mitigating the impact by harnessing the inherent flexibility of its supply model based on proximity supplies and on a unique inventory position.

In the first quarter of the year, as many as 90% of the stores were closed. Stores were subsequently reopened, depending on the markets, until practically 100% of stores were open at the end of the third quarter. However, in the last two months of the year, restrictions on store openings were again imposed in certain markets that are important for the Group. Against this backdrop, the technological infrastructure and the digitalisation initiatives on which the Group's unified strategy is based have made it possible to continue operating with some degree of normality and efficiency, guaranteeing online sales, the efficient management of the unified inventory and addressing key requirements safely and securely.

From a financial standpoint, the pandemic has led to greater volatility in some of the currencies to which the Group is exposed; however, its negative impact cannot be considered to be exceptional. Although the pandemic has resulted in a general credit crunch in the markets, especially at the beginning, the potential loss expected did not evolve significantly (see Note 25). In order to minimise the impact due to the slowdown in activity resulting from the pandemic, the Group has implemented measures intended to conserve the Group's liquidity, through close control of all lines of expenditure, including the cost of occupation, and the delay in paying the extraordinary dividend. Furthermore, additional credit facilities have been arranged, which in a very significant proportion are committed (see Note 20).

Although the COVID-19 pandemic has had a material impact on most of the markets where the Group operates as a result of the measures of confinement and restrictions to movement, the flexibility of the business model has been a key aspect in operational and financial performance of the period.

The main judgements and estimates used to measure certain items of the financial statements were updated to take into account the impact of the pandemic. Moreover, the specific impacts associated with the pandemic were recognised in the income statement of the year, as part of operating profit and loss:

- Rent concessions obtained from lessors were booked as negative variable lease payments (see Note 2.2.o).
- Costs linked to the increase in Group store and workplace health and safety measures form a part of operating expenses in accordance with their nature.
- Donations: Since the beginning of the crisis, the Group has made all of its logistic and operational capacities available in an attempt to mitigate the health crisis as much as possible. Likewise, Inditex has donated EUR 25 million in different types of material and has transported over 150 million items of health protection.
- Sub-activity costs at distribution centres were excluded from inventory valuations.
- Payments received in various countries from social security systems or other government departments in order to maintain employment and safeguard economic activity were booked reducing the amount of the expense they are aimed at offsetting.

Although the year's profit has been significantly affected by the pandemic, the Group's long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations. Accordingly, during the year, the Group has continued to implement the unified model of store and online sales based on three key strategic lines: digitalisation, integration of physical store and digital world, and sustainability.

Section E of the Annual Corporate Governance Report includes a more detailed analysis of the pandemic's impacts on the various risks identified within the Inditex Group.

#### Material estimates and measurement of uncertainty

In preparing the consolidated annual accounts as at estimates were made in order to measure certain assets, liabilities, income, expenses and obligations reported herein. Below are the estimates and assumptions most exposed to uncertainty:

- The assessment of possible impairment losses on certain non-current, non-financial assets. In determining the recoverable value of non-current assets (in accordance with the methodology described in note 2.2.f), estimates are made of the cash flows at cash-generating units for which purpose assumptions are made such as estimated sales growth at comparable stores, the performance of operating expenses and the gross margin of each of the CGUs. These estimates are based on the Group's prior experience and on macroeconomic indicators. Accordingly, these estimates are affected by uncertainty to the extent that they depend on the future performance of each cash-generating unit and on the possibility of there being events outside the Group's control in relation to the COVID-19 pandemic (such as mandatory temporary closures of physical stores for health reasons) or a general decline in the economic environment that worsens revenue forecasts.
- The determination of inventory costs and its net realizable value. In establishing the recoverable value of inventories (in accordance with the methodology described in note 2.2.h), estimates of net realisable value are used, based on assumptions linked primarily to the success of the collections, which determines sales performance, stock rotation, the volume of discounted units and the percentage discount. These estimates are affected by uncertainty to the extent that they depend on future events associated with the collections' commercial success.
- The judgements related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.
- Assessment of counterparty credit risk of financial institutions in which the Group holds Cash and cash equivalents and Current financial investments.

The remaining estimates, judgements and assumptions considered in preparing these consolidated annual financial statements are as follows:

- The consideration of the online business in the model of the non-current assets impairment test.
- The useful life of property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of liabilities for pensions and other obligations with employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The estimated recovery of deferred tax assets on the basis of the existences of future taxable profits.
- The specific stores that will be affected by the store optimisation plan and the specific time of their closure.

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

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

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

## **1 Activity and description of the Group**

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

Inditex is listed on all the four Spanish stock exchanges.

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

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

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

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

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

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

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

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could



affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

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

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

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

Manufacturing and procurement is based on a socially responsible management of the supply chain which ensures dignified working conditions for all the employees of suppliers and manufacturers. Our supply chain has a global presence, organised via 12 clusters of suppliers that concentrate 97% of total production (12 clusters and 96% of production in 2019), albeit with a very significant weighting of procurement in areas of proximity to the design centres. Accordingly, we have the capacity to adapt our commercial range to any change of trend that emerges, so as to immediately adjust the number of garments to actual demand, a factor which has proved crucial in 2020.

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

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 171 nationalities (172 nationalities in 2019), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

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

At 31 January 2021, the various Group concepts had stores in operation with the following geographical distribution:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,371	40	1,411
Rest of Europe	3,088	151	3,239
Americas	646	177	823
Rest of the World	631	725	1,356
<b>Total</b>	<b>5,736</b>	<b>1,093</b>	<b>6,829</b>

At 31 January 2020, the geographical distribution of stores was as follows:

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

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

## 2 Selected accounting policies

### 2.1 Basis of consolidation

#### *i) Subsidiaries*

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

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

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

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

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

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

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

#### *ii) Jointly controlled entities*

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

#### *iii) Harmonization of criteria*

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

#### *iv) Intra-Group eliminations*

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

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

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

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).

- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

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

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

*vi) Annual accounts in hyperinflationary economies*

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

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

In relation to the conversion to functional currency, a closing exchange rate of 106.05 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018.

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

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

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

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

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Annex I). Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

*viii) Changes in the scope of consolidation*

Annex I details all the companies in the consolidation perimeter. In 2020, the following companies were merged:

Acquiring company	Acquired company
ITX Japan Corporation	Bershka Japan Corporation Massimo Dutti Japan Corporation Zara Home Japan Corporation Stradivarius Japan Corporation
ITX Croatia, LTD	Bershka Croatia, Ltd. Stradivarius Croatia, Ltd. Pull & Bear Croatia, Ltd. Massimo Dutti Croatia, Ltd. Zara Home Croatia, Ltd. Oysho Croatia, Ltd.
ITX Norge, AS	Massimo Dutti Norge, as.
ITX Finland OY	Massimo Dutti Finland oy
ZARA BH, DOO	Stradivarius Bh, d.o.o. Berhska Bh, d.o.o. Pull & Bear Bh, d.o.o. Massimo Dutti Bh, d.o.o.
ITX Danmark, AS	Massimo Dutti Danmark, as. Zara Home Danmark a/s

## 2.2 Accounting policies

### Standards effective for application in reporting periods beginning on or after 1 January 2020

During fiscal year 2020, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which bring the concept of materiality in line with the definition given in the conceptual framework.
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Information for disclosure. These amendments, which affect the requirements of hedging relationships, to the effect that the existing hedge accounting will not be affected by the Interest Rate Benchmark reform.
- Amendment to IFRS 3 Business Combinations, which includes clarifications to the definition of business.

The application of these amendments and/or interpretations did not have a material effect on the Group's consolidated annual accounts for 2020.

Furthermore, in October 2020, the European Parliament approved for use in the European Union the amendment to IFRS 16 - Leases. Accounting for rental concessions, applicable in 2020. This amendment allows lessees not to account for the concessions obtained in negotiating rental agreements related to the situation created by the COVID-19 pandemic as an amendment to the contract, but as negative variable rental payments, until 30 June 2021 (see note 2.2.o and Note 15).

### **Standards and amendments issued and approved for application in the EU in reporting periods beginning on or after 1 January 2021**

At the date of preparation of these consolidated annual financial statements, there are no standards approved for use in the European Union of mandatory application from 1 January 2021 that have any potential impact on the Group.

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

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

- Amendments to IFRS 9 Financial Instruments IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments, IFRS 4 Insurance Contracts and IFRS 16 Leases: Information for disclosure. These amendments provide specific guidance on the recognition of financial assets and liabilities whose basis for determining contractual cash flows changes as a result of the Benchmark Interest Rate Reform. Mandatory in the years beginning on 1 January 2021.
- IFRS 17 - Insurance contracts. It replaces IFRS 4, setting out the principles of registration, valuation, presentation and disclosure of insurance contracts to enable the entity to provide relevant and reliable information that allows users of the information to determine the effect that the contracts have on Financial Statements. Initially it was mandatory from 1 January 2021, although in 2020 the IASB deferred the mandatory application date to 1 January 2023, along with other amendments tackling implementation difficulties. In accordance with this amendment deferring IFRS 4 until that date, the IASB decided to extend the temporary period of mandatory application of IFRS 9 until 1 January 2023.
- Amendments to IFRS 3 Business combinations, updating the definitions of assets and liabilities in a business combination in line with the contents of the Conceptual Framework, adding new disclosure requirements in connection with the obligations set forth in IAS 37 Provisions, Contingent Liabilities and Contingent Assets in the framework of a business combination and explicitly prohibiting the recognition of contingent assets in a business combination. Mandatory in the years beginning on 1 January 2022, with the possibility of early adoption.
- Amendment to IAS 16 – Property, Plant and Equipment, prohibits a company from deducting from the acquisition cost of property, plant and equipment any amounts received while the company is preparing the asset for its intended use. Mandatory in the years beginning on 1 January 2022, with the possibility of early adoption.
- Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent assets, amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. Mandatory in the years beginning on 1 January 2022, with the possibility of early adoption.
- Annual improvements to the 2018-2020 cycle: Establishing minor amendments to IFRS 1 first-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. Mandatory in the years beginning on 1 January 2022.



- Amendment to IAS 1 Presentation of Financial Statements modifying and clarifying certain aspects of the classification of liabilities as current and non-current. Mandatory in the years beginning on 1 January 2023, with the possibility of early adoption.

### **Exposure drafts and other matters in relation to Accounting Standards**

#### **Exposure draft of a new standard 'General Presentation and Disclosures' in accordance with International Standards**

In December 2019, the IASB published an Exposure draft of a new standard 'General Presentation and Disclosures' in accordance with International Standards in order to improve the transparency and comparability of financial reporting under IFRS. The main aspects of this reform are mandatory inclusion of defined subtotals and categories in the income statement, determination guidelines for the presentation of the income statement by function or type, disclosure of unusual results in the notes and inclusion of certain mandatory disclosures in relation to alternative performance measures. Although this IASB initiative is still in the early exposure phase, if it is eventually approved for mandatory use, its application will imply substantial changes in the presentation of the consolidated income statement and in other information included in the Notes.

#### **Costs necessary for the realisation of inventories**

On 12 October 2020, the European Security Markets Authority (ESMA) issued a letter to the International Financial Reporting Interpretations Committee (IFRIC) highlighting the existence of two possible accounting interpretations in relation to costs which must be included as part of the costs necessary to make the sale in accordance with IAS 2 – Inventories.

Although on the date of authorising these annual financial statements IFRIC had not issued its conclusions on this matter, the Group is analysing the potential impact of applying the alternative interpretation outlined by the ESMA, which is not expected to be material.

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

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

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

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

**b) Property, plant and equipment**

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

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

The estimated average useful lives are as follows:

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

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

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

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

**c) Other intangible assets**

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.
- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.
- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

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

**d) Financial investments**

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

**e) Investment property**

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment

losses that have to be recognised (see Note 2.2.f). Investment property is depreciated on a straight-line basis over the useful lives of the corresponding assets.

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

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

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

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country), as is the case of flagship stores and corporate assets. Flagship stores are those whose characteristics (basically their being in premium locations) globally contribute to the overall set of the same brand's cash-generating units located in the country. For the impairment test, flagship stores are considered together with the other cash-generating units of a single concept and country.

Corporate assets essentially refer to the distribution centres, and the impairment tests are performed grouping together the cash generating units of each operating segment.

The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

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

In determining the assets with each CGU, the Group includes the net carrying amount of property, plant and equipment and intangible assets associated with that CGU, and the rights of use stemming from the lease agreements. Furthermore, since these are leases, by analogy in a case where a CGU is sold, said sale would be carried out together with the corresponding lease agreements and, therefore, with the payment obligations deriving therefrom. For the purposes of calculating impairment this implies considering and deducting the directly-related lease liabilities from the carrying amount of the CGU. Hence, in order to ensure consistency, lease payments are treated as cash outflows in calculating the cash flows associated with each CGU.

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

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

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based, are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market. Taking into account the Group's business model, online sales and the associated costs by concept/country are attributed proportionately to the cash-generating units of the concept/country.

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

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 30-year bonds issued by the governments in the relevant markets (or similar instruments, if no 30-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group. Implementation of IFRS 16 did not have an impact on the calculation of the discount rate.

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

	2020 Average	2019 Average
<b>Spain</b>	<b>8.36%</b>	<b>5.10%</b>
<b>Rest of Europe</b>	<b>9.45%</b>	<b>6.06%</b>
<b>Americas</b>	<b>13.82%</b>	<b>9.95%</b>
<b>Asia and rest of the</b>	<b>8.70%</b>	<b>6.93%</b>

Although the Group's business and profits for the year 2020 have been affected by the pandemic, its long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations.

In testing the impairment of fixed assets, the key assumptions on which the budgets and business plans are built have been updated with the most recent information available, which factors in the uncertainty generated by the COVID-19 pandemic in relation to the temporary restrictions on sales in physical stores in certain countries, the demand for the products sold by the Group and other considerations affecting the estimated operating margin of each of the cash-generating units.

The results obtained from the 2020 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Notes 13, 14 and 15 to the consolidated annual accounts relating to property, plant and equipment, other intangible assets and right of use assets.

The related charge for the period amounting to EUR 172 million (EUR 34 million in 2019) (see Notes 7, 13, 14 and 15) is due primarily to the impairment corresponding to the closures scheduled and the impairment calculated based on the methods described previously.

Impairment losses reversed in the period amounting to EUR 14 million (EUR 26 million in 2019) (see Notes 7, 13, 14 and 15) correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

The Group's management has drawn up various scenarios considering a range of possible values for each of the key assumptions used in determining the business plans. The most adverse scenario considers a one-year delay in achieving the strategic business objectives.

In the most likely scenario, which has been used in the impairment test, cash flows are expected to return to pre-pandemic levels in 2022. In this analysis, the time horizon outlined above has been considered.

The sensitivity analysis evidences the existence of an additional asset impairment amounting to EUR 1 million (EUR 1 million in 2019).

#### Impairment of goodwill

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

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

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

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the

growth of the preceding period. The impairment tests for 2020 and 2019 did not give rise to the recognition of any impairment loss on goodwill.

In addition, the Group has performed a sensitivity analysis similar to the one described in the section on non-current fixed assets.

This sensitivity analysis does not imply any additional impairment either in 2020 or in 2019.

#### Reversals of impairment losses

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

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

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

#### **g) Trade and other receivables**

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

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

#### **h) Inventories**

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

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

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

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

At each accounting close, the Group calculates the provision corresponding to the inventories that are estimated to be sold below their acquisition price. This provision is made for each campaign and for each commercial format.

Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.
- Finished goods for sale: estimated selling price in the normal course of business. In this regard, the Group's goods are sold in stores and online. In addition, and to a very limited extent, goods not sold in the stores or online are sold via third parties.

The prices of goods vary throughout their commercial life, especially during sales season, when a portion of the various collections are sold at a discount.

Net realisable value is influenced by the performance of various commercial variables linked mainly to the success of the collections, which determines sales performance, stock turnover, the volume of discounted units and the percentage discount.

The Group's methodology for estimating the performance of these commercial variables is based on historical information, the actual performance of the current collection up to the date on which the aforementioned estimates are made and the forecasts for the end of the campaign, i.e. not only the performance of the different commercial variables of similar campaigns in previous years but also the actual data and forecasts of how the current campaign will develop in order to assess and consider the impacts associated with possible deviations from historical performance. This analysis is carried out for each concept to ensure maximum reliability of the estimates.

The Group has no significant direct and specific costs associated with the sale of the provisioned items. However, the Group does have indirect selling costs such as staff costs or store lease expenses, which, following an accounting treatment similar to IAS 36 (definition of "costs of disposal") and IFRS 5 (definition of "costs to sell"), the Group considers to be costs that should not be taken into account in the determination of the net realisable value provision.

#### **i) Cash and cash equivalents**

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

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

#### **j) Employee benefits**

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The

Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2021.

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

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

#### **k) Provisions and contingent liabilities**

Provisions are recognised in the balance sheet when:

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

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

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

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

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

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

#### **l) Financial instruments**

##### Financial assets

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

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future



expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2020 of the effective interest rate method is not relevant.

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

#### Impairment of financial assets

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

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

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

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

To measure credit losses expected at 12 months on financial instruments other than trade receivables (see Note 25) a methodology is used based on probability of default (PD), loss given default (LGD) and exposure at default (EAD), using market information. This methodology enables expected credit losses from the counterparty to be measured at the time of the initial recognition of the financial assets and allows it to be determined whether, at each accounting close date, there has been a significant increase in the risk of these financial assets or if the counterparty has incurred in default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the counterparties' estimated credit losses. The estimated impairment loss is not significant, since almost all financial assets have a low risk.

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

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

#### Derecognition of financial assets

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

#### **m) Derivatives and hedging operations**

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

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

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

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

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

##### **Level 1**

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

##### **Level 2**

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

##### **Level 3**

Unobservable inputs for the asset or liability.

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

##### **Level 2 instruments**

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

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

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

### **Foreign currency forwards**

Fair value measurement:

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

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

### **Cross-currency swaps**

Fair value measurement:

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

**Options purchased**

Fair value measurement:

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

**n) Revenue recognition**

Proceeds from the sale of goods to final customers in physical stores or online are recognised when the customer makes the purchase. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2020 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised when control of the goods is transferred to the franchisees. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

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

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

There are no significant contracts with financing components.

**o) Leases**

The Group actively manages a large number of lease contracts (more than 7,000 contracts).

The leases recognised in which the Group acts as the lessee relate mainly to the premises where the stores are located. It has also been determined that certain contracts for logistics services are leases based on the terms of said contracts which grant the Group exclusive access to the logistics facilities where these services are provided.

The contracts are very heterogeneous and the clauses agreed depend to a large extent on the market, the concept, the lessor, the specific location, whether they are in shopping centres or are street level stores, etc.; in short, they depend on each location and lessor, although the Group's policy is to always seek maximum flexibility (for example, through the absence of mandatory compliance periods and penalties, the longest possible extension options, variable payments that depend on the performance of the leased asset, etc.).

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

Lease incentives include amounts received from shopping centre developers or owners of commercial premises as consideration for entering into a lease contract. They mainly correspond to amounts for refurbishing the leased premises to ready them for their intended use (contributions to construction work).

In the case of leases with fixed rents or guaranteed minimum rents, the contributions to construction work diminish the right-of-use asset, whereas in the case of leases with variable rents (for which a right-of-use asset is not previously recognised), these contributions are recognised as a non-current liability under “Other non-current liabilities - Lease incentives” and the portion expected to be taken to income in the following year as a current liability under “Trade and other payables”. These contributions linked to variable rental lease contracts are credited to income as a reduction in lease expenses under “Operating expenses” over the lease term.

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

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

The lease payments included in the liabilities comprise:

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

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

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

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

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

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

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

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

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

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

There is also considerable diversity in the terms agreed in the lease contracts, although the Group's policy is always to seek maximum flexibility with short or even non-existent mandatory periods and unilateral extension options for the Group that are as long as possible.

The mandatory term agreed in lease contracts averages less than 3 years. After these non-cancellable periods, the Group can terminate the contract simply by means of notice, generally of between 6 months and one year.

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

- The costs related to contract termination. There are generally no penalties for contract termination, other than the payment of fixed rents for non-cancellable periods, and there are no residual value guarantees.
- The importance of the leased asset for the Group's operations. The assets leased (individually) are not critical to the Group's operations, although there are certain key locations which contribute to the Group's image (flagship stores) or in which very significant investments have been made, where the degree of certainty regarding the execution of extension options or non-execution of cancellation options is higher.
- The conditions to be complied with in order to exercise or not exercise the options. Generally the required conditions are of an administrative nature, such as the deadline by which the intention to exercise the option needs to be notified, etc.
- The historical experience and the business plans approved by the Group's management, which generally cover a 3-year period. These business plans

consider the Group's strategic lines in order to anticipate and adapt to the transformation process currently underway in the sector as a result of the development of online sales. The Group periodically reviews these business plans and incorporates, among others, initiatives relating to the stores it plans to absorb or refurbish.

As mentioned above, the Group has a wide variety of lease contracts and has performed a case-by-case analysis to determine the term of each contract. This analysis shows that the terms of leases varies widely, in a range of between 2 and 19 years. Stores earmarked for closure are not included in the above range and the term is adapted to the estimated date of closure.

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

	2020	2019
<b>Spain</b>	<b>0.63%</b>	<b>0.45%</b>
<b>Rest of Europe</b>	<b>0.94%</b>	<b>1.00%</b>
<b>Americas</b>	<b>3.53%</b>	<b>4.16%</b>
<b>Asia and rest of the world</b>	<b>2.86%</b>	<b>3.10%</b>

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

The Group has no relevant commitments as lessee in respect of uncommenced leases or residual value guarantees. The Group has no material lease commitments for which it does not yet have the underlying asset at its disposal for use. In general, the lease contracts do not contain any restrictions or covenants with lessors other than those generally governing this type of contract.

During the year, as a result of rental renegotiations linked to COVID-19, the Group has applied to all rent concessions the practical expedient introduced by the amendment to IFRS 16 – Leases – concerning the accounting of rent concessions. The amount recognised in this connection in the consolidated income statement for the year 2020 was EUR 317 million.

#### p) Finance income and costs

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

#### q) Income tax

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

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

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

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

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

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

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

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

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

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

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

#### **s) Treasury shares**

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



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

**t) Grants**

When relating to expenses in the year (such as the partial or total payment of salaries or social security contributions during the months of lockdown), grants are accounted for as a reduction in expense in the year under the heading which resulted in their recognition.

### 3 Net Sales

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

The detail of this line item in 2020 and 2019 is as follows:

	2020	2019
<b>Net sales in company-managed stores and online</b>	<b>18,816</b>	<b>25,933</b>
<b>Net sales to franchises</b>	<b>1,397</b>	<b>2,088</b>
<b>Other sales and services rendered</b>	<b>189</b>	<b>264</b>
<b>Total</b>	<b>20,402</b>	<b>28,286</b>

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

In FY2020, online sales grew 70% to EUR 6,612 million, 32% of net sales.

### 4 Cost of sales

The detail of this line item in 2020 and 2019 is as follows:

	2020	2019
<b>Raw materials and consumables</b>	<b>9,066</b>	<b>12,033</b>
<b>Change in inventories</b>	<b>204</b>	<b>202</b>
<b>Change in provisions</b>	<b>(257)</b>	<b>245</b>
<b>Total</b>	<b>9,013</b>	<b>12,479</b>

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

## 5 Operating expenses

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

	2020	2019
Personnel expenses	3,376	4,430
Operating leases (Note 15)	181	695
Other operating expenses	3,250	3,051
<b>Total</b>	<b>6,807</b>	<b>8,176</b>

The detail of “Personnel costs” is as follows:

	2020	2019
Wages, salaries and similar	2,765	3,679
Social contributions	611	751
<b>Total</b>	<b>3,376</b>	<b>4,430</b>

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2021 is as follows:

Categories	Gender		Total
	W	M	
Manufacturing and logistics	4,207	5,405	9,612
Central services	6,637	4,207	10,844
Stores	98,479	25,181	123,660
<b>Total</b>	<b>109,323</b>	<b>34,793</b>	<b>144,116</b>

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

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

The detail of “Other Operating Expenses” is as follows:

	2020	2019
<b>Indirect Selling Expenses</b>	<b>1,918</b>	<b>1,553</b>
<b>Administrative Expenses</b>	<b>504</b>	<b>632</b>
<b>Maintenance, Repairs and Utilities</b>	<b>577</b>	<b>498</b>
<b>Other</b>	<b>250</b>	<b>368</b>
<b>Total</b>	<b>3,250</b>	<b>3,051</b>

“Indirect Selling Expenses” includes mainly expenses relating to store and online operations, commissions on credit, debit card payments and logistics. “Administrative Expenses” includes all kinds of professional services, “Maintenance, Repairs and Utilities” includes maintenance and utilities expenses and “Other” includes mainly travel, communications and other operating expenses.

## 6 Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognised as a liability and changes are recognised in profit or loss.

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

### a) Subsidiary domiciled in Mexico

The Group held a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. It exercised the option on 21 January 2021, when it became the owner of 100% of said share capital, and the strike price was EUR 5 million.

### b) Subsidiary domiciled in South Korea

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

### c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Proprietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

## 7 Amortisation and depreciation

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

	2020	2019
Amortisation and depreciation charge (Note 13, 14 and 15)	2,742	2,824
Variation in impairment losses (Note 13, 14 and 15)	158	8
Profit/(loss) on assets	145	5
Other	-	(11)
<b>Total</b>	<b>3,045</b>	<b>2,826</b>

## 8 Financial results

The detail of "Financial Results" in the consolidated income statement for 2020 and 2019 is as follows:

	2020	2019
Finance income	6	31
Foreign exchange gains	36	16
Lease foreign exchange gains	-	1
<b>Total income</b>	<b>42</b>	<b>48</b>
Finance costs	(8)	(14)
Lease finance costs (Note 15)	(120)	(142)
Foreign exchange losses	(43)	(39)
Lease foreign exchange losses	(11)	(5)
<b>Total expenses</b>	<b>(182)</b>	<b>(200)</b>
<b>Total</b>	<b>(139)</b>	<b>(152)</b>

Finance income and costs comprise mainly (excluding Lease finance costs) the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

## 9 Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average

number of treasury shares held by the Group (see Note 23), which totalled 3,114,856,963 in 2020 and 3,114,384,195 in 2019.

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

As of 31 January 2021, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 23), the calculation of diluted earnings per share would result in an amount of EUR 0.355 per share (1.168 as of 31 January 2020).

## **10 Segment reporting**

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and profit before taxes by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

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

The Inditex Group segment information is as follows:

**2020**

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	14,234	1,773	4,503	(107)	20,402
Profit before taxes	965	112	316	7	1,401
Amortisation and depreciation	2,029	265	753	(2)	3,045
Segment total assets	21,370	1,266	3,782		26,418
ROCE	9%	11%	11%		10%
Number of stores	2,653	1,005	3,171		6,829

**2019**

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

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

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the interim condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group Management. Inter-segment transactions are carried out on an arm's length basis.

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

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

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

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

**Geographical reporting**

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

	Net Sales		Non-current assets	
	2020	2019	31/01/2021	31/01/2020
<b>Spain</b>	<b>3,229</b>	<b>4,766</b>	<b>4,449</b>	<b>4,613</b>
<b>Rest of Europe</b>	<b>10,430</b>	<b>13,682</b>	<b>6,068</b>	<b>6,474</b>
<b>Americas</b>	<b>2,763</b>	<b>4,434</b>	<b>2,032</b>	<b>2,538</b>
<b>Asia and rest of the world</b>	<b>3,980</b>	<b>5,403</b>	<b>1,255</b>	<b>1,661</b>
<b>Total</b>	<b>20,402</b>	<b>28,286</b>	<b>13,805</b>	<b>15,285</b>

## 11 Trade and other receivables

The detail of this line item at 31 January 2021 and 2020 is as follows:

	31/01/2021	31/01/2020
<b>Trade receivables</b>	<b>255</b>	<b>226</b>
<b>Receivables due to sales to franchises</b>	<b>177</b>	<b>272</b>
<b>Public entities</b>	<b>199</b>	<b>179</b>
<b>Other current receivables</b>	<b>85</b>	<b>103</b>
<b>Total</b>	<b>715</b>	<b>780</b>

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

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 15) and outstanding balances from sundry operations.

## 12 Inventories

The detail of this line item at 31 January 2021 and 2020 is as follows:

	31/01/2021	31/01/2020
Raw materials and consumables	146	104
Goods in process	34	36
Finished goods for sale	2,142	2,129
<b>Total</b>	<b>2,321</b>	<b>2,269</b>

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

In 2019, the Group booked a provision in the amount of EUR 287 million to adjust the estimated net realisable value of inventories for the Spring/Summer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

## 13 Property, plant and equipment

The detail of the items composing “Property, Plant and Equipment” in the accompanying consolidated balance sheet and of the changes therein is as follows:



	Land and buildings	Fixtures, furniture and machinery	Other property, plant and equipment	Work in progress	Total
<b>Cost</b>					
Balance at 01/02/2019	2,134	11,222	802	436	14,595
Acquisitions	22	781	258	113	1,174
Hyperinflation adjustments	2	10	1	-	12
Disposals	(18)	(494)	(194)	(1)	(706)
Transfers	148	176	8	(331)	1
Foreign exchange translation differences	21	78	4	1	104
<b>Balance at 31/01/2020</b>	<b>2,308</b>	<b>11,773</b>	<b>879</b>	<b>219</b>	<b>15,179</b>
Balance at 01/02/2020	2,308	11,773	879	219	15,179
Acquisitions	27	416	129	118	690
Hyperinflation adjustments	1	7	-	-	8
Disposals (Note 7)	(23)	(737)	(139)	-	(899)
Transfers	4	74	9	(86)	2
Foreign exchange translation differences	(54)	(446)	(35)	(3)	(538)
<b>Balance at 31/01/2021</b>	<b>2,263</b>	<b>11,086</b>	<b>844</b>	<b>248</b>	<b>14,442</b>
<b>Depreciation</b>					
Balance at 01/02/2019	418	5,371	379	-	6,168
Depreciation charge for the year	41	857	246	-	1,144
Hyperinflation adjustments	1	6	1	-	7
Disposals	(6)	(414)	(186)	-	(607)
Transfers	-	(1)	-	-	(1)
Foreign exchange translation differences	2	32	2	-	36
<b>Balance at 31/01/2020</b>	<b>456</b>	<b>5,851</b>	<b>442</b>	<b>-</b>	<b>6,749</b>
Balance at 01/02/2020	456	5,851	442	-	6,749
Depreciation charge for the year (Note 7)	42	805	185	-	1,032
Hyperinflation adjustments	-	5	-	-	6
Disposals (Note 7)	(20)	(558)	(129)	-	(706)
Transfers	(1)	-	-	-	(1)
Foreign exchange translation differences	(8)	(217)	(20)	-	(245)
<b>Balance at 31/01/2021</b>	<b>470</b>	<b>5,887</b>	<b>478</b>	<b>-</b>	<b>6,835</b>
<b>Impairment losses (Note 2.2.f)</b>					
Balance at 01/02/2019	1	83	3	-	87
Charge for the year	-	33	1	-	34
Amounts charged to profit or loss	-	(26)	(1)	-	(26)
Disposals	(1)	(15)	(5)	-	(21)
Foreign exchange translation differences	-	1	-	-	1
<b>Balance at 31/01/2020</b>	<b>-</b>	<b>76</b>	<b>(1)</b>	<b>-</b>	<b>75</b>
Balance at 01/02/2020	-	76	(1)	-	75
Charge for the year (Note 7)	-	166	7	-	172
Amounts charged to profit or loss (Note 7)	-	(14)	-	-	(14)
Disposals (Note 7)	-	(22)	(3)	-	(24)
Transfers	-	1	-	-	-
Foreign exchange translation differences	-	(3)	-	-	(3)
<b>Balance at 31/01/2021</b>	<b>-</b>	<b>203</b>	<b>2</b>	<b>-</b>	<b>206</b>
<b>Carrying amount</b>					
<b>Balance at 31/01/2020</b>	<b>1,852</b>	<b>5,845</b>	<b>438</b>	<b>219</b>	<b>8,355</b>
<b>Balance at 31/01/2021</b>	<b>1,793</b>	<b>4,996</b>	<b>363</b>	<b>248</b>	<b>7,401</b>

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

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

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

Inditex has decided to absorb between 1,000 and 1,200 stores during 2020 and 2021. The plan includes 500-600 units each year. The streamlining plan is focussed on stores at the end of their useful life, especially those in the younger formats, whose sales can be recuperated in local shops and online. The impact of this initiative is 146 million euros and it has been included under the heading “Amortisation and depreciation” on the income statement for the year.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,942 million and EUR 1,911 million at 31 January 2021 and 31 January 2020, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

## **14 Other intangible assets**

“Other Intangible Assets” includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

The detail of the items comprised under this paragraph in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
<b>Cost</b>					
Balance at 01/02/2019	938	32	349	208	1,528
Adjustment on initial application of IFRS 16	(938)	-	-	(12)	(950)
Acquisitions	-	2	140	93	235
Disposals	-	-	(12)	(82)	(94)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
Balance at 31/01/2020	-	33	463	207	702
Balance at 01/02/2020	-	33	463	207	702
Acquisitions	-	2	134	81	217
Disposals (Note 7)	-	-	(19)	(90)	(109)
Foreign exchange translation differences	-	-	-	-	-
Balance at 31/01/2021	-	35	578	197	810
<b>Amortisation</b>					
Balance at 01/02/2019	462	21	135	87	705
Adjustment on initial application of IFRS 16	(462)	-	-	-	(462)
Amortisation charge for the year	-	2	67	90	159
Disposals	-	-	(12)	(83)	(95)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
Balance at 31/01/2020	-	22	175	95	292
Balance at 01/02/2020	-	22	175	95	292
Amortisation charge for the year (Note 7)	-	2	90	91	183
Disposals (Note 7)	-	-	(19)	(90)	(109)
Transfers	-	-	-	-	-
Foreign exchange translation differences	-	-	-	-	-
Balance at 31/01/2021	-	24	246	96	366
<b>Impairment losses (note 2.2.f)</b>					
Balance at 01/02/2019	12	-	-	-	12
Adjustment on initial application of IFRS 16	(12)	-	-	-	(12)
Balance at 31/01/2020	-	-	-	-	-
Balance at 01/02/2020	-	-	-	-	-
Impairment charge for the year (Note 7)	-	-	-	-	-
Amounts charge to profit or loss (Note 7)	-	-	-	-	-
Disposals (Note 7)	-	-	-	-	-
Balance at 31/01/2021	-	-	-	-	-
<b>Carrying amount</b>					
Balance at 31/01/2020	-	10	288	112	410
Balance at 31/01/2021	-	10	332	102	444

The Group capitalized EUR 134 million in 2020 (EUR 140 million in 2019) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 81 million (EUR 93 million in 2019) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

## 15 Leases

### 15.1 Right of Use Assets

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

<b>Cost</b>	
Balance at 01/02/2019	-
Adjustment on initial application of IFRS 16	5,849
Acquisitions	1,643
Disposals	(69)
Transfers	92
Foreign exchange translation differences	56
Balance at 31/01/2020	7,571
Balance at 01/02/2020	7,571
Acquisitions	1,351
Disposals ( Note 7)	(305)
Transfers	-
Foreign exchange translation differences	(267)
Balance at 31/01/2021	8,350
<b>Amortisation</b>	
Balance at 01/02/2019	-
Amortisation charge for the year	1,521
Disposals	(26)
Transfers	25
Foreign exchange translation differences	8
Balance at 31/01/2020	1,528
Balance at 01/02/2020	1,528
Amortisation charge for the year	1,532
Disposals	(105)
Transfers	-
Foreign exchange translation differences	(82)
Balance at 31/01/2021	2,873
Balance at 31/01/2020	6,043
Balance at 31/01/2021	5,477

The Group leases commercial premises in which it carries out its business activity. New items for the year relate to additions (EUR 137 million) and amounts associated with revaluations and renegotiations of contracts modifying the term and/or future rents (EUR 1,214 million).

## 15.2 Lease liabilities

The breakdown of lease liabilities is as follows:

	2020	2019
Non-current	4,599	5,163
Current	1,552	1,649
<b>TOTAL</b>	<b>6,152</b>	<b>6,812</b>

The breakdown of maturity is as follows:

	2020			2019		
	Less than one year	One to five years	Over five years	Less than one year	One to five years	Over five years
Breakdown of maturity	1,552	3,803	797	1,649	3,661	1,502

## 15.3 Other information

Amounts recognized in the consolidated income statement:

	2020	2019
Amortisation Right of Use (Note 7)	1,532	1,521
Lease finance cost (Note 8)	120	142
Variable rent payments (Note 5)	294	495
Others * (Note 5)	(113)	200

\* Including mainly Common Expenses, other lease services and the rent concessions obtained pursuant to application of the practical expedient introduced by the amendment to IFRS 16

Some of the Group's commercial premises leases contain conditions for the payment of variable rent that are linked to the sales generated in such stores, such that the payment for the lease is linked to the development of the store. Variable rent in these stores amounted to EUR 225 million (EUR 479 million in 2019). The expense for leases to which the low value exemption has been applied is not significant.

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



## 16 Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	2020	2019
Opening balance	207	206
Acquisitions	-	-
Foreign exchange translation differences	(6)	1
<b>Closing balance</b>	<b>201</b>	<b>207</b>

Investee	2020	2019
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	11	11
Zara Eslovenia	9	9
Zao Zara CIS	10	10
Others	13	19
<b>Closing balance</b>	<b>201</b>	<b>207</b>

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2.f).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 2.2.f).

## 17 Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2019	15	249	2	267
Acquisitions	-	61	-	61
Disposals	(9)	(60)	-	(70)
Transfers	(6)	-	-	(6)
Foreign exchange traslation	-	(4)	-	(4)
Balance at 31/01/2020	1	246	2	249
Balance at 01/02/2020	1	246	2	249
Acquisitions	-	33	-	33
Disposals	-	(12)	-	(12)
Transfers	-	(8)	-	(8)
Foreign exchange translation	-	(2)	-	(2)
Balance at 31/01/2021	-	258	2	261

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

## 18 Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2019	432	132	564
Adjustment on initial application of IFRS 16	-	(58)	(58)
Acquisitions	7	-	7
Disposals	(63)	-	(63)
Transfers	-	4	4
Foreign exchange translation differences	2	-	2
Balance at 31/01/2020	378	78	456
Balance at 01/02/2020	378	78	456
Acquisitions	6	-	6
Disposals	(42)	-	(42)
Profit/(Loss) for the year	-	-	-
Transfers	(4)	(22)	(26)
Foreign exchange translation differences	(9)	(4)	(13)
Balance at 31/01/2021	329	51	380

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 15), and to amounts paid to secure compliance with contracts in force.

## 19 Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2021 and 2020 is as follows:

	31/01/2021	31/01/2020
Trade payables	3,436	3,985
Personnel	279	491
Public entities	485	516
Other current payables	459	451
Total	4,659	5,443

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

	2020	2019
<b>Days</b>		
Average period of payment to suppliers	38.57	36.31
Ratio of transactions settled	38.86	36.44
Ratio of transactions not yet settled	35.41	34.71
<b>Amount</b>		
Total payments made	3,158	3,421
Total payments outstanding	286	265

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

## 20 Net financial position

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

	31/01/2021	31/01/2020
Cash in hand and at banks	4,567	1,792
Short-term deposits	2,131	2,788
Fixed-income securities	700	200
<b>Total cash and cash equivalents</b>	<b>7,398</b>	<b>4,780</b>
Current financial investments	176	3,319
Current financial debt	(11)	(32)
Non-current financial debt	(3)	(6)
<b>Net financial position</b>	<b>7,560</b>	<b>8,060</b>

“Cash on Hand and at Banks” includes cash on hand and in demand deposits at banks. “Short-Term Deposit” and “Fixed-Income Securities” include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

“Current Financial Investments” on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and other financial operations is as follows:

	31/01/2021			31/01/2020		
	Current	Non-current	Total	Current	Non-current	Total
<b>Loans</b>	<b>7</b>	<b>-</b>	<b>7</b>	<b>26</b>	<b>-</b>	<b>26</b>
<b>Other Financial operations</b>	<b>4</b>	<b>3</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>13</b>
<b>Total</b>	<b>11</b>	<b>3</b>	<b>14</b>	<b>32</b>	<b>6</b>	<b>39</b>

At 31 January 2021, the Group had a limit of EUR 8,029 million on its drawable financing facilities (EUR 6,464 million at 31 January 2020). These include supply chain finance support programs, credit and overdraft facilities. Of the total facilities, those committed amounted to EUR 3,603 million (EUR 1,634 million on 31 January 2020).

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

	31/01/2021	31/01/2020
<b>Euro</b>	<b>7</b>	<b>16</b>
<b>Turkish lira</b>	<b>-</b>	<b>2</b>
<b>British pound</b>	<b>-</b>	<b>19</b>
<b>Indian rupee</b>	<b>2</b>	<b>2</b>
<b>Korean won</b>	<b>5</b>	<b>0</b>
<b>Total</b>	<b>14</b>	<b>39</b>

The maturity schedule of the Group's bank borrowings at 31 January 2021 and 2020 was as follows:

	31/01/2021	31/01/2020
<b>Less than one year</b>	<b>11</b>	<b>32</b>
<b>Between one and five years</b>	<b>3</b>	<b>6</b>
<b>Total</b>	<b>14</b>	<b>39</b>

## 21 Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
<b>Balance at 01/02/2019</b>	<b>69</b>	<b>85</b>	<b>74</b>	<b>229</b>
<b>Provisions recorded during the year</b>	<b>10</b>	<b>15</b>	<b>-</b>	<b>26</b>
<b>Disposals</b>	<b>(2)</b>	<b>(12)</b>	<b>-</b>	<b>(14)</b>
<b>Transfers</b>	<b>(24)</b>	<b>1</b>	<b>-</b>	<b>(24)</b>
<b>Foreign exchange translation</b>	<b>-</b>	<b>(2)</b>	<b>2</b>	<b>-</b>
<b>Balance at 31/01/2020</b>	<b>53</b>	<b>87</b>	<b>76</b>	<b>217</b>
<b>Balance at 01/02/2020</b>	<b>53</b>	<b>87</b>	<b>76</b>	<b>217</b>
<b>Provisions recorded during the year</b>	<b>11</b>	<b>57</b>	<b>13</b>	<b>82</b>
<b>Disposals</b>	<b>(3)</b>	<b>(32)</b>	<b>(3)</b>	<b>(38)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Foreign exchange translation</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(9)</b>
<b>Balance at 31/01/2021</b>	<b>59</b>	<b>110</b>	<b>83</b>	<b>252</b>

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

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2021. The estimated average period of disbursement of the provisioned amounts is around 3 years.

### *Provision for liabilities*

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

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

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

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

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

## 22 Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2020 and 2019 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2019	983	89	1,072
Adjustment on initial application of IFRS 16	(746)	-	(746)
Acquisitions	103	-	103
Changes through profit or loss	-	25	25
Transfers	(52)	(25)	(78)
Foreign exchange translation differences	4	-	4
Balance at 31/01/2020	291	89	380
Balance at 01/02/2020	291	89	380
Acquisitions	37	-	37
Changes through profit or loss	(19)	27	8
Disposals	-	-	-
Transfers	(105)	(18)	(123)
Foreign exchange translation differences	(23)	-	(23)
Balance at 31/01/2021	182	98	280

Lease incentives correspond to incentives received from developers of shopping centres or owners of commercial premises under lease contracts with variable rental payments.

## 23 Equity

### Share capital

At 31 January 2021 and 2020, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2021 and 2020 amounted to EUR 20 million, while retained earnings amounted to EUR 21,654 million and EUR 19,850 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2021 and 2020, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2021 include restricted reserves amounting to EUR 990 million (EUR 618 million at 31 January 2020) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

Inditex shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Moreover, pursuant to Article 497 of the Spanish Companies Act, Inditex has contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. According to the Parent's register of Shareholders and also pursuant to public information registered at the Spanish National Securities Market Commission (CNMV), at 31 January 2021 and 31 January 2020, the members of the Board of Directors directly or indirectly owned 59.375% and 59.371% of the Company's share capital, respectively (Note 29). At 31 January 2021 and 2020, Pontegadea Inversiones, S.L. held 50.010% of the shares of Inditex.

#### Dividends

The dividends paid by the Parent in 2020 and 2019 amounted to EUR 1,090 million and EUR 2,741 million, respectively. These amounts correspond to payments of EUR 0.35 per share and EUR 0.88 per share, respectively.

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

#### Treasury shares

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

At 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Subsequently, in the first half of 2020, the second cycle (2017-2020) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of said second cycle of the Plan.

Aside from these share deliveries, there were no other operations involving treasury shares in 2020.

Consequently, at 31 January 2021, the Company owned a total of 1,726,305 treasury shares, representing 0.055% of the share capital.

#### Translation differences

Details and variations in translation differences are as follows:



Currency	Balance at 01/02/2020	Reclasificación	Variation	Balance at 31/01/2021
Russian ruble	140	(8)	61	193
Argentine peso	130	-	18	148
Brazilian real	80	(12)	43	111
Mexican peso	34	(1)	56	88
Turkish lira	61	-	21	81
Japanese yen	(14)	-	11	(3)
Chinese Yuan Renminbi	(22)	3	5	(14)
US Dollar	(83)	(53)	116	(20)
Other	77	(19)	62	120
<b>Total</b>	<b>402</b>	<b>(91)</b>	<b>393</b>	<b>704</b>

## 24 Income taxes.

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

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

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

The balance of the “Current Liability for Income Tax” heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profits for the year 2020, net of withholdings and prepayments made in the period. The heading “Creditors” includes the liability corresponding to other applicable taxes.

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

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

The income tax expense comprises the following:

	2020	2019
<b>Current taxes</b>	<b>317</b>	<b>1,123</b>
<b>Deferred taxes</b>	<b>(20)</b>	<b>(89)</b>

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2020 and 2019 is as follows:

	2020	2019
<b>Consolidated accounting profit for the year before taxes</b>	<b>1,401</b>	<b>4,681</b>
<b>Tax expense at tax rate in force in the country of the Parent</b>	<b>350</b>	<b>1,170</b>
<b>Net permanent differences</b>	<b>(6)</b>	<b>(141)</b>
<b>Effect of application of different tax rates</b>	<b>(65)</b>	<b>(94)</b>
<b>Adjustments to prior years' taxes</b>	<b>(21)</b>	<b>7</b>
<b>Tax withholdings and other adjustments</b>	<b>59</b>	<b>105</b>
<b>Adjustments to deferred tax assets and liabilities</b>	<b>-</b>	<b>4</b>
<b>Tax withholdings and tax benefits</b>	<b>(20)</b>	<b>(17)</b>
<b>Income tax expense</b>	<b>297</b>	<b>1,034</b>

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

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to EUR 20 million at 31 January 2021 (EUR 17 million at 31 January 2020). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences correspond mainly to differences between the carrying amount of an asset or liability in the balance sheet and its tax base, the main difference relating to right-of-use as a result of application of IFRS 16. The consolidated balance sheet closed as of 31 January 2021 includes the assets and liabilities for deferred taxes existing at that date.

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

Deferred tax assets arising from:	2020	2019
Provisions	121	134
Non-current assets	197	167
IFRS 16	305	350
Valuation adjustments	106	102
Tax losses	122	56
Intra-Group transactions	130	229
Other	295	197
<b>Total</b>	<b>1,276</b>	<b>1,236</b>

Deferred tax liabilities arising from:	2020	2019
Intra-Group transactions	132	135
IFRS16	103	46
Non-current assets	61	93
Valuation adjustments	4	5
Other	96	90
<b>Total</b>	<b>396</b>	<b>370</b>

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2020 and 2019 has been as follows:

Deferred tax assets arising from:	2020	2019
Opening balance	1,236	858
Charge/Credit to profit or loss	33	93
Charge/Credit to equity	(50)	227
Transfers	57	58
<b>Closing balance</b>	<b>1,276</b>	<b>1,236</b>

Deferred tax liabilities arising from:	2020	2019
Opening balance	370	312
Charge/Credit to profit or loss	(11)	5
Charge/Credit to equity	(20)	(5)
Transfers	57	58
<b>Closing balance</b>	<b>396</b>	<b>370</b>

As of 31 January 2021, the Group has tax losses subject to compensation with future benefits amounting to EUR 665 million (EUR 354 million at 31 January 2020). The aforementioned breakdown of Deferred tax assets includes those corresponding to tax loss carryforwards pending offsetting, with a balance of EUR 123 million at 31 January 2021 (EUR 56 million at 31 January 2020) that, for the most

part, are not subject to a period of effective compensation. The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.g), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 242 million.

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

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. Verification of the Spanish companies was completed in 2020. The findings of the inspection are reflected in these financial statements and their impact thereupon is not material. In addition, certain Group companies are being audited for tax purposes, including most notably those domiciled in South Korea, Germany and Russia. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

## 25 Financial risk management policy and financial instruments

### Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

### Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian ruble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimisation of the Group's operations, including centralisation, in order to

minimise the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g., deposits held in currencies other than the euro), and these instruments are recognized under "Current Financial Asset".

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

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

As described in Note 2.2.m, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2.m on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2020, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges. Approximately 66% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to the year-end, while the remaining 34% are expected to fall due between six months and one year. Also, the impact on the income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

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

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

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes

in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

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

In accordance with the risk management framework, risk appetite and target risk are set and residual risk is quantified. In addition, limits are set and monitored to ensure that residual risk is within the risk appetite and is also compliant with target risk.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 362 million at 31 January 2021 (31 January 2020 EUR 274 million).

#### Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Financial Risk Management Policy ensures the measurement, assessment, quantification and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria and Value-at-Risk (VaR) methodologies.

The VaR methodology implemented takes into account the counterparty's probability of default as estimated by the market, the time horizon of the investments, and the percentage of risk exposure that is not expected to be recovered in the event of default (loss given default). VaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The exposures used are up to one year. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous year. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous year.

In accordance with the risk management framework, risk appetite and target risk are set and residual risk is quantified. In addition, limits are set and monitored to ensure that residual risk is within the risk appetite and is also compliant with target risk.

Although, as a result of the market conditions unleashed by COVID-19, credit risk increased during the year, management allowed for its mitigation, so the Group's residual risk remained stable.

It is estimated that the residual risk resulting from the Group's twelve-month cash investments could be up to EUR 58 million at 31 January 2021 (EUR 103 million at 31 January 2020).

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement.

Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

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

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

#### Liquidity risk

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

Note 20 contains a detail of the financial liabilities, along with their scheduled maturities.

#### Interest rate risk

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

- Cash and cash equivalents: given the Group's investment policy (Note 20) and the negative interest rate environment in the Euro zone, with the Euro as the main currency, there is a risk of negative returns on the Group's financial position (Note 8).
- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets) and goodwill with an indefinite useful life. (Note 2.2.f).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

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

#### Country risk

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

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

At 31 January 2021, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2021, the Group was not operating in markets in which there was more than one exchange rate.

#### Brexit-related risk

In the wake of the referendum on 23 June 2016, on 1 February 2020 the United Kingdom ceased to be a member State of the European Union pursuant to the Withdrawal Agreement. The agreement provided for a transitional period until 31 December 2020 during which EU law continued to apply to and in the United Kingdom. The European Union and the United Kingdom signed the Trade and Cooperation Agreement of 24 December 2020, regulating their relations now that the two territories constitute two separate markets, with distinct regulatory and legal spaces. Although the Trade and Cooperation Agreement goes beyond the terms of a standard free trade agreement and also sets out a very ambitious framework for governance and cooperation on economic, social and environmental issues, the United Kingdom becomes a third country. It is therefore inevitable that barriers to trade in goods and services and to cross-border mobility and exchanges in both directions will arise, affecting all stakeholders, citizens, public administrations and businesses.

Since the referendum, the Group has been working on an action plan to analyse, assess, design and implement the necessary mitigation measures to minimise the potential impact of Brexit on the Group's business in general and on the UK market in particular. Although the severe scenario of a no-deal Brexit, which was the maximum level of disruption envisaged, has not materialised, the current circumstances do introduce new operational and business requirements. These are common and familiar circumstances in many of the markets where the Group operates, but new to the UK market. The Group has taken the necessary steps to mitigate the impact of Brexit on its operational processes, particularly in relation to supply chain, distribution, and labour issues. The relevant administrative and accounting procedures have been adapted and configured to ensure compliance with the new regulations, including indirect taxation and customs duties. In addition, some supply, transport and distribution flows between the EU and UK have been redesigned.

#### Capital management

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

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

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

#### Financial instruments

At 31 January 2021 and 2020, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:



<b>Other financial assets</b>	<b>2020</b>	<b>2019</b>
Fair value of the hedging instruments	2	14
<b>Total</b>	<b>2</b>	<b>14</b>

<b>Other financial liabilities</b>	<b>2020</b>	<b>2019</b>
Fair value of the hedging instruments	14	15
Reciprocal call and put options (Note 6)	13	26
<b>Total</b>	<b>27</b>	<b>40</b>

The detail of the fair value (measured as indicated in Note 2.2.m) of the hedging instruments for 2020 and 2019 is as follows:

## 2020

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2020	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2019
OTC Derivatives						
Foreign currency forwards	2	2	(11)	(1)	-	14
<b>Total Derivates</b>		<b>2</b>	<b>(11)</b>	<b>(1)</b>	<b>-</b>	<b>14</b>

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2020	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2019
OTC Derivatives						
Foreign currency forwards	2	14	6	-	3	5
Options	2	-	-	(6)	-	6
Cross Currency Swap	2	-	(4)	-	-	4
<b>Total Derivates</b>		<b>14</b>	<b>3</b>	<b>(6)</b>	<b>3</b>	<b>15</b>

## 2019

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

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

There have been no transfers between the different levels. (See Note 2.2.m).

*Financial instruments: other information*

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the

guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

	2020	2019
Cash and cash equivalents (Note 20)	7,398	4,780
Current financial investments (Note 20)	176	3,319
Trade receivables (Note 11)	255	226
Receivable due to sales to franchises (Note 11)	177	272
Other current receivables (Note 11)	85	103
Guarantees (Note 18)	329	378
<b>Total</b>	<b>8,418</b>	<b>9,078</b>

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

In 2020 no significant impairment losses were recognized on financial assets.

## 26 Employee benefits

### Obligations for benefit plans or defined contributions

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

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

### Long-term Incentive Compensation Plans

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

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

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

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

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

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

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

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

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

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

## 27 Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Tempe, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City México	Equity method	31-dec	Multi-concept	Dormant
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Giyim, Ltd.	50.00%	Istanbul Turkey	Equity method	31-dec	Multi-concept	Sale of footwear

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

	2020	2019
<b>Fixed assets</b>	<b>257</b>	<b>249</b>
<b>Others</b>	<b>30</b>	<b>33</b>
<b>Non-current assets</b>	<b>286</b>	<b>282</b>
<b>Inventories</b>	<b>219</b>	<b>209</b>
<b>Trade and other receivables</b>	<b>304</b>	<b>319</b>
<b>Cash and cash equivalents</b>	<b>31</b>	<b>30</b>
<b>Current assets</b>	<b>554</b>	<b>558</b>
<b>Non-current liabilities</b>	<b>(28)</b>	<b>(27)</b>
<b>Trade and other payables</b>	<b>(273)</b>	<b>(304)</b>
<b>Others</b>	<b>(7)</b>	<b>(9)</b>
<b>Current liabilities</b>	<b>(279)</b>	<b>(313)</b>
<b>Net assets</b>	<b>534</b>	<b>500</b>
<b>Revenues</b>	<b>997</b>	<b>1,399</b>
<b>Gross profit</b>	<b>257</b>	<b>348</b>
<b>Operating expenses</b>	<b>(161)</b>	<b>(201)</b>
<b>Amortization and depreciation</b>	<b>(25)</b>	<b>(23)</b>
<b>Net operating profit (EBIT)</b>	<b>71</b>	<b>124</b>
<b>Net profit</b>	<b>62</b>	<b>101</b>

In 2020 the Group received dividends totalling EUR 12 million (EUR 60 million in 2019) from Tempe (see Note 17).

## **28 Proposed distribution of the profit of the Parent**

The Directors' proposed appropriation of the Parent Company's profit in 2020 amounts to EUR 2,923 million, which is the maximum distributable amount, corresponding to an ordinary dividend of EUR 0.22 per share and a bonus dividend of EUR 0.48 (gross) per share for all shares in circulation, and an increase in voluntary reserves in the amount of EUR 492 million and in the capitalisation reserve in the amount of EUR 250 million.

Of the total of EUR 0.70 per share to be paid as a dividend, EUR 0.35 per share will be payable on 3 May 2021 as an ordinary interim dividend and bonus dividend, and EUR 0.35 per share on 2 November 2021 as a supplementary bonus dividend.

## **29 Remuneration of the Board of Directors and related party transactions**

### Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and senior management of the Parent in 2020 is shown in the section on related party transactions.

### Other information concerning the Board of Directors

At 31 January 2021, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	% Voting rights attributed to the shares		% Voting rights through financial instruments		% Total voting rights	% Voting rights that can be sold through financial	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr Pablo Isla Álvarez de Tejera <sup>1</sup>	0.0640%	-	0.0090%	-	0.073%	-	-
Mr Amancio Ortega Gaona <sup>2</sup>	-	59.2940%	-	-	59.294%	-	-
Mr Carlos Crespo González <sup>3</sup>	0.0010%	-	0.0060%	-	0.007%	-	-
Mr José Arnau Sierra	0.0010%	-	-	-	0.001%	-	-
Pontegadea Inversiones, S.L. <sup>4</sup>	50.0100%	-	-	-	50.01%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
<b>Total</b>					<b>59.375%</b>		

<sup>1</sup> In accordance with the first cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares. (i.e. 0.005%). In accordance with the second cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 120,172 shares (i.e. 0.004%)

<sup>2</sup> Through Pontegadea Inversiones, SL and Partler Participaciones, S.L. (Partler 2006, S.L. holds 100% of its stake)

<sup>3</sup> In accordance with the first cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 106,752 shares. (i.e. 0.003%). In accordance with the second cycle of the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 79,503 shares. (i.e. 0.003%)

<sup>4</sup> Represented by Ms Flora Pérez Marcote

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

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

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

### **Related party transactions**

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

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

**Inditex Group companies**

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

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

Transactions:

<b>Company</b>	<b>2020</b>	<b>2019</b>
<b>Jointly controlled entities</b>	<b>(780)</b>	<b>(1,082)</b>

Corresponding mainly to finished goods purchases.

Balances:

	<b>31/01/2021</b>	<b>31/01/2020</b>
<b>Current financial investments</b>	-	-
<b>Trade and other receivables</b>	<b>16</b>	<b>14</b>
<b>Non-current financial investments</b>	<b>258</b>	<b>246</b>
<b>Trade and other payables</b>	<b>277</b>	<b>284</b>
<b>Current financial debt</b>	-	<b>1</b>

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

**Significant shareholders**

In 2020 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler Participaciones S.L, Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

<b>Company name of significant shareholder</b>	<b>Nature of relationship</b>	<b>Type of operation</b>	<b>Amount</b>
<b>Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons</b>	<b>Contractual</b>	<b>Lease of assets</b>	<b>(33)</b>
<b>Pontegadea Inversiones, S.L., Partler Participaciones, S.L., Partler 2006, S.L. or related entities or persons</b>	<b>Contractual</b>	<b>Services (construction work)</b>	<b>3</b>
<b>Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons</b>	<b>Contractual</b>	<b>Lease of assets</b>	<b>(1)</b>

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



Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(42)
Pontegadea Inversiones, Partler 2006, S.L. or related entities or persons	Contractual	Other income	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

#### Members of the Board of Directors and Senior Management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years

The following tables show the remuneration and termination benefits earned by the directors and Senior Management of Inditex in 2020:

Name or social name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration 2020	Multiannual variable remuneration (cash and shares) 2020	Total 2020
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	2,535	-	5,885
Mr José Arnau Sierra	Propietary	100	80	200	-	-	-	-	380
Mr Carlos Crespo González	Executive	100	-	-	-	1,500	1,170	-	2,770
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. <sup>(1)</sup>	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	50	-	-	-	300
Ms Anne Lange	Independent	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez	Independent	100	-	150	27	-	-	-	277
Mr Jose Luis Durán Schulz	Independent	100	-	150	23	-	-	-	273
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
<b>TOTAL</b>		<b>1,100</b>	<b>80</b>	<b>1,100</b>	<b>200</b>	<b>4,750</b>	<b>3,705</b>	<b>-</b>	<b>10,935</b>

Notes:

(1) Represented by Ms Flora Pérez Marcote

An itemised breakdown of the remuneration of the members of the Board of Directors in 2019 is as follows:

Name or social name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration 2019	Multiannual variable remuneration (cash and shares) 2019	Total 2019
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	1,447	1,486	6,283
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Carlos Crespo Gonzalez(1)	Executive	54	-	-	-	800	365	74	1,293
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (2)	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Ms Anne Lange(3)	Independent	15	-	14	-	-	-	-	29
Ms Pilar López Álvarez	Independent	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
<b>TOTAL</b>		<b>969</b>	<b>80</b>	<b>914</b>	<b>150</b>	<b>4,050</b>	<b>1,812</b>	<b>1,560</b>	<b>9,535</b>

Notes:

(1) From 16 July 2019

(2) Represented by Ms Flora Pérez Marcote

(3) From 10 December 2019

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2020 were as follows:

<b>SENIOR MANAGEMENT</b>	
<b>Remuneration</b>	<b>27,796</b>
<b>Termination benefits</b>	
<b>Total</b>	<b>27,796</b>

The aforementioned remuneration for 2020 includes fixed remuneration and short-term variable remuneration accrued by Senior Management (as defined in section C.1.14. “*Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favour during the year*” of the Annual Corporate Governance Report for the 2020. Remuneration of Directors for 2020 includes fixed items of remuneration of Directors in their condition as such, as well as fixed salary and short-term variable remuneration of Executive Directors.

No long-term variable incentives were accrued in 2020.

The total remuneration and termination benefits earned by senior management of Inditex Group in 2019 were as follows:

	SENIOR MANAGEMENT
Remuneration	31,131
Termination benefits	
<b>Total</b>	<b>31,131</b>

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

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

As refers to the long-term variable remuneration includes the amount accrued for the second cycle (2017-2020) of the 2016-2020 Long-term Plan. The amount accrued in 2019 by the Executive Directors in terms of this incentive is EUR 1,561 thousand (EUR 1,487 thousand by the Executive Chairman and EUR 74 thousand by the CEO). In turn, the sum of EUR 7,558 thousand was accrued by Senior Management. This incentive materialised as follows:

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 718 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 28 thousand.
- Senior Management: (i) an incentive in cash in the gross amount of EUR 4,702 thousand and, (ii) an incentive in shares materialised in 126,919 shares, equivalent to the gross amount of EUR 2,856 thousand.

The incentive in shares accrued by the Executive Directors and the Senior Management regarding the second cycle (2017-2020) of the 2016-2020 Plan, shown in Note 20, has been adjusted in accordance with the share price as at the date of delivery of the aforementioned shares.

During 2020 and in 2019 no contributions were made to the Pension Scheme Plan.

## 30 External auditors

In 2020 and 2019 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2020	2019
<b>Audit services</b>	<b>7.3</b>	<b>7.5</b>
<b>Other assurance services</b>	<b>0.7</b>	<b>0.6</b>
<b>Total audit and similar services</b>	<b>8.0</b>	<b>8.1</b>
<b>Other services</b>	<b>0.1</b>	<b>0.1</b>
<b>Total professional services</b>	<b>8.1</b>	<b>8.2</b>

Furthermore, audit fees for services provided by other auditors in 2020 amounted to EUR 0.1 million.

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0200% of their total revenue.

## 31 Environment

Inditex has developed a flexible and integrated business model, with a strong customer focus and a clear sustainable approach. In this regard, Inditex's environmental strategy is outlined in its Sustainability Policy, which replaces the previous Environmental Sustainability Policy, the modification of which was approved by the Board of Directors on 14 December 2020, merging the aforementioned Environmental Sustainability Policy and the Corporate Social Responsibility Policy into a single document. Among other aspects, the current Sustainability Policy sets out the Group's environmental commitments, which are applied transversally in all its business areas and throughout its entire supply chain.

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

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

## 32 Events after the reporting period

On the date of authorising these consolidated annual financial statements for issue, no matters had come to light that might change the content hereof or give rise to additional disclosures beyond those included herein.

## 33 Explanation added for translation to English

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

## Annex I – Composition of the Inditex Group

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

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

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

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



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

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

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

## **CONSOLIDATED DIRECTORS' REPORT AT 31 JANUARY 2021**

(Amounts expressed in millions of euros)

### **Situation of the entity**

The information relating to the "Situation of the entity" is detailed in section "1.2. Sustainable Business Model" in the accompanying Annex IV that contains the "Statement of Non-financial Information" of the Inditex Group.

### ***Organizational structure***

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders' Meeting
- Board of Directors
- Executive Committee
- Audit and Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Compliance Supervisory Board and Office of the Chief Compliance Officer
- Committee of Ethics

### **Business performance and results**

#### ***Key financial and non-financial indicators***

A landmark year in Inditex's transformation into a fully integrated, digital and sustainable business model. Key features:

- ♦ Total integration of Stores and Online.
- ♦ 100% implementation of RFID & SINT (single inventory) in all concepts. The Inditex Open Platform (IOP) is 80% implemented. Rollout to be completed by the end of FY2021. Construction of the new Zara online studios (67,000m<sup>2</sup>) now completed.
- ♦ Online sales in constant currencies increased 77%.
- ♦ SINT contributed €1.2bn to online sales.
- ♦ Gross new space in prime locations increased 2%. Store optimisation is in the final stages as planned (751 stores absorbed in 2020).
- ♦ Strong customer engagement. Online visits reached 5.3 billion, +50%. The Group has 200 million followers on social media. Active App's reached 132 million.
- ♦ Higher flexibility and lower inventory requirement to sales continues.

- ♦ Sustainability is a key part of Inditex's strategy. As per the Sustainability Roadmap Goals, Inditex has achieved all of the targets set for 2020. In particular, outperformance was seen in two main areas: Join Life and renewable energy. The Group has also set ambitious new targets for the year 2023.
- ♦ A more responsive, adaptable and agile company.
- ♦ Despite the disruption caused by the lockdowns and restrictions, the strength of the business model is reflected in the high sales productivity. Trading hours were down 25.5% versus 2019. Total store and online sales in constant currency were down 24.5% versus 2019.
- ♦ As at 31 January 2021, 30% of stores were in full lockdown (versus 8% on 31 October 2020) and 52% had restrictions.
- ♦ Inditex's dividend policy of 60% ordinary payout and bonus dividends remains in place. Inditex's Board of Directors will propose to the Annual General Meeting a dividend of €0.70 per share for FY2020. This will be composed of an ordinary dividend of €0.22 and a bonus dividend of €0.48 per share. This dividend will be made up of two equal payments to be made on 3 May 2021 and 2 November 2021.
- ♦ The remainder of the bonus dividend (30 cents per share) will be paid in calendar year 2022.

In FY2020 gross new space in prime locations increased 2% (-5% net). Total selling area at FYE reached 4,826,566 square metres:

	2020	2019	2020/2019
<b>Zara (Zara and Zara Home)</b>	<b>3,209,510</b>	<b>3,345,519</b>	<b>(4)%</b>
<b>Pull&amp;Bear</b>	<b>394,170</b>	<b>428,969</b>	<b>(8)%</b>
<b>Massimo Dutti</b>	<b>258,310</b>	<b>278,052</b>	<b>(7)%</b>
<b>Bershka</b>	<b>513,139</b>	<b>553,853</b>	<b>(7)%</b>
<b>Stradivarius</b>	<b>321,419</b>	<b>337,893</b>	<b>(5)%</b>
<b>Oysho</b>	<b>115,581</b>	<b>127,294</b>	<b>(9)%</b>
<b>Uterqüe</b>	<b>14,437</b>	<b>15,152</b>	<b>(5)%</b>
<b>Total</b>	<b>4,826,566</b>	<b>5,086,732</b>	<b>(5)%</b>

Inditex has been very active in store optimisation activities in 2020 (111 openings, 96 refurbishments which include 45 enlargements). Store optimisation is in the final stages as planned (751 stores absorbed already in 2020). At the end of FY2020 Inditex operated 6,829 stores. In FY2020 Inditex opened stores in 29 markets.

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

Concept	31 January 2021	31 January 2020
Zara	2,025	2,142
Zara Kids	93	128
Zara Home	535	596
Pull&Bear	873	970
Massimo Dutti	677	754
Bershka	1,005	1,107
Stradivarius	936	1,006
Oysho	600	677
Uterqüe	85	89
<b>Total</b>	<b>6,829</b>	<b>7,469</b>

Company-managed stores and franchised stores at the end 2020:

Concept	Company Managed	Franchised	Total
Zara	1,763	262	2,025
Zara Kids	93	-	93
Zara Home	454	81	535
Pull&Bear	715	158	873
Massimo Dutti	563	114	677
Bershka	828	177	1,005
Stradivarius	738	198	936
Oysho	512	88	600
Uterqüe	70	15	85
<b>Total</b>	<b>5,736</b>	<b>1,093</b>	<b>6,829</b>

Sales in company-managed and franchised stores:

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

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

Net sales by concept are shown in the table below:

	2020	2019
Zara (Zara and Zara Home)	14,129	19,564
Pull&Bear	1,425	1,970
Massimo Dutti	1,197	1,900
Bershka	1,772	2,384
Stradivarius	1,283	1,750
Oysho	522	604
Uterqüe	75	115
<b>Total</b>	<b>20,402</b>	<b>28,286</b>

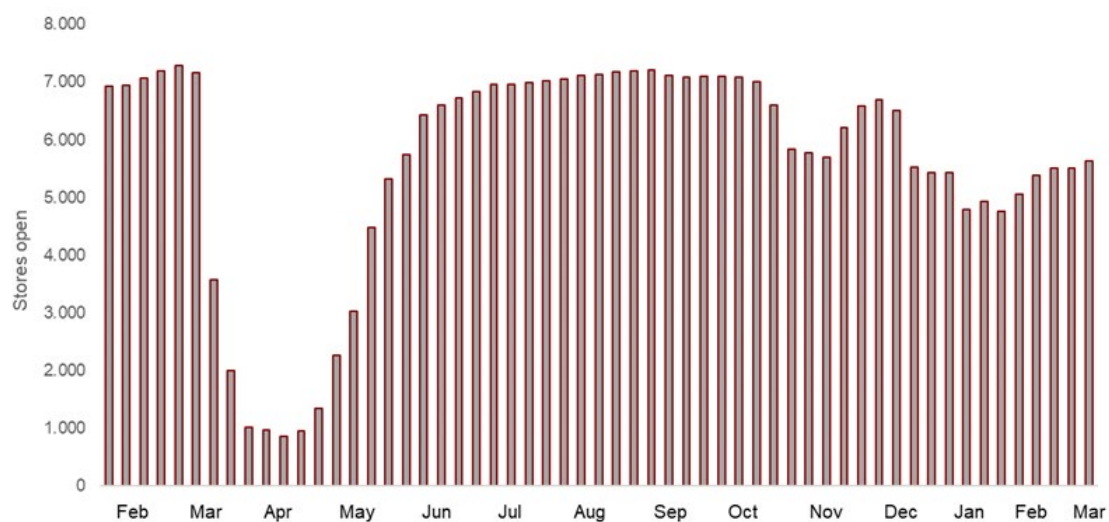
The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

Area	2020	2019
Europe ex-Spain	48.7%	46.0%
Asia & RoW	23.2%	22.5%
Spain	14.6%	15.7%
Americas	13.5%	15.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Inditex continues to expand its global, fully integrated platform underpinned by the key strategic pillars of store & online integration, digitalisation and sustainability.

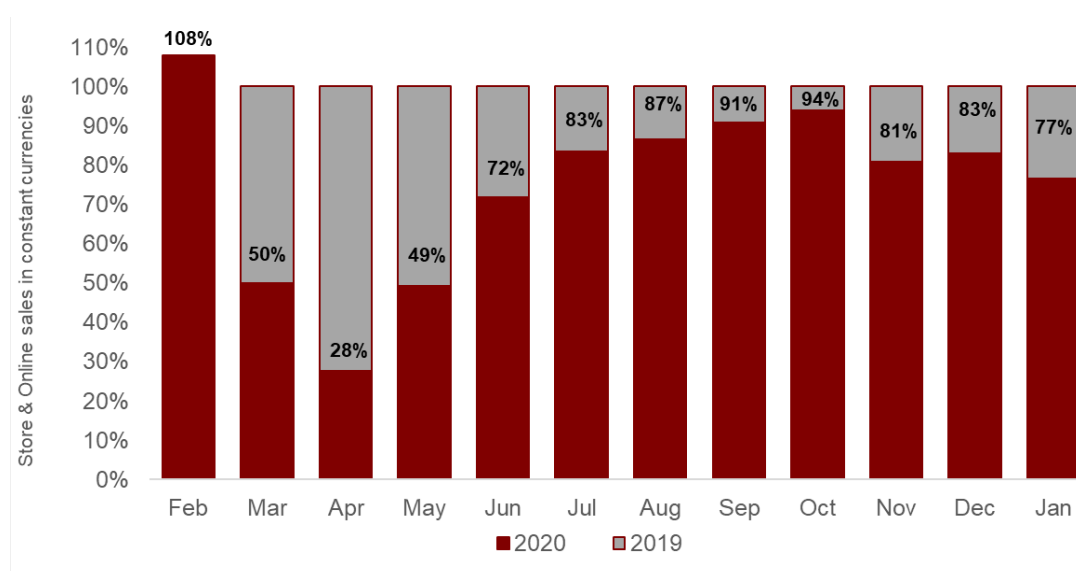
Inditex's FY2020 performance has been materially impacted by Covid-19 with temporary store closures. Online sales have seen outstanding growth in FY2020, benefiting from the single inventory position.

As at 31 January 2021, 30% of stores were in full lockdown (versus 8% on 31 October 2020) and 52% had restrictions. The chart below illustrates the number of stores with sales over the period on a weekly basis.



Collections were very well received by our customers. Our supply chain continued to operate normally due to the flexibility of our business model based on proximity sourcing and the single inventory position. Inventory integration proved to be pivotal during this period. We have also implemented initiatives to adjust operating expenses. The flexibility of the business model has been key to the operational and financial performance.

The chart below shows the monthly sales performance in the period versus last year.



Inditex continues to roll out its global, fully integrated store and online platform. Inditex remains very active in the differentiation of its store base.

Inditex generated a strong operating performance. In FY2020, net sales reached €20.4 billion (€28.3 billion in FY2019). Sales in constant currencies decreased 24.5%. The chart shows the full year and 2H2020 results:

€ million	2020	20/19	2H20	20/19
<b>Net Sales</b>	<b>20,402</b>	<b>(28)%</b>	<b>12,369</b>	<b>(20)%</b>
<b>Gross profit</b>	<b>11,390</b>	<b>(28)%</b>	<b>6,878</b>	<b>(19)%</b>
<b>EBITDA</b>	<b>4,552</b>	<b>(40)%</b>	<b>3,066</b>	<b>(26)%</b>
<b>Net income</b>	<b>1,106</b>	<b>(70)%</b>	<b>1,300</b>	<b>(38)%</b>

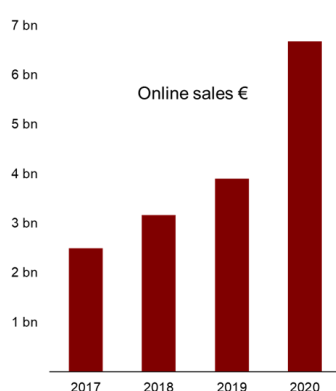
Despite the disruption caused by the lockdowns and restrictions, the strength of the business model is reflected in the high sales productivity. Trading hours were down 25.5% versus 2019. Total store and online sales in constant currency were down 24.5% versus 2019. The table below illustrates this performance:

	2020	2H20	4Q20
<b>Trading hours</b>	<b>(25.5)%</b>	<b>(15)%</b>	<b>(23.5)%</b>
<b>Total store &amp; online sales</b>	<b>(24.5)%</b>	<b>(15)%</b>	<b>(19.5)%</b>

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

Global online sales launches are on track. In 2020, Zara launched online in 25 markets.

Online sales came to €6.6 billion and grew 77% in constant currencies. 95% of online growth in the year was organic. Customer engagement remains very high. Active App's reached 132 million. Online visits in FY2020 have grown 50% to 5.3 billion visits. The Group has 200 million followers on social media.



The RFID and SINT programmes have now been fully rolled out in all concepts. SINT contributed €1.2bn to online sales in the year. This has allowed Inditex to transition into a company that is more responsive, adaptable, and agile.

Inditex Open Platform (IOP) is 80% implemented. This is expected to be fully rolled out by the end of FY2021.



Sustainability is a key part of Inditex's strategy. As per the Sustainability Roadmap Goals, Inditex has achieved all of the targets set for 2020. In particular, outperformance was seen in two main areas: Join Life and renewable energy. The Group has also set ambitious new targets for the year 2023.

Gross profit came to €11.4 billion, compared with €15.8 billion in FY2019. The gross margin reached 55.8% (-6 bps). The gross margin in constant currency in FY2020 increased +170 bps to 57.6% (+257 bps in 2H2020).

The implementation of efficiencies has resulted in operating expenses being tightly managed over FY2020.

	2020	2019	20/19
<b>Personnel expenses</b>	<b>3,376</b>	<b>4,430</b>	<b>(24)%</b>
<b>Rental expenses</b>	<b>181</b>	<b>695</b>	<b>(74)%</b>
<b>Other operating expenses</b>	<b>3,250</b>	<b>3,051</b>	<b>7%</b>
<b>Total</b>	<b>6,807</b>	<b>8,176</b>	<b>(17)%</b>

Inditex incurred extraordinary expenses related to COVID-19 of €394 million in 2H2020.

EBITDA in FY2020 came to €4.6 billion vs. €7.6 billion in FY2019. EBIT came to €1.5 billion vs. €4.8 billion in FY2019.

The following chart shows the breakdown of financial results:

	2020	2019
<b>Net financial income (losses)</b>	<b>(2)</b>	<b>17</b>
<b>Lease finance costs</b>	<b>(120)</b>	<b>(142)</b>
<b>Foreign exchange gains (losses)</b>	<b>(17)</b>	<b>(26)</b>
<b>Total</b>	<b>(139)</b>	<b>(152)</b>

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

PBT by concept		
Concept	2020	2019
Zara ( Zara and Zara Home)	971	3,370
Pull&Bear	95	301
Massimo Dutti	62	282
Bershka	113	349
Stradivarius	117	300
Oysho	43	70
Uterqüe	1	9
<b>Total PBT</b>	<b>1,401</b>	<b>4,681</b>

Results from companies consolidated by the equity method came to €33 million.

Net income in FY2020 came to €1.1 billion vs. €3.6 billion in FY2019.

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

	2020	2019
Net income	1,106	3,639
Shareholders equity - previous year	14,913	14,653
Shareholders equity - current year	14,520	14,913
Average equity	14,716	14,783
<b>Return on Equity</b>	<b>8%</b>	<b>25%</b>

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

	2020	2019
PBT	1,401	4,681
Average capital employed :		
Average shareholders' equity	14,716	14,783
Average net financial debt (*)	-	-
Total average capital employed	14,716	14,783
<b>Return on Capital employed</b>	<b>10%</b>	<b>32%</b>

(\*) Zero when net cash

Return on Capital Employed by concept:

Concept	2020	2019
Zara ( Zara and Zara Home)	9%	30%
Pull&Bear	11%	39%
Massimo Dutti	6%	31%
Bershka	11%	39%
Stradivarius	16%	47%
Oysho	15%	26%
Uterqüe	1%	16%
<b>Total</b>	<b>10%</b>	<b>32%</b>

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2020 results by quarter.

#### Issues relating to sustainability and employees

See Annex IV "Statement of Non-Financial Information".

#### Liquidity and capital resources

Inditex continued to show a strong financial position in FY2020. Due to the strong operating performance, the full store and online integration, and the store optimisation programme we are seeing a lower inventory on sales and an increased cash generation.

The net cash position was €7.6 billion at FYE 2020.

	31 January 2021	31 January 2020
Cash & cash equivalents	7,398	4,780
Short term investments	176	3,319
Current financial debt	(11)	(32)
Non current financial debt	(3)	(6)
<b>Net financial cash (debt)</b>	<b>7,560</b>	<b>8,060</b>

The operating working capital position remains negative as a result of the business model. Inventory increased 2% in 2020, a decrease of 9% excluding the 4Q2019 provision.

	31 January 2021	31 January 2020
Inventories	2,321	2,269
Receivables	715	780
Payables	(4,747)	(5,585)
<b>Operating working capital</b>	<b>(1,711)</b>	<b>(2,536)</b>

Capital expenditure for FY2020 amounted to €713 million.

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2021.

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

### **Analysis of contractual obligations and off balance sheet transactions**

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2021, detailed under "Information on the outlook for the group".

### **Main risks and uncertainties**

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

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

#### **1. Financial risks**

Financial risks are threats originating in the macroeconomic sphere, financial markets, global value chains and industry- or company-specific events that may prevent the proposed objectives from being attained.

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes market risk, foreign exchange rate risk, counterparty risk and commodity price increases. The Euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in euros, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is exposed to counterparty risk from its suppliers of goods and services as well as from its customers and business partners which could impact the normal development of some of its operations. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit card. There are therefore no significant concentrations of credit risk. The financial solvency of the Group's most important third parties is analysed and monitored as part of an analysis process that also encompasses legal, compliance, reputational and other aspects. The Group is also exposed to the risk that counterparties (mainly financial) fail to comply with their obligations in relation

to investing the company's cash, credit policies or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

Interest rate and liquidity risk are also assessed. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum, also taking into account sovereign or jurisdiction risk. The current negative interest rate environment, especially in the Economic and Monetary Union, poses a potential risk of negative profitability in the Group's financial position. Consideration is also given to the potential impact resulting from the increase in the price of the many raw materials consumed indirectly in the Group's operations and in its procurement of goods and services.

Lastly, this category includes risks relating to the competitive environment, meaning the difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. It consists of the Group's possible inability to follow and respond to changes in its target market or to adapt to new situations in its supply or distribution countries, considering the difficulties involved in recognising and taking on board the ongoing changes in fashion trends, and in manufacturing, supplying and marketing new items that meet customer expectations. The optimal achievement of business objectives may be shaped by a decline in consumption resulting from an economic downturn, whether global or limited to one or more of the markets in which the Group operates.

## 2. Geopolitical Risks

Geopolitical risks arise from a deterioration in the political situation, a society's crime levels, changes in the ideology, leadership and regulation of its authorities, politically motivated conflicts at home or between nation states that threaten operations or forecast performance.

Potential instability in the territories where the Group's supply chains are located, as well as where products are marketed, is a significant risk. The business model is based on a value chain with multiple geographic origins. The Group's integrated sales model enables it to operate in more than two hundred markets, which ensures a significant level of diversification and resilience. As a result of its broad geographic presence, the Group is directly or indirectly exposed to multiple legislations in the countries where it operates (tax, customs, labour, trade and consumer, industrial and intellectual property, data protection and privacy regulations, as well as regulatory risks of a criminal nature, crimes related to corruption, fraud and bribery, cybersecurity and environmental legislation, among others). Regulatory changes as well as differing or even divergent treatment of legal facts in different jurisdictions expose the Group to potential negative effects of a financial, compliance and/or reputational nature.

In the wake of the referendum on 23 June 2016, on 1 February 2020 the United Kingdom ceased to be a member State of the European Union pursuant to the Withdrawal Agreement. The agreement provided for a transitional period until 31 December 2020 during which EU law continued to apply to and in the United Kingdom. The European Union and the United Kingdom signed the Trade and Cooperation Agreement of 24 December 2020, regulating their relations now that the two territories constitute two separate markets, with distinct regulatory and legal spaces. Although the Trade and Cooperation Agreement goes beyond the terms of a standard free trade agreement and also sets out a very ambitious framework for governance and cooperation on economic, social and environmental issues, the United Kingdom becomes a third country. It is therefore inevitable that barriers to trade in goods and services and to cross-border mobility and exchanges in both directions will arise, affecting all stakeholders, citizens, public administrations and businesses.

Since the referendum, the Group has been working on an action plan to analyse, assess, design and implement the necessary mitigation measures to minimise the potential impact of Brexit on the Group's business in general and on the UK market in particular. Although the severe scenario of a no-deal Brexit,

which was the maximum level of disruption envisaged, has not materialised, the current circumstances do introduce new operational and business requirements. These are common and familiar circumstances in many of the markets where the Group operates, but new to the UK market. The Group has taken the necessary steps to mitigate the impact of Brexit on its operational processes, particularly in relation to supply chain, distribution and labour issues. The relevant administrative and accounting procedures have been adapted and configured to ensure compliance with the new regulations, including indirect taxation and customs duties. In addition, some supply, transport and distribution flows between the EU and UK have been redesigned.

### 3. Technological Risks

The technological risk category includes targeted cyber-attacks, collapse of critical infrastructure, industrial accidents with direct or indirect impacts, as well as the inability to adapt to technological advances.

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

These risks may significantly affect the normal functioning of the Group's operations. Some of the operational risks are concentrated at logistics centres and at third-party operators transporting goods. Clothing, footwear, accessories and household products for all the chains are distributed from 14 logistics centres located all around Spain. Logistics distribution is complemented by the Lelystad logistics connection point, in the Netherlands, as well as other smaller logistics centres located in other countries and with third party logistics operators which carry out small scale distribution operations.

The ability to adapt to technological innovations and evolutions in a broad sense, both in customer interaction through the development of a satisfactory omni-channel experience, as well as in the improvement of operational processes, is essential to ensure the Group's commercial success in a highly competitive environment.

### 4. Environmental Risks

Environmental risks are risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.

Key operations pertaining to business and transport processes could be paralysed as a result of natural disasters (floods, fires, earthquakes, etc.), especially if they affect the Group's critical infrastructures. The Group's performance is exposed to the potential impact of climate change in its various manifestations of physical risk, whether chronic or catastrophic. In this connection, significant changes in weather cycles may affect consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others. There are potential financial and reputational risks associated with the nature, speed and focus of policy, legal, technological and market changes as society transitions to a low-carbon economy.

There is also a risk arising from the potential adverse effects of the Group's value chain due to the discharge of undesirable or hazardous substances into the environment, or potentially resulting in the loss of biodiversity, deforestation, soil degradation, shortage of raw materials, among others.

### 5. Social Risks

The category of social risks includes risks arising from socio-economic trends in societies, including the evolution of preferences, social norms, demographics, as well as the prevalence of diseases and the development of public healthcare systems.

The main risks relating to human resources are those arising from potential dependence on key employees and from the failure to keep an adequate work environment in all the work centres.

This category includes the risk of infectious diseases. It corresponds to the potential disruption caused by a local, regional or global pandemic as a result of infectious diseases against which there is little or no pre-existing immunity in the human population. The note on COVID-19 details its impact during the year and the mitigation measures implemented.

Lastly, this category also includes risks which have a direct influence on the perception of the Group by its stakeholders (customers, employees, shareholders and suppliers) and society in general. They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach or good practices that might have an impact on the Organisation's reputation.

## 6. Governance Risk

Governance risks include a set of risks of various kinds. These include non-compliance by the Company, and in particular by its Board of Directors and Senior Management, with (i) the law in a formal or material sense; (ii) good governance guidelines; (iii) best practices; and (iv) the commitments that Inditex voluntarily undertakes as a business, as well as the risks resulting from the tactical and strategic decisions of the Group's management that may result in the non-fulfilment of the business objectives of the functional areas or of the Group, as well as risks of corruption or damage to the reputation of the company.

Risk management in the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of all members of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved as a response to the social and environmental challenges, furnishing all stakeholders with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Integrated Risk Management System ("IRMS") is based on the Risk Management and Control Policy, which sets out the basic principles, key risk factors and the general framework for risk management and control.

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

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.

- The Policy Management of Risks.
- The Code of Conduct and of Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct in the Securities Markets.
- The Code of Conduct of Manufacturers and Suppliers.
- The Occupational Health and Safety Policy.
- The Sustainability Policy.
- The Information Security Policy.
- The Standard for Procurement Management.
- The Policy on Communications and Contact with Shareholders, Institutional Investors and Proxy Advisers.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.
- The Diversity and Inclusion Policy.
- The Compliance Policy.
- The Tax Strategy and Tax Policy.
- The Anti-Money Laundering and Terrorist Financing Policy.
- The Due Diligence Policy.
- The Conflict of Interest Policy.
- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.

For more details, see Section E “ Enterprise Risk management systems” of the Annual Corporate Governance Report for 2020.

#### **Significant events after the reporting period**

No significant events have occurred since the reporting date.

#### **Information on the outlook for the Group**



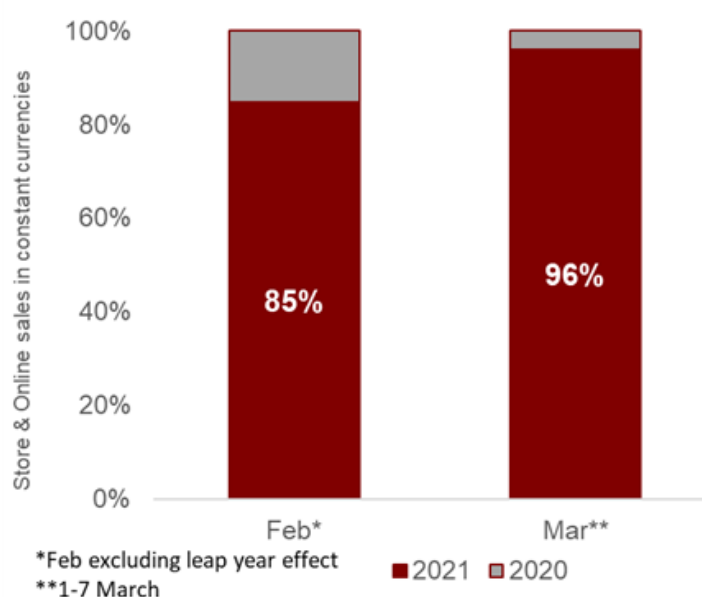
Total annual capital expenditure during the period 2020-2022 will be around €900 million. The plan includes digital investments of c. €1 billion over the three years.

Online sales are expected to continue growing at a significant rate.

Spring/Summer collections have been very well received by our customers.

In February, an average of 21% of stores were temporarily closed. At 8 March 15% of stores remained temporarily closed.

Online sales in 1Q2021 continue to grow at a similar rate seen in the FY2020. The chart shows the monthly store & online sales in constant currencies to date versus last year.



Store and online sales 1-7 March were -4% vs -4% in same period in 2020. Excluding the five most relevant markets in lockdown at the moment (Brazil, Germany, Greece, Portugal and UK) sales grew 2%.

According to current information, practically 100% of stores will be open by 12 April.

## R&D+I activities

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

## Acquisition and sale of treasury shares

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

At 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Subsequently, in the first half of 2020, the second cycle (2017-2020) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of said second cycle of the Plan.

Aside from these share deliveries, there were no other operations involving treasury shares in 2020.

Consequently, at 31 January 2021, the Company owned a total of 1,726,305 treasury shares, representing 0.055% of the share capital.

### **Other salient information**

#### **Stock market information**

The Inditex share price closed 2020 at EUR 24.49 per share on 31 January 2021. The average daily trading volume was approximately 5 million shares. In the same period, the Ibex 35 fell by 17%, while the Dow Jones Stoxx 600 Retail gained 10%.

Inditex's market capitalization stood at EUR 76,327 million at the end of the period, up 733% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 19% decrease in the Ibex 35 index in the same period.

The dividend for 2019, paid in November 2020, amounted to EUR 0.35 per share in circulation.

#### **Dividend policy**

The dividends paid by the Parent in 2020 and 2019 amounted to EUR 1,090 million and EUR 2,741 million, respectively. These amounts correspond to payments of EUR 0.35 per share in 2020 and EUR 0.88 per share in 2019.

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

### **Other disclosures**

#### **Related party transactions**

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2020 that substantially affected its financial position or results.

Information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

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

Annual Corporate Governance Report

The Annual Corporate Governance Report (Annex V) for 2020 is available at [www.inditex.com](http://www.inditex.com) and was published on 10 March 2021 in CNMV's website ([www.cnmv.es](http://www.cnmv.es)), in the Other Relevant Information section.

Non-financial information and information on diversity

The Statement on Non-Financial Information of the Inditex group is attached hereto as Annex IV.

**Alternative performance measures**

The Gross Margin, Gross operating profit (EBITDA), Net operating profit (EBIT), Profit before taxes (PBT), ROE, ROCE, working capital, net financial position, Average net financial debt and Quarterly results are defined in the introduction to the Consolidated Annual Accounts 2020.

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

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

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

## Annex II

Income statement: FY2020 quarterly results:

	2020 Quarterly results			
	Q1	Q2	Q3	Q4
Net sales	3,303	4,730	6,052	6,317
Cost of sales	(1,374)	(2,148)	(2,392)	(3,100)
<b>Gross profit</b>	<b>1,930</b>	<b>2,582</b>	<b>3,661</b>	<b>3,217</b>
	58.4%	54.6%	60.5%	50.9%
Operating expenses	(1,448)	(1,572)	(1,792)	(1,995)
Other net operating income (losses)	2	(8)	(20)	(5)
<b>Operating cash flow (EBITDA)</b>	<b>484</b>	<b>1,002</b>	<b>1,848</b>	<b>1,218</b>
	14.6%	21.2%	30.5%	19.3%
Amortisation and depreciation	(992)	(692)	(704)	(657)
<b>Operating income (EBIT)</b>	<b>(508)</b>	<b>310</b>	<b>1,144</b>	<b>561</b>
	(15.4)%	6.6%	18.9%	8.9%
Financial results	(35)	(41)	(31)	(32)
Results from companies consolidated by equity	4	7	7	15
<b>Income before taxes</b>	<b>(539)</b>	<b>276</b>	<b>1,120</b>	<b>544</b>
	(16.3)%	5.8%	18.5%	8.6%
Taxes	130	(65)	(253)	(108)
<b>Net income</b>	<b>(409)</b>	<b>211</b>	<b>866</b>	<b>436</b>
	(12.4)%	4.5%	14.3%	6.9%
<b>Minorities</b>	<b>-</b>	<b>(4)</b>	<b>1</b>	<b>1</b>
<b>Net income attributable to the controlling company</b>	<b>(409)</b>	<b>214</b>	<b>866</b>	<b>435</b>
	(12.4)%	4.5%	14.3%	6.9%

## Annex III

Detail of stores by concept and market as at 31 January 2021

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1	-	1	1	2	2	-	1	-	8
GERMANY	71	-	11	13	13	-	-	12	-	120
ANDORRA	1	-	1	1	1	1	1	1	-	7
SAUDI ARABIA	47	-	19	12	32	45	18	8	5	186
ALGERIA	2	-	2	-	3	3	1	2	-	13
ARGENTINA	11	-	-	-	-	-	-	-	-	11
ARMENIA	2	-	2	2	2	2	1	1	-	12
ARUBA	1	-	-	-	-	-	-	-	-	1
AUSTRALIA	19	-	-	-	-	-	-	-	-	19
AUSTRIA	12	-	4	1	7	-	-	3	-	27
AZERBAIJAN	3	-	2	3	3	2	1	-	-	14
BAHREIN	2	-	1	2	1	1	1	1	-	9
BELGIUM	30	-	7	18	14	2	3	7	-	81
BELARUS	2	-	2	1	2	3	1	1	-	12
BOSNIA	3	-	4	1	4	4	-	-	-	16
BRAZIL	52	-	-	-	-	-	-	8	-	60
BULGARIA	6	-	5	6	7	4	6	1	-	35
CANADA	32	-	-	8	-	-	-	1	-	41
CHILE	9	-	-	-	-	-	-	4	-	13
MAINLAND CHINA	141	-	6	74	7	-	66	42	1	337
HONG KONG SAR	13	-	4	1	3	-	2	1	-	24
MACAO SAR	2	-	-	1	-	-	1	1	-	5
TAIWAN, CHINA	9	-	3	5	3	-	-	2	-	22
CYPRUS	7	-	5	5	6	6	4	5	-	38
COLOMBIA	13	-	9	5	12	12	4	5	-	60
SOUTH KOREA	41	-	-	6	-	-	4	5	-	56
COSTA RICA	2	-	2	1	2	2	1	1	-	11
CROATIA	10	-	7	4	9	7	3	2	-	42
DENMARK	4	-	-	-	-	-	-	1	-	5
ECUADOR	2	-	3	1	3	3	1	-	-	13
EGYPT	7	-	7	6	7	6	5	4	-	42
EL SALVADOR	2	-	2	-	2	2	1	-	-	9
UAE	14	-	9	8	10	6	8	7	2	64
SLOVAKIA	3	-	3	1	5	4	-	-	-	16
SLOVENIA	5	-	2	1	4	4	-	-	-	16
SPAIN	279	77	184	143	174	267	151	108	28	1,411
UNITED STATES	99	-	-	-	-	-	-	-	-	99
ESTONIA	3	-	1	2	1	1	-	1	-	9
PHILIPPINES	9	-	3	2	5	4	-	-	-	23
FINLAND	6	-	-	1	-	-	-	-	-	7
FRANCE	118	-	38	13	52	29	6	18	-	274
GEORGIA	4	-	2	4	3	3	2	1	-	19
GREECE	40	5	24	12	28	22	19	9	-	159
GUATEMALA	3	-	3	1	3	3	1	1	-	15
NETHERLANDS	29	-	11	4	18	6	-	7	-	75
HONDURAS	2	-	2	1	2	2	1	1	-	11
HUNGARY	8	-	8	3	9	7	2	2	-	39
INDIA	22	-	-	3	-	-	-	-	-	25
INDONESIA	17	-	14	5	9	14	4	3	-	66
IRELAND	9	-	3	2	6	4	-	-	-	24
ICELAND	1	-	-	-	-	-	-	-	-	1
ISRAEL	25	-	24	3	17	8	-	2	-	79
ITALY	96	-	53	6	67	84	26	25	-	357
JAPAN	92	-	-	-	18	5	-	18	-	133
JORDAN	3	-	2	2	2	4	2	2	1	18
KAZAKHSTAN	5	-	5	4	6	5	5	4	2	36
KUWAIT	6	-	3	3	4	4	4	4	2	30
LATVIA	3	-	2	4	2	2	2	1	-	16
LEBANON	5	-	3	3	6	4	4	4	1	30
LITHUANIA	5	-	3	5	4	4	1	2	-	24
LUXEMBOURG	4	-	1	2	1	1	1	1	-	11
NORTH MACEDONIA REP.	1	-	1	1	1	1	-	-	-	5
MALAYSIA	8	-	4	5	2	-	-	-	-	19
MALTA	1	-	3	1	1	1	1	3	-	11
MOROCCO	8	-	2	3	4	7	3	4	1	32
MEXICO	84	-	68	40	74	52	51	30	16	415
MONACO	1	-	-	-	-	-	-	-	-	1
MONTENEGRO	1	-	1	-	1	1	-	-	-	4
NICARAGUA	1	-	1	-	1	1	-	-	-	4
NORWAY	5	-	-	-	-	-	-	-	-	5
NEW ZEALAND	1	-	-	-	-	-	-	-	-	1
OMAN	1	-	-	-	1	1	1	1	-	5
PANAMA	2	-	2	1	2	2	1	1	-	11
PARAGUAY	1	-	-	-	-	-	-	1	-	2
PERU	4	-	-	-	-	-	-	3	-	7
POLAND	44	-	33	26	47	50	20	15	4	239
PORTUGAL	71	11	47	41	46	43	30	25	6	320
PUERTO RICO	3	-	-	-	-	-	-	-	-	3
QATAR	6	-	5	4	5	4	5	5	2	36
UNITED KINGDOM	58	-	8	12	7	6	-	11	-	102
CZECH REPUBLIC	5	-	3	2	5	4	1	1	-	21
DOMINICAN REPUBLIC	3	-	1	2	2	2	2	2	-	14
ROMANIA	25	-	25	12	28	25	13	10	1	139
RUSSIA	85	-	86	53	102	76	63	44	12	521
SERBIA	6	-	6	4	6	6	4	3	-	35
SINGAPORE	10	-	3	6	3	-	1	-	-	23
SOUTH AFRICA	8	-	-	-	-	-	-	1	-	9
SWEDEN	11	-	1	3	-	-	-	1	-	16
SWITZERLAND	20	-	4	5	6	-	1	4	-	40
THAILAND	12	-	2	4	1	-	1	2	-	22
TUNISIA	5	-	3	2	4	4	3	2	-	23
TURKEY	39	-	32	26	32	32	27	20	-	208
UKRAINE	10	-	15	7	15	13	8	3	1	72
URUGUAY	2	-	-	-	-	-	-	2	-	4
VENEZUELA	7	-	4	-	8	-	-	-	-	19
VIETNAM	2	-	1	1	-	1	-	-	-	5
<b>INDITEX</b>	<b>2,025</b>	<b>93</b>	<b>873</b>	<b>677</b>	<b>1,005</b>	<b>936</b>	<b>600</b>	<b>535</b>	<b>85</b>	<b>6,829</b>

## Annex IV

# ***INDITEX GROUP STATEMENT ON NON-FINANCIAL INFORMATION***

Financial Year 2020

This document is part of the consolidated directors' report and is subject to the same approval, filing and publication criteria as the consolidated directors' report, and is sent separately to the National Securities Market Commission (CNMV). It is available on its website [www.cnmv.es](http://www.cnmv.es), in the "Other relevant information" section, as well as on the Inditex corporate website ([www.inditex.com](http://www.inditex.com)).

## **Annex V**

### **ANNUAL CORPORATE GOVERNANCE REPORT**

#### **INDUSTRIA DE DISEÑO TEXTIL, S.A.**

#### **ISSUER IDENTIFICATION DETAILS**

**Year End-Date:** 31/01/2021

**Tax ID (CIF):** A15075062

**Company name:** INDUSTRIA DE DISEÑO TEXTIL, (INDITEX, S.A.)

**Registered office:** Avda. de la Diputación, Edificio Inditex, 15142 Arteixo (A Coruña) (Spain)



In this Annual Corporate Governance Report, the board of directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (“**INDITEX**”, “**Inditex**”, the “**Group**” or the “**Company**”) has included all the relevant information for financial year 2020, which commenced on 1 February 2020 and ended on 31 January 2021, excepting those cases in which other dates of reference are specifically mentioned.

The revised text of the Ley de Sociedades de Capital [*Spanish Companies Act*] approved by Real Decreto Legislativo 1/2010 of 2 July, (the “**Companies Act**” or “**LSC**” [*Spanish acronym*]), amended by Act 31/2014 of 3 December to improve corporate governance (“**Act 31/2014**”) and by Act 5/2015 of 27 April on promotion of corporate financing (“**Act 5/2015**”), represents the basic legal framework of corporate governance in Spain.

In addition, the Good Governance Code of Listed Companies (“**GGC**” or “**Good Governance Code**”), approved by the Comisión Nacional del Mercado de Valores [*Spanish National Securities Market Commission*] (“**CNMV**” [*Spanish acronym*]) in February 2015 and amended in part by CNMV’s board on 25 June 2020, lists a set of principles and practices that must govern corporate governance in listed companies.

For the purposes of aligning the standard forms of the Annual Corporate Governance Report and the Annual Report on Remuneration of Directors with the revised GGC, Circular 1/2020 of 6 October was published, amending in part (i) Circular 5/2013, of 12 June that sets forth the standard form of the annual corporate governance report for listed public limited companies, saving banks and other entities that issue securities admitted to trading on official securities markets; and (ii) Circular 4/2013 of 12 June that sets forth the standard forms of the annual report on remuneration of directors for listed public limited companies, saving banks and other entities that issue securities admitted to trading on official securities markets (“**Circular 1/2020**”).

Consequently, this Report has been filed, taking into account the amendments and new requirements laid down in Circular 1/2020, in free format in accordance with the provisions of Circular 5/2013 above referred.

Notwithstanding the foregoing, the contents of this Report meet the minimum requirements laid down in applicable regulations, as provided in section 540 of the Companies Act, introduced by Act 31/2014 above referred and in Order ECC/461/2013 of 20 March, and is accompanied by the relevant statistical Appendix set forth in Circular 5/2013, above referred.

This Annual Corporate Governance Report will be released as other relevant information contemporaneously with the release of the Annual Report on Remuneration of Directors and will be available on Inditex’s corporate website [www.inditex.com](http://www.inditex.com) and on CNMV’s website [www.cnmv.es](http://www.cnmv.es).

Inditex’s corporate governance rules are established in the Articles of Association, the Board of Directors’ Regulations, the Regulations of the General Meeting of Shareholders, the terms of reference of board committees, the Internal Regulations of Conduct in the Securities Markets (IRC), the Code of Conduct and Responsible Practices and the Regulations of the Social Advisory Board, as it is explained in more detail below:

Articles of Association. Approved by the Annual General Meeting in July 2000 and amended several times. They were last amended on 14 July 2020 for the purposes of allowing remote attendance and participation of shareholders and proxy holders at the Annual General Meeting, authorizing the Board of Directors to enable, considering the circumstances of each moment, the system permitting

shareholders' remote attendance at the General Meeting pursuant to sections 182 and 521 of the Companies Act.

Likewise, in 2020 the Company has brought its internal regulations into line with the provisions of the revised GGC approved by CNMV's board in June 2020 and has identified the need to amend its by-laws to align them with the latest good governance recommendations thus ensuring the integrity and standardization of the internal regulations of the Group. The motion to amend the Articles of Association will be raised to the Annual General Meeting scheduled to be held in July for approval, if appropriate.

Board of Directors' Regulations, Approved by the Board of Directors in July 2000. This set of rules seeks to determine the principles of operation of the Board of Directors, the basic rules for its organization and proceedings and the rules governing the conduct of its members; they include, among other matters, rules regarding the appointment and removal of Directors, their rights and duties and the relations of the Board of Directors with the shareholders, the markets and the external auditor, all this with the aim of achieving the highest possible degree of efficiency. Amended several times, the last amendment was approved by the Board of Directors on 11 December 2020, as detailed in section C.1.15 below.

Regulations of board committees (Audit and Compliance Committee's Regulations, Nomination Committee's Regulations, Remuneration Committee's Regulations and Sustainability Committee's Regulations):

The terms of reference of the Audit and Compliance Committee, the Nomination Committee, and the Remuneration Committee were approved by the Board of Directors in the meeting held on 9 June 2015. The board of directors approved the Sustainability Committee's Regulations in the meeting held on 16 July 2019 following the committee's formation.

These terms of reference seek to govern the proceedings of these Committees as regards their powers, composition, calling, quorum, decision-making and relationship with the remaining governing bodies of the Company.

The Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations and the Sustainability Committee's Regulations were last amended on 14 December 2020, for the purposes of aligning their provisions with the language of the revised GGC as well as with the standard forms of the annual corporate governance report and the annual report on the remuneration of directors, as amended, laid down in CNMV's Circular 1/2020.

Regulations of the General Meeting of Shareholders: This set of rules was approved by the Annual General Meeting on 18 July 2003. Its aim is to govern the proceedings of the General Meeting of Shareholders as to calling of meetings, preparation, information, attendance, proceedings and exercise of voting rights, and to inform shareholders of their rights and duties relating to such body. Said Regulations have been amended on different occasions, to adapt its provisions to the successive updates of the Articles of Association, the latest one of which was dated 14 July 2020. Such amendment seeks to align its provisions with the Articles of Association as amended, following the approval thereof by the Annual General Meeting, for the purposes of authorising the board of directors to enable, considering the circumstances of each moment, the system permitting shareholders' remote attendance at the General Meeting pursuant to sections 182 and 521 of the Companies Act. The review of the internal regulations of the Group carried out in 2020 to align them with the revised recommendations of the GGC has not extended to this set of rules, as the need to amend them has not been identified.

Internal Regulations of Conduct in the Securities Markets (the “Internal Regulations of Conduct” or “IRC”): the IRC was originally approved by the board of directors in July 2000. This document provides, among other things, the rules for processing, safeguarding and disclosing inside information and other relevant information of the Company, the system that governs transactions in Inditex securities and financial instruments carried out by the persons included in its scope, the provisions on prohibition of market manipulation and Inditex’s policy on treasury stock

The new IRC was approved by the board of directors on 19 July 2016 for the purposes of adapting its contents to the European regulatory framework to fight market abuse, made up of Regulation (EU) No 596/2014 of 16 April 2014 on market abuse, Directive 2014/57/EU of 16 April 2014, and their respective implementing regulations, that seek to reinforce the integrity of the financial markets and to set up mechanisms for a streamlined implementation and supervision in the different Member States of the European Union.

The last amendment to the IRC was approved by the board of directors on 15 September 2020, to align some of its provisions to the revised text of the Securities Market Act, as amended by *Real Decreto-ley* 19/2018 of 23 November on payment services and other urgent financial measures, to adapt its language to the European regulatory framework on market abuse. All such amendments have been implemented by CNMV further to (i) a Resolution dated 24 October 2019 amending annex 1 to Resolution dated 16 November 2011 whereby CNMV’s Electronic Register is set up and governed; (ii) a statement dated 29 January 2020 on the new procedure for disclosing issuer information; and, (iii) the amendments implemented since February 2020 regarding CIFRADOC service at CNMV’s Virtual Office.

Code of Conduct and Responsible Practices of the Inditex Group: approved by the Board of Directors on 17 July 2012, it provides the action lines which must be followed by the Group in the performance of its professional duties. Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and career development of its employees is based. For such purposes, the principles and values which shall govern the relations between the Group and its main stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined. The Code of Conduct and Responsible Practices is informed by a number of overarching principles, including, (i) that according to which all the operations of the Inditex Group shall be carried out under an ethical and responsible perspective; (ii) that according to which all persons, whether natural or legal, directly or indirectly engaged in any kind of professional, economic, social or industrial relationship with the Inditex Group, shall be treated in a fair and honourable manner; and (iii) that according to which all the activities of the Group shall be carried out in the most environment-friendly manner, promoting biodiversity preservation and sustainable management of natural resources.

Current full text of all the aforementioned documents is available on the corporate website: (i) under the “*Compliance*” tab, “Corporate Governance” section; and (ii) under the “How we do business” tab.

Regulations of the Social Advisory Board: The Social Board is Inditex’s advisory body in the field of social and environmental sustainability. In December 2002, the board of directors authorized its creation and approved its Regulations, which determine the principles of action, the basic rules governing its organization and proceedings and the rules of conduct of its members.

The Regulations of the Social Advisory Board have been amended several times, and for the last time on 16 July 2019 for the purposes of establishing its functional reporting line to the Sustainability Committee.

## A. OWNERSHIP STRUCTURE

### A.1 Complete the table below with details of the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
20/07/2000: AGM resolution	€93,499,560	3,116,652,000 shares	3,116,652.000

Indicate whether there are different classes of shares with different associated rights:

Yes      No **X**

Class	Number of shares	Par value	Number of voting rights	Rights and obligations conferred
-	-	-	-	-

All 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 four different Spanish Stock Exchanges since 23 May 2001 and has been part of the selective *IBEX35* index since July 2001. In addition, it has been part of the *Eurostoxx 600* index 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* index since October 2002 and of the *FTSE ISS Corporate Governance* index, since its launching in December 2004.

### A.2 List the company's significant direct and indirect shareholders at year end, excluding directors:

The Company issues shares represented by the book-entry method. In addition, pursuant to the provisions of section 497 LSC, Inditex has a contract with Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) [*Spanish Central Securities Depositary in charge of the Register of Securities, and the Clearing and Settlement of all trades*] for the daily share ownership notification service.

According to the Company's Register of Shareholders, the owners of significant holdings in the Company as at 31 January 2021, excluding directors, were those shown below:

Name or company name of	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
-------------------------	---	--	--------------------------

shareholder	Direct	Indirect	Direct	Indirect	
Ms SANDRA ORTEGA MERA	-	5.053%	-	-	5.053%

**Details of the indirect holding:**

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
Ms Sandra Ortega Mera	ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	5.053%	-	5.053%

**Indicate the most significant changes in the shareholder structure during the year:**

The Company has not received any notices regarding any significant movements in shareholder structure over the year.

### A.3 Complete the following tables on members of the company's board of directors holding voting rights on the company's shares:

As at 31 January 2021, directors with an equity interest in the Company were as follows:

Name or company name of director	% of voting rights attached to shares		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr Pablo Isla Álvarez de Tejera	0.064%	-	0.009 <sup>1</sup> %	-	0.073%	-	-
Mr Amancio Ortega Gaona	-	59.294%	-	-	59.294%	-	-
Mr Carlos Crespo González	0.001%	-	0.006 <sup>2</sup> %	-	0.007%	-	-

<sup>1</sup> With regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum number of 161,361 shares (i.e. 0.005%). Likewise, with regard to the second cycle of the 2019-2023 Long-term Incentive, the Executive Chairman may receive up to a maximum number of 120,172 shares (i.e. 0.004%).

<sup>2</sup> With regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the CEO may receive up to a maximum number of 106,752 shares (i.e. 0.003%). Likewise, with regard to the second cycle of the 2019-2023 Long-term Incentive, the CEO may receive up to a maximum number of 79,503 shares (i.e. 0.003%).

Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
PONTEGADEA INVERSIONES, S.L.	50.010%	-	-	-	50.010%	-	-
Bns. Denise Patricia Kingsmill	-	-	-	-	-	-	-
Dña. Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
<b>Total % of voting rights held by the board of directors</b>					<b>59.375%</b>		

On 3 July 2020, Partler 2006, S.L. transferred 289,362,325 shares of the company to Partler Participaciones, S.L.U. a newly incorporated company, which became the direct owner of such interest. Mr Amancio Ortega Gaona directly holds 99.99% of the voting rights of Pontegadea Inversiones, S.L. as well as 99.99% of the voting rights of Partler 2006, S.L. this latter being in turn the direct holder of 100% of the voting rights of Partler Participaciones, S.L.U.

#### Details of the indirect holding:

Name or company name of indirect shareholder	Name or company name of direct shareholder	% of voting rights attached to shares	% voting rights through financial instruments	% of total voting rights that can be transferred through financial
Mr Amancio Ortega Gaona	PONTEGADEA INVERSIONES, S.L.	50.010%	-	50.010%
Mr Amancio Ortega Gaona	PARTLER PARTICIPACIONES, S.L.U.	9.284%	-	9.284%

**A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:**

The Company has not received notice of any family, commercial, contractual or corporate relationships existing between the owners of significant holdings that are of a relevant nature or that do not arise from the ordinary course of business, without prejudice to the fact that indirect shareholders, Ms Sandra Ortega Mera and Mr Marcos Ortega Mera are the offspring of indirect shareholder Mr Amancio Ortega Gaona. Mr Amancio Ortega has an indirect holding in Inditex through two significant shareholders: Pontegadea Inversiones S.L. and Partler Participaciones, S.L.U, and Ms Sandra Ortega Mera and Mr Marcos Ortega Mera are indirect shareholders of the company through Rosp Corunna Participaciones Empresariales, S.L. (where Mr Marcos Ortega has a minority holding).

**A.5 Where applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:**

There have been no relationships of a commercial, contractual or corporate nature between significant shareholders and the company that are of a relevant nature or that do not arise from the ordinary course of business, without prejudice to the information provided, for transparency sake, under section D below regarding "Related-party and Intragroup transactions".

**A.6 Describe the relationships, unless insignificant for both parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of directors that are legal persons.**

**Explain, where applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that**

**hold significant shareholdings in the listed company or in group companies of these significant shareholders.**

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/position
Mr Amancio Ortega Gaona	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INVERSIONES, S.L.	Chair of the Board
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INMOBILIARIA, S.L.U.	Chair of the Board
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA GB 2020, S.L.	Chair of the Board
	PONTEGADEA INVERSIONES, S.L.	PARTLER 2006, S.L.	Chair of the Board
	PONTEGADEA INVERSIONES, S.L.	PARTLER PARTICIPACIONES, S.L.U.	Chair of the Board
Mrs Flora Pérez Marcote  (Legal representative of PONTEGADEA INVERSIONES, S.L.)	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INVERSIONES, S.L.	1 <sup>st</sup> Deputy Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INMOBILIARIA, S.L.U.	1 <sup>st</sup> Deputy Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA GB 2020, S.L.	1 <sup>st</sup> Deputy Chair
Mr José Arnau Sierra	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INVERSIONES, S.L.	2 <sup>nd</sup> Deputy Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INMOBILIARIA, S.L.U.	2 <sup>nd</sup> Deputy Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA ESPAÑA, S.L.U.	Joint Director
	PONTEGADEA INVERSIONES, S.L.	ESPARELLE 2016, S.L.	Sole Director (Legal representative of PONTEGADEA INVERSIONES, S.L.)
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA DIECIOCHO, S.L.	Legal representative of the Chair of the company PONTEGADEA INMOBILIARIA, S.L.U.
	PONTEGADEA	SOBRADO	Sole Director



	INVERSIONES, S.L.	FORESTAL 2014, S.L.	
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA FRANCE S.A.S.	Legal representative of the Chair of the Company, PONTEGADEA INMOBILIARIA, S.L.U.
	PONTEGADEA INVERSIONES, S.L.	PRIMA CINQUE S.p.A.	Chair
	PONTEGADEA INVERSIONES, S.L.	HILLS PLACE S.a.r.l.	Ordinary member
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA UK Ltd.	Ordinary member
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA INMOBILIARIA S.A. de C.V.	Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA CANADA Inc.	Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA KOREA Inc.	Ordinary member
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA USA Inc.	Chair
	PONTEGADEA INVERSIONES, S.L.	PONTEGADEA GB 2020, S.L.	2 <sup>nd</sup> Deputy Chair
	PARTLER 2006, S.L.	PARTLER 2006, S.L.	2 <sup>nd</sup> Deputy Chair
	PARTLER 2006, S.L.	PARTLER PARTICIPACIONES, S.L.U.	2 <sup>nd</sup> Deputy Chair
	PARTLER 2006, S.L.	PONTEGADEA PORTUGAL - INVESTIMENTOS IMOBILIARIOS E HOTELEIROS S.A.	Chair
	PARTLER 2006, S.L.	ALMACK Ltd.	Ordinary member

**Remarks:**

As stated in section A.4 above, Mr Amancio Ortega Gaona is an indirect shareholder of Inditex through two significant shareholders: Partler Participaciones, S.L.U. and Pontegadea Inversiones, S.L. This latter is a member of Inditex's board of directors, Ms Flora Pérez Marcote, the spouse of Mr Amancio Ortega Gaona, being its legal representative.



**A.7. Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Companies Act (LSC). If so, describe them briefly and list the shareholders bound by the agreement:**

Yes No **X**

**Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:**

Yes No **X**

The Company has not received any notices regarding the making of shareholders' agreements nor does it have any proof of the existence of concerted actions among its shareholders.

**A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:**

Yes **X** No

Name or company name
Mr Amancio Ortega Gaona

**Remarks:**

Mr Amancio Ortega Gaona owns a 59.294% stake in Inditex's share capital through PONTEGADEA INVERSIONES, S.L. and PARTLER PARTICIPACIONES, S.L.U.

**A.9 Complete the following table with details of the company's treasury shares: At the close of the year:**

Number of direct shares	Number of indirect shares	Total percentage of share capital
1,726,305	0	0.055%

**Explain any significant changes during the year:**

As at 31 January 2021, the Company held an aggregate number of 2,125,384 treasury shares, representing 0.068% of the share capital.

The incentive for the second cycle (2017-2020) of the 2016-2020 Long-Term Incentive Plan (the "2016-2020 Plan") was settled in 2020. Such plan, addressed to members of management and

other employees of the Inditex Group, was approved by the Annual General Meeting held on 19 July 2016, and is described in the Annual Report and in the Annual Report on Remuneration of Directors. Upon settling this second cycle, the part of the incentive that materializes in shares was delivered to the beneficiaries of the Plan against treasury shares already owned by the Company as at the date of delivery. A total number of 399,079 shares were delivered, representing 0.013% of the share capital.

Other than this delivery of shares, no other transactions with treasury shares took place in 2020.

Consequently, as at 31 January 2021, the Company was the owner of 1,726,305 treasury shares representing 0.055% of the share capital.

#### **A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, buy back, or transfer treasury shares.**

At the date of this report, the authorization granted to the board of directors by the Annual General Meeting held on 16 July 2019 to acquire treasury shares remains in force. Such authorization superseded the prior authorization approved by the Annual General Meeting held on 19 July 2016.

The resolution passed by the aforementioned Annual General Meeting held on 16 July 2019 regarding item 10 on the agenda is transcribed below:

*“To authorize the Board of Directors, so that it may, in accordance with the provisions of section 146 of Companies Act, proceed to the derivative acquisition of treasury stock, either directly or through any subsidiaries in which the Company is the controlling company, observing the legal limits and requirements and under the following conditions:*

- a) Methods of acquisition: the acquisition shall be done through purchase and sale, exchange or dación en pago [acceptance in lieu of payment].*
- b) Maximum number of treasury stock to be acquired: shares with a nominal value which, added to that of those shares, directly or indirectly in the possession of the Company, do 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.*

*For the purposes of the provisions of section 146.1(a) of the Companies Act, it is hereby stated that shares acquired under this authority may be used by the Company, among others purposes, to be delivered to employees or directors of the Company, either directly or as result of the exercise of the option right they may hold, under employees' remuneration schemes in respect of employees of the Company or its Group.*

*This authorization supersedes the authorization approved by the Annual General Meeting held on 19 July 2016”.*

**A.11 Estimated floating capital:**

	%
Estimated floating capital	35.517

**A.12 Indicate whether there are any restrictions (articles of association, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorization or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.**

Yes                      No **X**

All shares of the Company carry 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 provided in section 83.1 LSC, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

There are no restrictions either to absentee voting, as any shareholder can exercise this right.

**A.13 Indicate whether the General Meeting of Shareholders has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Act 6/2007.**

Yes                      No **X**

**A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.**

Yes                      No **X**

## B. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders duly convened and with a quorum present in accordance with all statutory requirements and those provided in 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 shareholders, including absent or dissenting ones, without prejudice to any remedies they may have at law.

In accordance with the Articles of Association and the Regulations of the General Meeting of Shareholders, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

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

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

- (l) To appoint, re-elect and dismiss the statutory auditors;
- (m) To appoint and dismiss, where appropriate, the Company’s liquidators;
- (n) To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof;
- (o) To resolve on the matters submitted to it by a resolution of the Board of Directors;
- (p) To give directions to the Board of Director or submit to the General Meeting of Shareholders’ prior authorization, the passing by the Board of Directors of decisions or resolutions on certain management matters; and
- (q) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues.

The board of directors must call the Annual General Meeting once a year; within the first six months of the closing of each financial year in order to, at least, review the company’s management, approve, where appropriate, the accounts of the previous year and decide upon the distribution of income or loss.

Pursuant to sections 168 and 495.2.(a) LSC, the Extraordinary General Meeting shall meet when the board of directors so resolves or when a number of shareholders representing at least 3% of the share capital so request, expressing in the request the business to be transacted. In this latter case, the General Meeting of Shareholders shall be called to be held within the term provided in the applicable regulations and the agenda of the meeting must include the businesses that were the subject of the request.

In the notice calling the General Meeting of Shareholders, the board of directors shall require the presence of a Notary to take up the minutes of the General Meeting.

General Meetings must be convened by the board of directors through notice published in the Official Gazette of the Companies Register or in one of the newspapers with the largest circulation in Spain, on the Company’s website and on CNMV’s website, at least 1 month in advance of the day scheduled for the meeting to be held, or within any longer period required by statute, where appropriate, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call. There must be at least a 24-hour period between the first and the second call. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

Whenever the board of directors passes a resolution in this regard, and it is provided in the notice calling the General Meeting, remote attendance and participation at the meeting shall be permitted by the best means that guarantee the identity of shareholders or proxy holders. In such cases, the

board of directors will implement in the notice calling the meeting the procedure to exercise shareholders rights.

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

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and a quorum shall be deemed to be present to discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

On account of the restrictions imposed in 2020 to address the global health crisis caused by COVID-19, in particular mobility restrictions in place in certain parts of Spain, and for the purposes of ensuring the ordinary course of business and the achievement of the Company's objectives, as well as protecting the interests of its shareholders and other stakeholders, the Annual General Meeting was held on 14 July 2020 with both physical and remote attendance and participation of shareholders and proxy-holders.

The Company put in place and made available to them the required means and resources to ensure equal treatment of shareholders and the exercise of their rights to attend and participate at the Annual General Meeting remotely, using means allowing for remote and real time connection in accordance with the provisions of sections 40 and 41 of RDL 8/2020 of 17 March on extraordinary urgent measures to confront the economic and social impact of COVID-19.

The Company further implemented all necessary preventive measures to preserve the health of staff members responsible for arranging the Annual General Meeting and of the shareholders and proxy holders who chose to attend in person.

All members of the board of directors attended the Annual General Meeting except for Mr Amancio Ortega Gaona. Mr Pablo Isla Álvarez de Tejera, Executive Chairman, Mr José Arnau Sierra, Deputy Chairman of the board of directors, Mr Carlos Crespo González, CEO, Ms Flora Pérez Marcote, legal representative of Pontegadea Inversiones S.L. and Mr Rodrigo Echenique Gordillo attended in person, whereas the remaining directors attended the Annual General Meeting remotely.

**B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Companies Act (LSC) for General Meeting of Shareholders and the quorum set by the company, and if so give details.**

Yes ☒ No

	% required for quorum if different from that set out in section 193 LSC for general matters	% required for quorum if different from that set out in section 194 LSC for special cases therein described



Quorum required on 1 <sup>st</sup> call	50% of the subscribed voting stock	-
Quorum required on 2 <sup>nd</sup> call	-	-

### Description of differences

Article 18.1 of the Articles of Association and section 16 of the Regulations of the General Meeting provide that a quorum will be present at the General Meeting on first call when shareholders who are present or represented by proxy represent at least 50% of the subscribed voting stock. On second call, generally, a quorum will be present at the General Meeting regardless of the capital attending the same. However, if the General Meeting of Shareholders is called to decide on an increase or a reduction of the share capital, the issue of bonds convertible into Company's shares or which entitle bondholders to participate in the company's earnings, the exclusion or restriction of the pre-emptive right, the transformation of the Company, the merger by creation of a new company or by absorption 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's objects as well as any other amendment whatsoever of the Articles of Association, shall require, on second call, the attendance of 25% of the subscribed voting stock.

Therefore, the only difference between said rules and the provisions of the Companies Act lies in the quorum required to hold the General Meeting on first call: under the Articles of Association and the Regulations of the General Meeting of Shareholders, a quorum will be present at the General Meeting to validly pass any resolution when shareholders present or represented by proxy represent at least 50% percent of the subscribed voting stock, whereas in accordance with sections 193 and 194 LSC, such quorum will only be required to be present on first call for the General Meeting to pass resolutions on the matters described in section 194 exclusively.

This qualified 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 section 193 LSC which provided that a higher quorum may be established in the articles of association.

**B.2 Indicate whether there are any differences between the company's manner of adopting corporate resolutions and the regime provided in the Spanish Companies Act (LSC) and, if so, give details:**

Yes    No ☒

**B.3 Indicate the rules for amending the company's articles of association. In particular, indicate the majorities required for amendment of the articles of association and any provisions in place to protect shareholders' rights in the event of amendments to the articles of association.**

Pursuant to the provisions of sections 285 *et seq.* of the Companies Act, it is incumbent on the Annual General Meeting to resolve about any amendment to the Articles of Association.

Rules applicable to the amendment of the company's by-laws are provided in the Articles of Association and the Regulations of the General Meeting of Shareholders. Article 18 of the Articles of Association and section 16 of the Regulations of the General Meeting of Shareholders provide a special quorum in order to convene on first call the Annual General Meeting which has to address any amendment to the Articles of Association.

*"A quorum will be present at the General Meeting of Shareholders on first call when shareholders who are present or represented by proxy hold at least fifty (50) percent of the subscribed share capital with the right to vote. On second call, generally, a quorum will be present at the General Meeting, regardless of the share capital attending same. However, if the General Meeting of Shareholders is called to decide on an increase or a reduction of the share capital, the issue of bonds convertible for shares in the Company, or bonds which confer on bondholders a stake in the company's earnings, the exclusion or restriction of the pre-emptive right, the transformation of the Company, the merger by establishment of a new company or by absorption of the Company by another entity, its split-off in whole or in part, the global assignment of assets and liabilities, the transfer of the registered office abroad, the substitution of the company objects as well as any other amendment whatsoever of the Articles of Association, attendance of twenty-five (25) percent of the subscribed share capital with the right to vote shall be required on second call."*

*Section 6.(i) of the Regulations of the General Meeting of Shareholders 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 of Shareholders is authorized to pass all kinds of resolutions concerning the Company, the following powers being namely reserved thereto, without prejudice to any other powers vested by the applicable regulations: (i) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, as well as any other amendment whatsoever of the Articles of Association"*

#### **B.4 Give details of attendance at General Meeting of Shareholders held during the reporting year and the two previous years:**

	Attendance data				
Date AGM	% physically present	% present by proxy	% absentee voting <sup>3</sup>		Total
			Electronic voting	Others	
17-07-2018	0.08%	88.15%	0.00% <sup>(1)</sup>	0.01% <sup>(1)</sup>	88.24%

<sup>3</sup> Pursuant to the Regulations of the General Meeting of Shareholders of Inditex, shareholders who absentee votes shall be deemed to be present for the purposes of the quorum of the General Meeting of Shareholders in question

Of which floating capital	0.08%	28.86%	0.00%	0.01%	28.95%
16-07-2019	0.08%	87.19%	0.00% <sup>(2)</sup>	0.35% <sup>(2)</sup>	87.62%
Of which floating capital	0.08%	22.85%	0.00%	0.35%	23.28%
14-07-2020	0.07%	88.31%	0.00% <sup>(3)</sup>	0.34% <sup>(3)</sup>	88.72%
Of which floating capital:	0.07%	23.96%	0.00%	0.34%	24.37%

<sup>(1)</sup> 119 shareholders cast absentee vote through distance communication means, by post, or electronic vote.

<sup>(2)</sup> 361 shareholders cast absentee vote through distance communication means, by post, or electronic vote.

<sup>(3)</sup> 146 shareholders cast absentee vote through distance communication means, by post, or electronic vote.

**B.5 Indicate whether there were any items on the agenda that were not approved by shareholders for any reason, for all general meetings that took place in the year.**

Yes No **X**

None of the items on the agenda subject to deliberation at the Annual General Meeting held on 14 July 2020 was rejected or not approved for any other reason. All items on the agenda were approved with the percentages and in the manner shown in the votes results available on the Company's corporate website.

**B.6 Indicate whether the articles of association contain any restrictions requiring a minimum number of shares to attend General Meeting of Shareholders, or to cast absentee vote:**

Yes No **X**

Number of shares required to attend General Meetings	1
Number of shares required to cast absentee vote	1

**B.7 Indicate whether it has been established that certain decisions, other than those established by statute, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Meeting of Shareholders.**

Yes      No **X**

The General Meeting of Shareholders has no powers other than those established by statute.

In accordance with the Articles of Association and the Regulations of the General Meeting of Shareholders, such governing body is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, the exercise of the powers listed at the beginning of section B above is reserved to such body.

Pursuant to item 9 on the agenda of the Annual General Meeting held on 14 July 2020, the partial amendment to the Regulations of the General Meeting of Shareholders was approved for the purposes, inter alia, of expressly including the approval of the Statement on Non-financial Information among the powers of the General Meeting of Shareholders, in accordance with the Companies Act, as amended by Act 11/2018 of 28 December on mandatory disclosure of non-financial information ("**Act 11/2018**").

**B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Meeting of Shareholders that must be made available to shareholders through the company website.**

The most relevant information on the Company's corporate governance system (Articles of Association, Regulations of the General Meeting of Shareholders, Board of Directors' Regulations, the terms of reference of each board committee, the Internal Regulations of Conduct, as well as the composition of the board of directors and its committees, the Annual Corporate Governance Report and the Annual Report on Remuneration of Directors) can be found in the "*Compliance*" tab, "*Good Governance*" section of the corporate website (<https://www.inditex.com/en/compliance/corporate-governance/board>).

In that same section, the "Annual General Meeting" sub-section provides information on the General Meeting. A tab is available for each Annual General Meeting. Shareholders have access to all mandated or recommended information from the date the meeting is called, so that they can duly exercise their rights to information and participation at the General Meeting. The Annual General Meeting is webcasted live and a link is provided for such purposes in such tabs. Once the meeting has been held, information on the resolutions passed and the votes results is also posted on the website.

## C. COMPANY MANAGEMENT STRUCTURE

### C.1 Board of Directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the board of directors is the highest decision-making, supervisory and monitoring body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of the day-to-day business of Inditex to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding Inditex's policy, monitoring the management bodies, assessing the management by the senior managers, making the most relevant decisions for the Company and liaising with the shareholders.

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

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

For the purposes of facilitating the decision-making in view of the exceptional situation created by the COVID-19 pandemic, the board of directors has met more often in 2020, to be regularly updated on the evolution of the macroeconomic and social environment resulting from the global health crisis and its impact on the operations of the Group as well as on the various contingency plans and measures implemented by the Company to minimize it.

#### C.1.1 Maximum and minimum number of directors established in the articles of association and the number set by the general meeting:

Maximum number of directors	12
Minimum number of directors	5
Number of directors set by the general meeting	11

#### C.1.2 Complete the following table on board members:

Name or company name	Representative	Directorship type	Position on the	Date first appointed	Date of last appointment	Election procedure	Date of birth
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of director			board	to the board	t	re	
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	09/06/2005	16/07/2019	AGM	22/01/1964
Mr Carlos Crespo González		Executive	CEO	16/07/2019	16/07/2019	AGM	24/02/1971
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12/06/1985	16/07/2019	AGM	28/03/1936
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12/06/2012	18/07/2017	AGM	16/09/1956
PONTEGADEA INVERSIONES, S.L.	Flora Pérez Marcote	Proprietary	Ordinary member	09/12/2015	14/07/2020	AGM	14/10/1954
Bns Denise Patricia Kingsmill		Independent	Ordinary member	19/07/2016	14/07/2020	AGM	24/04/1947
Ms Anne Lange		Independent	Ordinary member	10/12/2019	14/07/2020	AGM	22/05/1968
Ms Pilar López Álvarez		Independent	Ordinary member	17/07/2018	17/07/2018	AGM	13/06/1970
Mr José Luis Durán Schulz		Independent	Ordinary member	14/07/2015	16/07/2019	AGM	08/11/1964
Mr Rodrigo Echenique Gordillo		Independent	Lead Independ ent Director	15/07/2014	17/07/2018	AGM	17/11/1946
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	13/07/2010	16/07/2019	AGM	17/08/1955

Total number of directors	11
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Indicate any removal whether through resignation or by resolution of the general meeting, that have occurred on the board of directors during the reporting period:

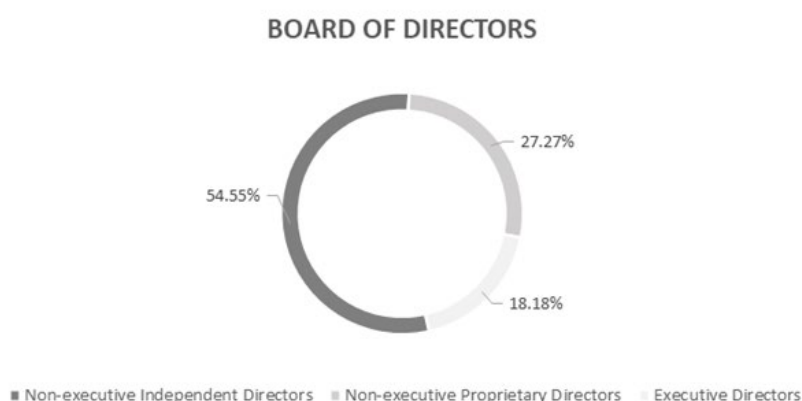
Name or company name of director	Directorship type at the time of removal	Date of last appointment	Date of termination	Specialized committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
-	-	-	-	-	-

**Reason for removal when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of removal of non-executive directors, explanation or opinion of the director dismissed by the general meeting**

In 2020, no director was removed from the board, either through resignation or further to a resolution of the General Meeting of Shareholders.

### C.1.3 Complete the following tables on the members of the board and their directorship type:

The structure of the board of directors is addressed in detail in the sections below. It is represented in the following image:



### EXECUTIVE DIRECTORS

Name or company name of the director	Position within the company's organization chart	Profile
Mr Pablo Isla Álvarez de Tejera	Executive Chairman	(1)
Mr Carlos Crespo González	CEO	(1)

Total number of executive directors	2
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<b>% of all directors</b>	18.18%
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**NON-EXECUTIVE PROPRIETARY DIRECTORS**

<b>Name or company name of director</b>	<b>Name or corporate name of the significant shareholder whom they represent or who has proposed their appointment</b>	<b>Profile</b>
PONTEGADEA INVERSIONES, S.L.	Mr Amancio Ortega Gaona	(2)
Mr Amancio Ortega Gaona	Mr Amancio Ortega Gaona	(2)
Mr José Arnau Sierra	Mr Amancio Ortega Gaona	(2)

<b>Total number of proprietary directors</b>	3
<b>% of all directors</b>	27.27 %

**NON-EXECUTIVE INDEPENDENT DIRECTORS**

<b>Name of director</b>	<b>Perfile</b>
Mr José Luis Durán Schulz	(3)
Mr Rodrigo Echenique Gordillo	(3)
Bns Denise Patricia Kingsmill	(3)
Ms Anne Lange	(3)
Ms Pilar López Álvarez	(3)
Mr Emilio Saracho Rodríguez de Torres	(3)
<b>Total number of independent directors</b>	6
<b>% of all directors</b>	54.55 %

Below is a brief description of the profile of:

- (1) Executive directors
- (2) Proprietary directors
- (3) Independent directors



## **(1) EXECUTIVE DIRECTORS**

### **Mr Pablo Isla Álvarez de Tejera**

Inditex's Executive Chairman since 2011. He previously served as Deputy Chairman and CEO since 2005.

A law graduate from Complutense University of Madrid (1987), he became Spanish State Attorney [*Abogado del Estado*] in 1988, ranked #1 of its class. From 1992 to 1996 he was Group General Counsel of Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005 he was Chairman of Altadis Group. He currently is an independent director on the board of directors of Nestlé.

Mr Isla was re-elected to the board of directors by the Annual General Meetings held on 13 July 2010, 14 July 2015 and 16 July 2019.

He is the direct holder of 1,989,764 shares in the Company.

### **Mr Carlos Crespo González**

Inditex's CEO since 2019.

Mr Carlos Crespo González has a degree in Business Administration, majoring in Business Management, from the University of A Coruña. From 1996 to 2001, he worked as an auditor at Arthur Andersen (currently Deloitte).

He joined the Inditex Group in 2001 as a member of the Financial Administration Department, where he held different positions, including Corporate Head of Financial Stock Management. In September 2005, he was appointed Chief Audit Officer of the Inditex Group.

Mr Crespo, who is also a chartered accountant and is registered with the Registro Oficial de Auditores de Cuentas (ROAC) [Official Registry of Statutory Auditors of Spain], was a member of the Steering Committee of the Spanish Institute of Internal Auditors (IAI) from 2008 until 2017, where he chaired the Nomination Committee.

In March 2018, he was appointed Chief Operating Officer of the company.

Mr Crespo was elected as a director on 16 July 2019 by the Annual General Meeting.

He is the direct holder of 30,092 shares in the Company.

## **(2) PROPRIETARY DIRECTORS**

### **Mr Amancio Ortega Gaona**

Mr Ortega began his business career in the textile manufacturing sector in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex and 3 years later he founded Zara España, S.A. the first retailing company of the Group. He was Inditex's Chairman from the date of incorporation until 2011. He currently chairs the board of directors of Pontegadea Inversiones, S.L. and Partler 2006, S.L. as well as the Board of Trustees of Fundación Amancio

Ortega.

He was re-elected to the board of directors by the Annual General Meetings held on 30 June 1990, 31 July 1995, 20 July 2000, 15 July 2005, 13 July 2010, 14 July 2015 and 16 July 2019.

Mr Ortega is the controlling shareholder of the Company where he owns 1,848,000,315 shares through Pontegadea Inversiones S.L. and Partler Participaciones, S.L.U.

#### **Pontegadea Inversiones S.L.**

The company is represented on Inditex's board of directors by Ms. Flora Pérez Marcote. It owns 1,558,637,990 shares of the Company, which represents 50.01% of the share capital.

Ms. Flora Pérez Marcote is the legal representative of Pontegadea Inversiones S.L., where she holds the position of First Deputy Chair. She has spent her entire career within the Inditex Group, where she held different positions in areas relating to both design of products and the supply chain. In addition, she has broad experience as company director since 1992. She has been a member of Inditex's board of directors since 2005 representing Pontegadea Inversiones, S.L. Additionally, she has been a member of the Board of Trustees of Fundación Amancio Ortega since March 2003 and its Deputy Chair since October 2005.

She was appointed to the board of directors on 9 December 2015, ratified by the Annual General Meeting on 19 July 2016 and re-elected by the Annual General Meeting held on 14 July 2020.

#### **Mr José Arnau Sierra**

Inditex's Deputy Chairman since June 2012. Non-executive proprietary director since 2012, representing the founder, Mr Amancio Ortega Gaona.

A law graduate from University of Santiago de Compostela and State Tax Inspector, he has been the chief executive of Group Pontegadea since 2001.

He was the head of the Tax Department and a member of Inditex's Steering Committee from 1993 to 2001, and served on its board of directors from 1997 to 2000. He had previously held different positions within the Tax Administration. He has been a member of different boards of directors as legal representative of Pontegadea Inversiones, S.L. From 1993 to 1996, he taught Tax Law at the University of A Coruña. He has been a member of the Board of Trustees of Fundación Amancio Ortega from inception and its Executive Deputy Chair since 2017.

He was appointed to the board of directors in June 2012, ratified by the Annual General Meeting held on 17 July 2012 and re-elected by the Annual General Meeting held on 18 July 2017.

He is the direct holder of 30,000 shares.

### **(3) NON-EXECUTIVE INDEPENDENT DIRECTORS**

#### **Mr José Luis Durán Schulz**

Independent director since July 2015.

Mr Durán holds a degree in Economics and Management from ICADE. From 1987 through 1990, he was an auditor at Arthur Andersen. In 1991, he joined Carrefour Group, where he held the following positions: Head of Management Control (Spain, Europe and Latin America) (1991-1997); Chief Financial Officer for Spain (1997-2001); Group Chief Financial Officer (2001-2005) and Group Chief Executive Officer (2005-2008).

In July 2009, he joined Maus Frères International Group, based in Switzerland, where he held the following positions, until January 2015: Chief Executive Officer of Lacoste, Executive Chairman of Gant and Board member of Aigle, S.A. Until 4 October 2015, he was member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and member of the Board of Directors of such company. Until 30 June 2017, he was an independent director and member of the Audit Committee of Orange. At present, he is the CEO of Value Retail Management.

Mr Durán was elected as a director by the Annual General Meeting held on 14 July 2015 and re-elected by the Annual General Meeting on 16 July 2019.

He is the direct holder of 3,106 shares.

### **Mr Rodrigo Echenique Gordillo**

Independent director since July 2014.

Mr Echenique is a law graduate from Complutense University of Madrid and Spanish State Attorney [Abogado del Estado].

At present, he is the Chair of Fundación Banco Santander and a member of the board of directors of Banco Santander International (BSI) and non-executive director of Directorio Santander Chile.

He is a member of the Board of Trustees of Fundación Consejo España-EE.UU, Deputy-Chair of the Board of Trustees of Teatro Real, member of the Board of Trustees of Escuela Superior de Música Reina Sofia, of Fundación Empresa y Crecimiento and of Fundación ProCNIC y CNIC.

From 1987 through 2020, he served on the board of directors of Banco Santander, S.A. He has been CEO, Deputy Chairman and Executive Director of Banco Santander, S.A., and has chaired Santander España and Banco Popular. He also served as Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and of SPREA. He has been a member of the board of directors of Santander Investment. He has been Ordinary Member of the board of directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A.

Mr Echenique chaired the Social Advisory Board of University Carlos III of Madrid. Additionally, he was first member and then Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been the Chairman of Vallehermoso, S.A., Vocento, S.A., NH Hotels Group, Metrovacesa, S.A., and Merlin Properties SOCIMI, S.A.

Mr Echenique was elected to the board of directors by the Annual General Meeting held on 15 July 2014 and re-elected by the Annual General Meeting held on 17 July 2018.

## **Bns. Denise Patricia Kingsmill**

Independent director since July 2016.

In 2000 she was awarded a CBE for services to Employment Law and Competition. In June 2006, Baroness Kingsmill was appointed to the House of Lords as a Labour Peer. She is a Member of the Select Committee on Economic Affairs.

After a 20 year legal career she became deputy chair of the Competition Commission between 1996 and 2004. She has 5 honorary Doctorates from universities in the United Kingdom.

Baroness Kingsmill has been a Chair/member of the Remuneration committees of many international companies. As a lawyer she has advised in relation to remuneration schemes. In 2001 she was invited by the Government to head a task force looking at women's employment and remuneration in the UK.

In 2003 she was appointed Chairman of the Department of Trade and Industry's Accounting for People task force. She headed a second Government enquiry ("Accounting for People") into how companies should evaluate and measure the contribution of their work forces and specifically as to how they should communicate their progress in this area of "Human Capital Management" to all their stakeholders ([www.accountingforpeople.gov.uk](http://www.accountingforpeople.gov.uk)). In 2013 she was the co-chair of the Design Commission report into Design and Public Services ("Re-starting Britain").

Until May 2018, Baroness Kingsmill was the Chair of Monzo Bank and a Member of the Supervisory Board of E. ON SE.

She is currently a member of the Advisory Board for the Global Sustainability Forum and the International Advisory Board of IESE Business School. She has recently been appointed a UK representative on the NATO Parliamentary Assembly.

Baroness Kingsmill has been an adviser to a number of international companies and has been a non-executive director of various British, European and American boards, including International Consolidated Airlines Group, S.A. and Telecom Italia.

A diverse and varied career spanning fashion and design, the law and regulation, as well as politics and people have given Baroness Kingsmill a unique perspective on the contemporary boardroom.

Baroness Kingsmill was elected as a director on 19 July 2017 by the Annual General Meeting and re-elected by the Annual General Meeting held on 14 July 2020.

## **Ms Anne Lange**

Independent director since December 2019.

A French citizen, Ms Lange is an entrepreneur and a sought after C-level business advisor with over 25 years of experience in technology innovation, both private & public sectors. She is graduated of French Grandes Écoles, Institut d'Etudes Politiques in Paris and École Nationale d'Administration (ENA).

Her career began at the French Prime Minister's office as head of department for state-owned

broadcasting companies until she joined Thomson, a high-tech champion, where she built up a new generation of consumer internet access devices. Anne worked in diverse global executive functions with Cisco since 2004, based out of France and Silicon Valley. As a C-level executive, her engagements centered on adoption and innovation of technological, organizational and business processes to drive business transformation. Anne is the co-founder and former CEO of Mentis Services, an IoT Data Intelligent Software provider of urban space services, recently sold. She is currently the founder and managing partner of Adara, a consulting company that provides senior-level advice in transformation strategy and an investor in start-ups.

She currently serves on the executive boards of Orange (French leading service provider), Pernod-Ricard (second largest wine and spirits company in the world) and FFP (Peugeot's family holding).

She was appointed non-executive independent director by the Board of Directors in the meeting held on 10 December 2019 and ratified by the Annual General Meeting held on 14 July 2020.

### **Ms Pilar López Álvarez**

Independent director since July 2018.

Ms López has a Bachelor of Science in Business Administration and a Major in Finance from ICADE.

She has worked in a variety of roles at J.P. Morgan in Madrid, London and New York (1993-1999). She joined Telefónica in 1999, where she held the following positions: Head of Management Planning and Control (1999-2001), Financial Controller in Telefónica Móviles (2001-2006), Strategy Director in Telefónica de España (2006-2007), Chief Financial Officer of O2 Plc., based in the UK (2007-2011) and for Telefónica Europa based in Madrid (2011-2014), and Head of the Operational Simplification Program of Grupo Telefónica (2014-2015). She is a member of the Board of Trustees of Fundación ONCE, and a member of the board of directors of Asociación para el Progreso de la Dirección (APD).

She has served as Supervisory Board member of Telefónica Czech Republic AS (2007-2014), and as Vice Chairman of the Supervisory Board of Telefónica Deutschland Holding AG (2012-2015). She was a member of the Board of Tuenti Technologies and non-executive director of Ferguson Plc (2013-2018).

At present, she is the Chair of Microsoft Ibérica S.R.L.

Ms López was elected as director on 17 July 2018 by the Annual General Meeting.

She is the direct holder of 4,000 shares in the Company.

### **Mr Emilio Saracho Rodríguez de Torres**

Independent director since June 2010.

Mr Saracho is a graduate in Economics from Complutense University of 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 through 1 January 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 was in charge of Investment Banking operations of J.P. Morgan for Europe, the Middle East and Africa, and sat on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. From 2015 to the end of 2016, he was Vice Chairman of JPMorgan Chase & Co and from February to June 2017, he chaired the Board of Directors of Banco Popular.

At present, he sits on the Board of Directors of International Consolidated Airlines Group, S.A. (IAG) and is Senior Advisor of Altamar Capital Partners.

Mr Saracho was elected as director on 13 July 2010 by the Annual General Meeting and re-elected at the Annual General Meetings held on 14 July 2015 and 19 July 2019.

**State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his/her own name or as a significant shareholder, director or senior manager of a company that has or has had such a relationship.**

Except as explained below, no independent director receives any amount or benefit other than the compensation as a director, nor has or has had during the past year any business relationship with the Company or any company in the Group, either in his/her own name or as significant shareholder, director or senior manager of an entity that maintains or has maintained any such relationship.

**If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.**

Name or company name of director	Description of the relationship	Reasoned statement
- Ms Pilar López Álvarez - Mr Emilio Saracho Rodríguez de Torres	Inditex has been engaged for years in a business relationship with Microsoft, Consolidated Airlines Group and Banco Santander in the ordinary course of	Pursuant to section 229 LSC and section 34.1(d) of the Board of Directors' Regulations, the board of

- Mr Rodrigo Echenique Gordillo	business.	directors has considered that none of the business relationships with any of the companies referred jeopardizes the independence of its directors, as none of them takes part in the negotiation and execution of the relevant agreements, and none of such relationships can be deemed to be a significant or relevant business relationship, within the meaning of section 529 <i>duodecis</i> (4)(e)LSC.
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### **AFFILIATE DIRECTORS**

Identify affiliate directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
-	-	-	-

Total number of affiliate directors	-
% of all directors	-

**Indicate any changes that have occurred during the period in each director's class:**

No changes in status have occurred during the period for any class of director.

**C.1.4 Complete the following table with information relating to the number of female directors at the close over the last 4 years, as well as their directorship type:**

Number of female directors	% of total director of each type
----------------------------	----------------------------------

	FY2020	FY2019	FY2018	FY2017	FY2020	FY2019	FY2018	FY2017
<b>Executive</b>	0	0	0	0	0	0	0	0
<b>Proprietary</b>	1	1	1	1	33.3%	33.3%	33.3%	33.3%
<b>Independent</b>	3	3	2	1	50%	50%	40%	20%
<b>Affiliate</b>	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>36.36%</b>	<b>36.36%</b>	<b>33.33%</b>	<b>22.22%</b>

**C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.**

Yes ☒ No ☐ Partial policies ☐

**If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse board membership.**

**If the company does not apply a diversity policy, explain the reasons why.**

**Description of the policies, objectives, measures, how they have been enforced and the results achieved**

The board of directors resolved in the meeting held on 14 December 2020, following a favourable report of the Nomination Committee, to amend in part the Director Selection Policy of the company, originally approved by the board of directors in the meeting held on 9 December 2015, for the purposes of aligning its provisions with the language of the revised GGC approved by CNMV's board in June 2020.

The scope of the amendments to the Policy can be classified in 2 closely related groups:

- A first group of amendments seeks to advance the Company's commitment to diversity of knowledge, skills, experience, age and gender on the board of directors and its committees, taking into account the restrictions that are a result of the smaller size of the latter. This commitment to diversity has determined, among other things, the change in



the name of the Policy, currently the “Diversity of Board of Directors Membership and Director Selection Policy.”

- The second group of amendments seeks to extend such commitment to gender diversity to the Company’s Senior Management, encouraging the existence of a significant number of female senior managers.

Closely related to the foregoing, the female representation target on the board of directors has been updated and is covered in the Policy, in line with the provisions of Recommendation 15 GGC. The Company has thus endorsed the commitment to ensure that the number of female directors should account for at least 40% of all board seats by the end of 2022 and not less than 30% prior to that date.

The Policy provides guidelines to guide the board of directors and the Nomination Committee’s proceedings in the field of director selection and thus (i) ensure that the search and selection processes as well as the motions on the appointment, re-election or ratification of directors are based on a prior analysis of the needs of the Company and the competencies required by the board; (ii) favour diversity of knowledge, skills, experience, geographic origin, age and gender of directors; (iii) ensure an appropriate composition of the board and its committees, facilitating the appropriate discharge of the duties they are called upon to perform; and, (iv) contribute to talent attraction in the Inditex Group, making efforts to ensure that the best professionals serve on its governing bodies.

In line with the amendment to the Diversity of Board of Directors Membership and Director Selection Policy, certain internal regulations of the Group were also reviewed in 2020 to align them with the language of the revised GGC and advance the Group’s commitment to diversity.

The board of directors resolved in the meeting held on 14 December 2020 to amend in part the Board of Directors’ Regulations for the purposes, inter alia of: (i) clarifying that the company’s Director Selection Policy also covers diversity for the purposes of ensuring an appropriate composition of the board, encouraging diversity of membership by setting out among the parameters to be considered in the selection of prospective directors diversity of knowledge, skills, experience, age, international experience or geographic origin and in particular, gender diversity; and, (ii) adding international experience and/or geographic origin to the parameters to be taken into account upon considering the composition of board committees, in view of the size and internationalization degree of the Group, in addition to age and gender.

The commitment to diversity of membership in board committees has also materialized in the updates of the terms of reference of the Audit and Compliance, Nomination and Sustainability Committees, which were approved by the board of directors on 14 December 2020.

Pursuant to the new wording of sections 14.2, 10.2 and 9.2 of the Audit and Compliance Committee’s Regulations, the Nomination Committee’s Regulations and the Sustainability Committee’s Regulations, respectively, the board of directors undertakes to encourage diversity in membership of committees as regards professional experience, competencies, personal skills, sector-specific knowledge, international experience and/or geographic origin, age and gender, taking into account the restrictions that are a result of the smaller size of board committees.

The board of directors also resolved in the meeting held on 14 December 2020, following a favourable report of the Nomination Committee, to amend Inditex’s Diversity and Inclusion Policy,

originally approved by the Board of Directors on 12 December 2017.

Such amendment seeks to reinforce the Company's commitment to diversity and inclusion at all levels within the organization. In particular, the Policy fully endorses Recommendation 14 GGC, as it promotes an appropriate composition of the board that favours diversity among Senior Managers and namely gender diversity, as the board of directors and the Nomination Committee are fully committed to encourage the Company to have a significant number of female senior managers.

The D&I Policy seeks to fully endorse the regulatory requirements, recommendations and best practices in the area of diversity and inclusion, and to mark Inditex's commitment to diversity and multiculturalism in the working environment, in all positions and levels within the company, including on the board of directors, and its commitment to champion a culture of inclusion, equal treatment and respect, advocating for equitable workplace environments within the scope of its zero tolerance policy against any kind of discrimination.

The board of directors is ultimately responsible for the company's management and is entrusted with guiding its policies. Thus, being the driving force behind this high-level commitment, it shall ensure that action is taken to ensure compliance with the D&I Policy at all levels within the organization.

The principles and action lines of the D&I Policy govern all the proceedings of the Company, in particular in the area of human resources: recruitment and selection of candidates, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other disciplinary actions.

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

With regard to a balanced and diverse board membership, the Annual General Meeting held on 14 July 2020 resolved on the proposal of the Nomination Committee pursuant to item 6(c) on the agenda, to ratify the appointment of Ms Anne Lange to the board of directors as non-executive independent director, approved by the board of directors on 10 December 2019 through the co-option procedure, on the proposal of the Nomination Committee.

The Annual General Meeting further resolved to re-elect non-executive proprietary director Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote) and non-executive independent director Bns. Denise Patricia Kingsmill, on the proposal or following favourable report, as the case may be, of the Nomination Committee.

The re-election and ratification and election of the above referred directors was based on the prior analysis of the needs of the company and the board of directors itself, the findings of which were written up in an explanatory report issued by the Nomination Committee on 8 June 2020, in accordance with Recommendation 14 GGC and sections 3, 4 and 5 of CNMV's Technical Guide 1/2019 on nomination and remuneration committees ("**Technical Guide 1/2019**"), as well as section 3 of the then applicable Director Selection Policy

In said analysis, the Nomination Committee took into account, without limitation, the commitments undertaken by the Company, pursuant to the then applicable Director Selection Policy, regarding: (a) diversity of background, experience, skills and gender on the board of directors, and (b) the achievement of the representation target for the least represented gender on the board, also set in Recommendation 14 of the then applicable GGC. In this regard, the Committee reflected in the report the proposal made by CNMV in January 2020 regarding the update of the GGC to set a new representation target (40%) for women on governing bodies of listed public companies before the end of 2022.

As shown in the above referred report, further to the review of the size, composition, skills and effectiveness of the board of directors at the time, the Nomination Committee considered that with its current composition and structure the board of directors had achieved an appropriate balance and stability materialized in: (i) a balanced membership of the different types of directors, as independent, proprietary and executive directors sat on the Board, with a large majority of independent directors; (ii) the balanced composition of male and female directors, as female presence on the board was above the 30% representation target provided in the then applicable Director Selection Policy; and (iii) appropriate diversity of background, experience and origin within the board taking into account the interests of the company and its Group. The Committee further considered that the current size of the Board was in line with the Group's dimensions, complexity and business and on par with that of comparable companies.

The findings of the Nomination Committee were confirmed in a report issued by the board of directors on 9 June 2020 covering the motions on the re-election and appointment of members to the board of directors.

Considering all the foregoing, the composition and structure of the board of directors is as follows:

- 11 directors sit on the board of directors. This number is within the limit provided in the Articles of Association and within the 5 to 15 range set out in Recommendation 13 GGC.
- Non-executive directors represent the large majority of board members, in accordance with the provisions of Recommendation 15 GGC, and the percentage of proprietary directors does not exceed the ratio between the share capital they represent and the remaining capital, in accordance with Recommendations 17 GGC.
- 36.36% of total board members are women, exceeding the 30% target set in the then applicable Director Selection Policy, in accordance with recommendation 14 GGC.
- The average tenure of independent directors on the board is 4 years.
- All members of the board of directors have accredited abilities, skills, experience and merits: (i) regarding the Company, the Group, and the retail sector; (ii) in economy and finances, accounting, audit and risk management matters; (iii) in compliance and corporate governance matters; (iv) in the digital and new technologies sector; (v) in sustainability; (vi) in different geographical markets; and (vii) in management, leadership and business strategy.

Based on the foregoing, the board of directors found in the above referred explanatory report dated 9 June 2020, that the re-election and appointment of the female directors and the corporate director contributed to maintain and reinforce:

- (i) the diversity of origin, background and experience on the board, encouraging in particular technological profiles with expertise in the field of sustainability, in line with the Group's strategic focal points.
- (ii) The high qualification and professional and personal integrity of board members.
- (iii) Progressive board refreshment is encouraged with the addition of new members, in particular following the appointment of Ms Anne Lange.
- (iv) A sound and solid knowledge of the Company and its Group: the necessary director rotation must be combined with the presence of other directors with proven experience in the Company and a sound knowledge of the same, its business model, its governance regulations, and in the ever evolving retail sector where it operates.
- (v) A balanced board: with the motions raised, the presence of independent, proprietary and executive directors is ensured. In this regard:
  - With the re-election and ratification of the appointment of the 2 independent directors, in 2020 independent directors remain a majority on the board of directors.
  - The re-election of the proprietary director (and its legal representative) permits: (i) ensuring that the decisions of the board of directors are aligned with the interests of shareholders, considering that the share capital structure is diverse, notwithstanding which, a high percentage of the company's capital is held by significant shareholders; and (ii) acting as counterweight in case of potential risk of concentration of power in executive directors.
- (vi) A balanced presence of men and women on the board. Although women are still the least represented gender, the 30% target of female representation has been exceeded.

**C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior managers:**

Different actions were taken in 2020 to assert the Company's commitment to diversity, in particular to gender diversity at all levels within the organization, especially on the board of directors and within senior management. As laid down in Section C.1.5 above, measures taken in the year included the update of the Board of Directors' Regulations, the terms of reference of some of its committees, the amendment to the Director Selection Policy, currently the "Diversity of Board of Directors Membership and Director Selection Policy" and to the "Diversity and Inclusion Policy".

In addition, the role that the Nomination Committee plays in this area is addressed below.

Pursuant to the section 529 *bis*(2) LSC, the board of directors shall ensure that gender, experiences and knowledge diversity is encouraged in recruitment processes of directors, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

Likewise, pursuant to section 16.2(b) of the Board of Directors' Regulations, and section 5.3(b) of the Nomination Committee's Regulations, as amended, one of the basic responsibilities of the Nomination Committee shall be: *"to seek an appropriate composition and a diverse membership on the board of directors and its committees in terms of professional experience, competencies, personal skills, sector-specific knowledge, international experience or geographic origin, age and in particular, gender."*

According to the Diversity of Board of Directors Membership and Director Selection Policy, the Nomination Committee must set a representation target for the least represented genera on the board, and provide guidance on how to meet such target.

In addition, section 22.2. of the Board of Directors Regulations and section 6(c) of the Nomination Committee's Regulations provide that both the board and such committee shall ensure that upon filling new vacancies or upon appointing new directors, selection procedures shall ensure the absence of any manner of discrimination.

The Nomination Committee must set a representation target for the least represented gender on the board and provide guidance on how to meet such target. In particular, pursuant to section 6(d) of the Nomination Committee's Regulations, as amended, and the Diversity of Board of Directors Membership and Director Selection Policy, the committee must make efforts to ensure that at least by the end of 2022 female directors would account for at least 40% of the board seats and not less than 30% prior to that date.

Further to the review of internal regulations approved in December 2020, one of the basic responsibilities of the Nomination Committee consists of seeking an appropriate composition and a diverse membership on the board of directors and its committees in terms of professional experience, competencies, personal skills, sector-specific knowledge, international experience or geographic origin, age and in particular, gender, taking into account the restrictions that are a result of the smaller size of board committees.

Furthermore, as regards diversity within Senior Management, the Nomination Committee has been tasked with writing up a report regarding the motions to appoint and to dismiss senior managers, supporting the existence of a significant number of female senior managers in the company.

### **C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.**

The Annual General Meeting held on 14 July 2020 resolved on the proposal of the Nomination Committee to re-elect Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote) as non-executive proprietary director and Bns. Denise Patricia Kingsmill as non-executive

independent director. It further resolved, following a report issued by the board of directors, to ratify the appointment of Ms Anne Lange to the board of directors as non-executive independent director.

The re-election and ratification of the appointment of the above referred directors was based on the prior analysis of the needs of the company and the board of directors itself, the findings of which were written up in an explanatory report issued by the Nomination Committee on 8 June 2020, and which were subsequently endorsed by the board of directors in a report dated 9 June 2020 covering the motions on the re-election, ratification or appointment of the 3 directors above referred. Both reports and their findings have been addressed in detail in section C.1.5 above.

Pursuant to section 4 of the then applicable Director Selection Policy, the above referred motions and reports and the explanatory report of the needs of the board of directors were posted on the corporate website at the time that the 2020 Annual General Meeting was called.

Considering the foregoing, it can be concluded that both the motions on the re-election and ratification of directors submitted by the board of directors to the Annual General Meeting were consistent with the analysis on board needs.

All of the foregoing took place in accordance with the provisions and yardsticks of the then applicable Director Selection Policy, as the Audit and Compliance Committee has established in its periodic evaluation of the Company's corporate governance system whose scope included the verification of compliance with such Policy. The findings of such evaluation are included in a report issued on 11 December 2020. All of which was duly reported to the board of directors in the meeting held on 14 December 2020.

**C.1.8 Where applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:**

No proprietary directors have been appointed at the request of shareholders with less than a 3% equity interest.

Name or company name of shareholder	Reason
-	-

**Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:**

Yes      No **X**

Name or company name of shareholder	Explanation
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### **C.1.9 Indicate the powers, if any, delegated by the Board of Directors to directors or Board committees:**

Mr Pablo Isla Álvarez de Tejera	Executive Chairman
Mr Carlos Crespo González	CEO

Mr Pablo Isla Álvarez de Tejera, Executive Chairman, and Mr Carlos Crespo González 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 included in sections 4 to 6 (both inclusive) and which entail undertaking in excess of a given amount or disposal of funds in excess of a given amount; in such case either of the executive directors must act jointly with another person who, by virtue of any legal title, is also empowered with the power in question. The capped amounts relating to the exercise of the powers listed in sections 4 to 6, referred to above, and conferred to both the Executive Chairman and the CEO, are not the same.

At any rate, the prior resolution of the Board of Directors or, where delegated, of the Executive Committee, shall be required in the event of transactions, proceedings or agreements which (i) entail the acquisition, disposal or encumbrance of real property of the company, or of any manner of industrial or intellectual property rights of the company, or of shares or interests held by the Company, above a given amount; or which (ii) regardless of their nature, entail the assumption of payment commitments in excess of a given amount. Certain types of financial or treasury transactions, proceedings or agreements are excepted from the requirement of a resolution of the Board, as the joint action referred to above will suffice.

At any rate, the requirement of joint action and/or of a prior resolution of the Board of Directors shall not apply when it involves transactions, proceedings or agreements which are, regardless of the amount involved, carried out or awarded between companies belonging to the INDITEX Group, understanding as such those companies, whether Spanish or foreign, in which Inditex holds, whether directly or indirectly through other investee companies, at least 50% of the share capital, in which case both the Executive Chairman and the CEO may act individually, for and on behalf of the company, regardless 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, institutions, agencies, departments and offices of the General State Administration, Central or Peripheral Government, Autonomous Communities, Provinces, Municipalities, of the Institutional, Corporate or Independent Administration, whether Spanish authorities or authorities from a foreign State, or of the European Union, including vis-à-vis any manner of Public Registries and, in general, before any entity or public or private person, whether domestic or foreign. To sign and lodge all manner of applications and petitions; and, in general, to exercise such powers as may be required for the management and defence of the rights of the company.

2.- To sign, send, receive and collect from the postal and telegraph authorities or offices ordinary or registered postal or telegraph correspondence, declared value items and postal and telegraphic money orders. To file any relevant 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, shipping companies or airlines, or 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 take part 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 payment. To render and require the rendering of accounts and to challenge or approve said accounts. To provide, cancel and recover all manner of bonds and deposits, including those at/of the General Savings Deposit and its branches.

5.- To execute all manner of acts and contracts for valuable consideration relating to property of all kinds, whether movable and real property, rights, securities, shareholdings, shares, interests, at such prices, for such considerations, under such terms, for such periods and under such provisions, terms and conditions as are deemed appropriate.

Specifically, without limitation:

- To acquire, assign, grant and dispose of or transfer for whatever title for valuable consideration, including that of a court-ordered sale in lieu of payment, all manner of property, whether movable or real property, rights, trademarks and other distinctive signs and industrial property on intellectual property rights, securities, shareholdings, shares and interests; take out all manner of compulsory and voluntary insurance; to hire the execution of works, services and supplies of all kinds; to lease as a lessor or lessee, grant or be the recipient of financial leases, sublease as a sub lessor or sub lessee; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and mortgages, pledges with or without transfer of possession and any other encumbrance on any manner of property and rights owned by the Company; to 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, generally, to execute any disposals; and to conduct and take part in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, attorneys in fact 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, substitute, cancel, terminate or discharge the same.
- To execute any manner of bank and financial agreements in general, even though they would entail indebtedness of the Principal; do such acts and things as are allowed by bank laws and practice; to act as a plaintiff or defendant in connection with all types of securities and commercial papers.



As an exception to the foregoing, in the exercise of the authority conferred, securities and guarantees may only be granted to other companies belonging to the "INDITEX" Group, and as a result, securities, guarantees, surety insurance or any other security may only be granted to them.

6.- To grant all manner of acts and contracts relating to IT, management, security and communication products, plant 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. 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 lease them as lessee or lessor, to grant or be the recipient of financial leases in respect thereof, or to sublease them as sub lessor or sub lessee; to create, amend, acknowledge and extinguish or cancel real property rights and securities on the movables belonging to the Company. Regarding all the above acts and contracts, the attorneys in fact 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, substitute, cancel, terminate or discharge them.

7.- To enter into all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution agreements, licence and agency contracts as well as supply agreements and option to purchase agreements associated to the contracts for business collaboration and, in general, in any such agreement that the national and international expansion of the company might require.

8.- To represent the Company in meetings or Annual or Extraordinary General Meetings of any manner of companies and economic interest groupings, uniones temporales de empresas [temporary business partnership] and any other entities, taking the floor therein and casting their vote in the way that they deem appropriate, regardless of the business being transacted, including, without limitation, the following business: incorporation, alteration, merger or split-off, assignment of assets and liabilities, winding-up and liquidation of all kinds of entities and companies, amendment of by-laws and internal regulations, capital increases or reductions, approval of accounts, granting and revocation of powers of attorney, appointment and removal of officers or acceptance of offices to which the principal has been appointed in any company, proceeding to the relevant statements of disqualification or incompatibility required to accept such appointment and appointing the natural persons who will act on their behalf in the discharge of such office, with all powers inherent therein, replacing the representatives natural persons already appointed, even where the appointment or replacement falls on the attorneys in fact themselves, and generally, exercising on behalf of the Company any rights that it may be entitled to, in its capacity as shareholder. To appear in and grant any deed of incorporation, amendment, merger, split off, assignment of assets and liabilities, winding-up or liquidation of any manner of companies, economic interest groupings, temporary business partnership of companies and any other entities. And for all purposes above, to subscribe such documents, whether public or private, which may be necessary and generally, to do such acts and things which may be required for the full effectiveness and publicity thereof further to their registration with public registries.

9.- To attend in the name and on behalf of the company, meetings, general meetings and assemblies of condominiums or co-owners, taking the floor 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, to accept positions and appointments and, in general, to exercise in the name of the company any rights that it may be entitled to 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

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 set up the offices, workplaces and buildings of the Company and to organize the services provided therein. To establish branches, hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including officers 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.

12.- To represent the company before any manner of authorities and administrative bodies, of whichever administration, 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.

13.- To represent the company before all manner of authorities and administrative bodies, of whichever administration, that have authority in respect of Health and Safety at Work and Occupational Hazards, 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 executive 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 organize 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, organize 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 the governing boards and advisory boards of such entities collaborating in the management of Social Security.

14.- 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 answers 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, generally, exercising in the name of the company any rights that it may be entitled to.

15.- 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 the Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

16.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and notarial summons.

17.- To grant powers of attorney, allocating to third parties, in full or in part, the above listed authorities, to revoke the powers granted, and to get copies of all kinds of records and deeds.

18.-To execute as public deeds the resolutions passed by the Annual General Meeting, the board of directors or any other governing body.

Additionally, as described in section C.2.1 below, the Executive Committee holds in delegation all the powers of the board of directors, except for those that cannot be delegated by statute or pursuant to the Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the board of directors.

**C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:**

As at 31 January 2021, no member of the board of directors holds any position of director or officer in other Group companies.

**C.1.11 List any directors or representatives of legal-person directors of your company who are members of the Board of Directors or representatives of legal-person directors of other companies listed on regulated markets other than group companies of which the company has been informed:**

Name or company name of director	Company name of listed company	Position
Mr Pablo Isla Álvarez de Tejera	Nestlé, S.A.	Independent director
Ms Anne Lange	Pernod-Ricard, S.A.	Independent director
	FFP	Independent director
	Orange, S.A.	Non-executive director
Mr Rodrigo Echenique Gordillo	Banco Santander Chile	Non-executive director
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A.	Independent director

**C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, where applicable:**

Yes ☒ No

**Explanation of the rules and identification of the document where this is regulated**

Pursuant to section 22.2 of the Board of Directors' Regulations, the Board of Directors may not propose or appoint in order to fill a position of director, anyone who holds the office of director in more than 4 listed companies other than the Company at the same time.

### C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the board of directors in the financial year (thousand euros)	10,935
Amount of accrued pension benefits for current directors (thousand euros)	9,025
Amount of accrued pension benefits for former directors (thousand euros)	0

The amount stated as “*Remuneration of the board of directors (thousand euros)*” corresponds to the aggregate amount shown in section C.1.c) “*Summary of remunerations (thousand euros)*” of the Annual Report on Remuneration of Directors for 2020. Included therein is the amount of both the fixed and the short-term variable remuneration for the Executive Chairman and the CEO in financial year 2020.

No long-term variable incentive has accrued in 2020 in favour of the board of directors.

With regard to the “Amount of accrued pension benefits for current directors (thousand euros)”, no contributions to long term savings systems have been made since 2015 and the amount of accumulated funds in such systems reached €9,025,000 as of 31 January 2021 (pursuant to section C.1.a iii) “Long term saving systems” of the Annual Report on Remuneration of Directors for 2020.

### C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Ms Lorena Alba Castro	Chief Logistics Officer
Mr José Pablo del Bado Rivas	Director of PULL & BEAR
Mr Jesús Echevarría Hernández	Chief Communication Officer
Mr Ignacio Fernández Fernández	Chief Financial Officer
Mr Antonio Flórez de la Fuente	Director of BERSHKA
Ms Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernadas	Head of Import, Export and Transport
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	Head of General Services and Infrastructures

Mr Javier Losada Montero	Chief Sustainability Officer
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Head of Legal
Ms María Lorena Mosquera Martín	Director of ZARA HOME
Ms Paula Mouzo Lestón	Chief Audit Officer
Mr Jorge Pérez Marcote	Director of MASSIMO DUTTI
Mr Óscar Pérez Marcote	Director of ZARA
Mr Ramón Reñón Túñez	<i>Director General Adjunto al Presidente y Consejero Delegado</i> [Deputy General Manager]
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

Number of women in senior management	5
Percentage out of all senior managers	23,8%

Total remuneration of senior management (thousand euros)	27,796
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Included in the amount stated as “Aggregate remuneration for senior managers” is the amount of the fixed remuneration and the short-term variable remuneration accrued by senior managers in financial year 2020.

No long-term variable incentive has accrued in 2020 in favour of senior managers.

### C.1.15 Indicate whether the Board regulations were amended during the year:

Yes ☒ No

In the meeting held on 14 December 2020, the board of directors approved, following a favourable report of the Audit and Compliance Committee, the partial amendment to its Regulations to align its provisions with the revised text of GGB approved by CNMV's board on 25 June 2020, and with the amendments to the standard forms of the annual corporate governance report and the annual remuneration of directors of public listed companies, introduced by CNMV's Circular 1/2020 of 6 October 2020 amending Circulars 5/2013 and 4/2013 dated 12 June 2013.

The amendments made are addressed below:

- **Amendment to section 5 (“Mission of the board of directors”) in Chapter II (“Mission of the board of directors”)**

The amendments made answer the need first, to clarify that the scope of the Enterprise Risk Management Policy, which must be approved by the board of directors, extends to both financial and non-financial risks.

Secondly, the reference to the Corporate Social Responsibility (CSR) Policy is replaced with the new “Sustainability Policy”.

It has also been made clear that the former Director Selection Policy has resulted in the current Diversity of the Board of Directors Membership and Director Selection Policy, for the purposes of fostering an appropriate composition of the board of directors, encouraging membership diversity, in particular gender diversity.

The Policy adopts Recommendation 14 GGC with regard to encouragement of gender diversity in senior management, supporting the existence of a significant number of female senior managers.

Finally, the board of directors has been entrusted with a new power, that of approving the assumption by the Audit and Compliance Committee of duties inherent in an audit committee with regard to such Group companies which qualify as Public-Interest Entities in accordance with the requirements laid down in current laws on statutory audit.

- **Amendment to section 6 (“Size”) in Chapter III. (“Composition of the board of directors”)**

Diversity has been expressly added as a new yardstick that the board of directors shall consider upon determining its membership.

- **Amendment to section 13 (“Delegated and advisory bodies of the board of directors”) in Chapter IV. (“Structure of the board of directors”)**

The amendment to this section seeks to expressly cover the generic commitment undertaken by the Nomination Committee to promote a diverse membership on board committees, taking into account the restrictions that are a result of their smaller size.

In this regard, considering the size of the Group and its high degree of internalization, international experience and/or geographic origin have been added, apart from age and gender, as parameters to be considered upon setting committee membership, to encourage diversity within board committees.

- **Amendment to Section 14 (“the Executive Committee or the Chief Executive Officers”) in Chapter IV. (“Structure of the board of directors”)**

The rules on the composition of the Executive Committee are aligned with the new language of Recommendation 37 GGC

- **Amendment to section 15 (“The Audit and Compliance Committee”) in Chapter IV. (“Structure of the board of directors”)**

This section has been amended to align the scope of the powers assigned to the Audit and Compliance Committee with those it is entrusted under its own terms of reference, as amended in accordance with Recommendation 42 GGC. Such amendments have been made to:

- (i) enhance the duties of the committee relating to the preparation and presentation of the company's financial and non-financial information, making it clear that such mission includes both overseeing and evaluating the process.

A clarification is also made in this regard: although the Audit and Compliance Committee is supported by the Sustainability Committee upon carrying out such duties, being the advisory body to the board of directors that specializes in social and environmental sustainability, for the purposes of ensuring a consolidated view on the effective application of the policies that fall under their respective purview, the ultimate responsibility for preparing information and its integrity lies with the Audit and Compliance Committee.

- (ii) Clarify that the powers of the committee relating to the risk management systems of the Group include both overseeing and evaluating such system.
- (iii) Expressly cover that its duty to oversee and evaluate risks extends to non-financial risks, expressly including operational, technological, legal, social, environmental, political and reputational risks and those related to corruption.

Additionally, Recommendation 39 GGC is adopted, according to which, all members of the committee and in particular its Chair, should have knowledge, qualification and experience in accounting, audit and risk management matters with regard to both financial and non-financial risks. Thus, the requirements for qualification and expertise in the field of non-financial risks on the committee have been reinforced, in line with its scope of action and responsibilities.

Last, the Audit and Compliance Committee is tasked with overseeing that the internal control policies and systems established by the company are effectively applied in practice, in accordance with Recommendation 42 GGC.

- **Amendment to section 16 ("The Nomination Committee") in Chapter IV. ("Structure of the board of directors")**

The amendments to this section seek to align its wording with the scope of the powers assigned to the Nomination Committee in its own set of rules, as amended.

These amendments seek to reinforce the company's commitment to a diverse membership in its governing bodies. This principle should guide the proceedings of the Committee, being the specialized board committee involved in the process for the selection, appointment, nomination, ratification and re-election of directors.

Secondly, with regard to the duties entrusted to the committee regarding appointment and removal of Senior Managers, the obligation to ensure gender diversity and foster female leadership is included among such duties, to support the existence of a significant number of female senior managers.

Finally, the areas in which members of the committee, and in particular its Chair should have knowledge, qualifications and expertise are detailed in accordance with the provisions of Technical Guide 1/2019.

- **Amendment to section 17 ("The Remuneration Committee") in Chapter IV. ("Structure of the board of directors")**



The amendments made seek to clarify the areas in which members of the committee, and in particular its Chair should have knowledge, qualifications and expertise, in accordance with the provisions of Technical Guide 1/2019.

- **Amendment to Section 17bis (“The Sustainability Committee”) in Chapter IV. (“Structure of the board of directors”)**

The amendments made seek to align the wording of this section with the scope of the powers assigned to the Sustainability Committee in its terms of reference, to align its wording with the language of Recommendation 54 GGC regarding other specialized board committees.

- **Amendment to section 22 (“Election of directors”) in Chapter V. (“Proceedings of the board of directors”)**

The amendment to this section seeks to reinforce the commitment to diversity of board membership, including among the parameters to be considered in the procedure to select prospective directors, diversity of knowledge, skills, experiences, age, international experience or geographic origin, and in particular, of gender, in line with the current Diversity of Board of Directors Membership and Director Selection Policy.

- **Amendment to Section 25 (“Resignation, removal and dismissal of directors”) in Chapter VI. (“Appointment and dismissal of directors”)**

Section 25 has been amended to align its wording with the language of Recommendations 22 and 24 GGC.

In particular, it has been made clear that the circumstances when directors must tender their resignation to the Board include such circumstances which affect them, related or not to their actions within the company, which might harm the name or reputation of the company.

On the other hand, the Company’s information and transparency obligations when directors give up their position before their tenure expires have been reinforced, in line with the revised wording of Recommendation 24 GGC.

- **Amendment to section 39 (“Duties of information of directors”) in Chapter IX. (“Duties of Directors”)**

Section 39 has been amended to align its wording with the language of Recommendation 22 GGC.

The board of directors shall act immediately taking the relevant measures whenever criminal charges are brought against a director, based upon a prior report of the Nomination Committee. Additionally, the scope of the action that the board can take is extended.

Likewise, the general obligation of reporting about the measures taken in the Annual Corporate Governance Report is included, unless there are special circumstances which justify otherwise.

- **Amendment to section 42 (“Corporate website”) in Chapter X. (“Relations of the board of directors”)**

The term “Relevant Fact” is replaced with communication of “other Relevant Information”, pursuant to the terms introduced in the new Procedure for Disclosing Issuer Information approved

by CNMV on 8 February 2020.

- **Amendment to Section 45 (“Relations with statutory auditor”) in Chapter X. Relations of the board of directors”)**

The wording of this section has been aligned with the revised language of Recommendation 8 GGC to make it clear that the board of directors shall ensure that the annual accounts that it states and presents to the General Meeting of Shareholders are drawn up in accordance with accounting standards for the purposes of preventing a qualified opinion in the auditor’s report – as this is incumbent on the statutory auditor.

#### **C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.**

The system for the selection, appointment and re-election of members of the board of directors constitutes a formal and transparent procedure which is expressly covered in the Articles of Association, the Board of Directors’ Regulations and the Nomination Committee’s Regulations.

In addition, a Director Selection Policy was originally approved by the board of directors in the meeting held on 9 December 2015. Such Policy implemented the provisions of the Articles of Association, the Board of Directors’ Regulations and the Nomination Committee’s Regulations and provided guidance on selection of directors for the purposes of guiding the proceedings of the Board of Directors and the Nomination Committee in this area.

The board of directors resolved in the meeting held on 14 December 2020 to amend in part such Policy to align its provisions with the language of the revised GGC approved by CNMV’s board on 25 June 2020, and in particular, to advance the Company’s commitment to diversity of knowledge, skills, experiences, age and gender on the board of directors and its committees. This commitment to diversity has materialized, among other things, in the change in the name of the Policy, currently the Diversity of Board of Directors Membership and Director Selection Policy.

The Policy is informed by the Recommendations of the GGC and the overarching principles and guidelines of CNMV’s Technical Guide 1/2019 on nomination and remuneration committees.

According to the Policy, the process to appoint, ratify and re-elect directors shall be guided by the following overarching principles: (i) favouring diversity and search for excellence within the board of directors; (ii) the selection process for prospective directors shall not be tainted by any kind of discrimination and shall follow the merit-based approach; (iii) fulfilling the corporate interest; and (iv) transparency in the process to select prospective directors of Inditex.

In this regard, the Policy sets forth that the selection, appointment, ratification and re-election of directors shall be based upon a prior analysis of the needs of the Company and the Group, and of the competencies required by the board of directors itself. Such analysis shall be carried out by the board of directors on the advice of the Nomination Committee.

To ensure the appropriate composition of the board of directors at all times, its structure, size and composition as well as the membership of its committees shall be regularly reviewed.

To this end, efforts should be made to ensure that the board of directors has a balanced membership with regard to the different classes of directors, with a large majority of non-executive directors and an appropriate mix of proprietary and independent directors, and an appropriate balance of profiles, knowledge, skills, careers and experiences so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched. In addition, consideration should be given to ensuring a progressive and orderly board refreshment to achieve the objectives set out in the Policy.

The findings of the above referred prior analysis shall be written up in an explanatory report issued by the Nomination Committee, to be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet at all times the following requirements:

- Be honest, respectable persons of well-known ability, competence, professional background and experience and merits.
- Be law-abiding and respectful of good marketing practices both in their lives and professional careers and observe the provisions of applicable regulations.
- Be trustworthy professionals whose conduct and career is aligned with the principles and duties set out in Inditex's internal regulations – in particular, in the Code of Conduct and Responsible Practices – and with the views and values of the Inditex Group.
- Be committed to their duties as directors and available to dedicate sufficient time and efforts to meet their board responsibilities.

In the process for the selection of prospective directors, those individuals who meet the requirements laid down in the Policy and who, given their profile and features favour diversity of knowledge, skills, experiences, origin, age and gender on the board of directors, shall be considered, and any implicit bias which might entail any manner of discrimination and specifically hamper selection of female directors shall be prevented.

In order to define the duties and required skills of prospective directors, the Nomination Committee shall review the competencies, knowledge, experience and other occupations of current directors serving on the board, and it shall prepare and keep updated a board skills matrix, based upon which it shall define the duties and skills required from candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively meet their board responsibilities.

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

In particular, the board of directors shall not propose or appoint as member of the board of directors anyone who serves as a director at the same time in more than four listed companies other than the Company.

Being charged with the selection process, the Nomination Committee shall take into account the motions submitted by any director, provided that the prospective candidate meets the requirements to be eligible and the provisions of the Diversity of Board of Directors Membership

and Director Selection Policy are observed. For such purposes, it shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

Likewise, the Company may rely on external advisors to carry out the prior analysis of the needs of the company, and to assess the competencies required by the board of directors and the Inditex Group, as well as to search or assess prospective directors or evaluate their performance and/or suitability. It is incumbent on the Nomination Committee to establish and ensure the effective independence of the above referred experts.

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

The motions on election, ratification or re-election of directors that the board of directors would submit to the Annual General Meeting, and the election resolutions passed by the board of directors by virtue of the powers to co-opt that are legally reserved to it, must be preceded by (i) a motion made by the Nomination Committee with regard to independent directors, or by (ii) a report from the Nomination Committee regarding the remaining directorship types. The above referred motion or report shall be prepared by the Nomination Committee and include the directorship type assigned to the director, this classification having to be duly supported.

The motions on the election of directors that the board of directors submits to the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the board of directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minutes of the Annual General Meeting or board meetings. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and their dedication to office during their tenure as well as their observance of the company's corporate governance rules. At any rate, the Nomination Committee shall take into account the need for progressive board refreshment.

Where the board of directors departs from the motions and reports of the Nomination Committee, it must state the reasons for its actions and place them on record.

The board of directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the directorship type, and said class shall be confirmed or, where appropriate, reviewed on an annual basis in the Annual Corporate Governance Report, after verification by the Nomination Committee.

With regard to the representation target for the least represented gender on the board and to the guidance on how to meet it, the company has updated the female representation target on the board of directors, in line with the revised Recommendation 15 GGC, as provided in section 5.1.1 of the Diversity of Board of Directors Membership and Director Selection Policy and in section 6(d) of the terms of reference of the Nomination Committee.

Thus the Company endorses the commitment to ensure that the number of female directors should account for at least 40% of all board seats by the end of 2022 and not less than 30% prior to that date.

The Nomination Committee shall establish on an annual basis compliance with the Diversity of Board of Directors Membership and Director Selection Policy and inform thereof the board of directors, which shall disclose such information in the Annual Corporate Governance Report.

With regard to the removal and dismissal of directors, directors shall vacate office upon expiry of their term of office, or at any time further to a resolution of the General Meeting of Shareholders.

The board of directors may only propose to the General Meeting the removal of an independent director before the expiry of his/her term of office when a just cause arises, where the director has incurred in any grounds for dismissal or resignation pursuant to applicable regulations or to the Company's corporate governance rules. Such just cause must be considered by the board, and in case of independent directors, following a favourable report of the Nomination Committee.

Furthermore, where a director vacates his/her office before the end of his/her term of office through resignation or further to a resolution of the General Meeting of Shareholders, he/she should state the reasons for such resignation, or with regard to non-executive directors, their opinion on the reasons for the dismissal resolved by the General Meeting of Shareholders, in a letter that must be addressed to all the members of the board of directors. To the extent that this may be relevant for investors, and without prejudice to reporting it in the Annual Corporate Governance Report, the Company, shall announce their departure in the shortest delay with sufficient reference to the reasons or circumstances provided by the director.

Where directors tender their resignation, the Nomination Committee must ensure the transparency of such process, gathering the information it may deem necessary to this end.

#### **C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organization and in the procedures applicable to its activities:**

The Company carries out a process to evaluate the board of directors, its committees and its members, as provided in its internal regulations, in accordance with applicable regulations and the recommendations of the Good Governance Code.

In this regard, following each annual evaluation, a number of recommendations are issued, where appropriate, to improve (i) the quality and effectiveness of the proceedings of the board of directors; (ii) the proceedings and composition of its committees; (iii) the diversity of board membership and powers; (iv) the performance of the Executive Chairman and the CEO, and (v) the performance and input of each director, paying special attention to those who chair the different board committees and to the Lead Independent Director and the Secretary of the board.

In 2020, the findings of such annual evaluation were considered in the analysis of board needs carried out by the Nomination Committee in respect of the process of re-election of directors. Thus:

- i) The size of the board of directors was found to be appropriate in line with the dimensions and complexity of the Group and its business, and on par with that of comparable companies.
- ii) Directors considered that the board of directors should pursue: (i) technological profiles with expertise in the field of sustainability, in line with the Group's strategical

focal points marked as a priority by the Company; (ii) the presence of women, still the least represented gender; (iii) a balanced board membership in terms of directorship types, ensuring that a majority of independent directors sit on the board; and (iv) progressive board refreshment.

The motions on the re-election and ratification of directors which were finally approved by the Annual General Meeting in 2020 were raised taking into account the above referred findings, and they have contributed to solidify a balanced board, as described in section C.1.5 above.

With regard to the organization and proceedings of the board and its committees, the following measures were taken in view of the findings of the 2020 self-evaluation process:

- i) the percentage of female representation on the board and its committees has been raised.
- ii) Technological and sustainability-related profiles have been reinforced, in line with the Group's strategic focal points.
- iii) A new software tool has been implemented and made available to board members with new functionalities that allow to better prepare the meetings of the board and its committees and that enhances participation of directors while ensuring the utmost confidentiality of the information sent. This has taken place in a year where all the meetings were virtual, as a result of the extraordinary environment arising from the global pandemic caused by COVID-19.
- iv) The board of directors has met more often in 2020. In addition, directors held a number of informal meetings to apprise independent directors of the situation resulting from the global health crisis and its impact on the operations of the Group.
- v) Like all other board committees, the Sustainability Committee approved for the first time an annual schedule of dates and agendas of business to be transacted in 2021, in accordance with GGC recommendations.

Such schedule allows to systematically arrange the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted at certain meetings. All of which contributes to a better scheduling of board committees, and in line with this, to increase the number of meetings of directors with members of management.

- vi) Independent directors held a separate meeting again this year, under the helm of the Lead Independent Director, to exchange their input on highly relevant matters to the Company, align board practices with those of peer companies and consequently speed up changes in the areas subject to improvement which were identified, enhance the proceedings of the board of directors and ensure and keep their independence within the board .

Such meeting is considered a very useful practice, as it has served the purposes of determining issues considered to be a priority, with the subsequent scheduling of meetings and proceedings of the board and its committees.

**Describe the evaluation process and the areas evaluated by the board of directors with or without the help of an external advisor, regarding the functioning and composition of the Board**

**and its committees and any other area or aspect that has been evaluated.**

Pursuant to the provisions of section 7(a) of the Nomination Committee's Regulations, the committee must establish and oversee "an annual programme for evaluating the performance of the board of directors, the Executive Chairman, the CEO, board committees and in particular, following up on attendance of directors at the meetings of the board and the committees where they sit."

Therefore, considering the statutory framework and Inditex's own internal regulations, the evaluation system of the board of directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board is carried out as follows:

1. The Nomination Committee prepares an annual programme for the evaluation of the performance of the duties of the board of directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board.
2. According to this annual programme, each committee has to prepare an evaluation report assessing its performance and that of its members which has to be sent to the board of directors. Contemporaneously, the Nomination Committee must prepare a report to evaluate the performance of the board of directors, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board.

To carry out this procedure, separate questionnaires are sent to each director, as described below:

- a) An individual self-evaluation questionnaire for each director.
  - b) An evaluation questionnaire on the performance of the committees.
  - c) An evaluation questionnaire on the performance of the board of directors that includes specific questions on the role of the Lead Independent Director and the Secretary of the board of directors.
  - d) A questionnaire on the performance of the Executive Chairman and the CEO.
3. Since the Chairman is an executive director, the evaluation of his performance is coordinated by the Lead Independent Director.

The Nomination Committee also plays an active role in the evaluation of the performance of the Executive Chairman, the CEO and the remaining executive directors, if any.

4. Finally, the board of directors assesses – pursuant to statute and to the Board of Directors' Regulations–, its performance, that of its members and committees, of the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board, based upon the reports issued by these latter, as stated in section 2 above.

The above referred questionnaires are reviewed and updated every year, to align the annual evaluation of the performance of the board of directors, its members and committees and the Executive Chairman with best practices in the field of good governance.

The evaluation process has been subject to a number of updates in 2020, namely to: (i) extend its scope to include certain questions relating to the extraordinary environment resulting from

the global health crisis caused by COVID-19 pandemic; (ii) add 2 specific questionnaires to evaluate the performance of the CEO and the Sustainability Committee; and; (iii) stress the questions relating to enterprise risk management, including both financial and non-financial risks, the preparation of non-financial information as well as ESG topics in general, these being relevant matters to the company's stakeholders.

In addition to the material modifications explained above, certain formal changes were introduced to the process to allow for the questions to be raised in a simpler more consistent manner. In this regard, it bears mention that the process has been automatised, by using a secure platform that ensures the confidentiality, traceability and security of the information.

Likewise, in accordance with Recommendation 36 of the Good Governance Code, Inditex has relied once again on the advice of external consultant Spencer Stuart in the evaluation process for 2020.

**C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.**

Inditex has relied again in 2020 on consultant Spencer Stuart for advice on the process for the evaluation of the performance of the board of directors, its members and committees, and the performance of the members of board committees, the Executive Chairman and the CEO. Other than this specific engagement, Spencer Stuart has no business relationship with Inditex or with any company of its Group.

**C.1.19 Indicate the cases in which directors are required to resign.**

Pursuant to section 25 of the Board of Directors' Regulations, directors must offer their resignation to the board of directors and effectively resign, should this latter deem it advisable, in the following cases:

- a) When they reach a certain age, under the terms detailed in section C.1.22.
- 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 incompatibility or prohibition cases provided in applicable regulations, the Articles of Association or these Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company.
- d) When they are seriously admonished by the Audit and Compliance Committee for having breached their duties as directors.
- e) When they are involved in any circumstances affecting them, related or not to their actions within the Company, that may harm the name and reputation of the Company or,



otherwise jeopardize the Company's interests. For such purposes, they shall report to the board of directors any criminal charges brought against them as well as any procedural consequences.

- f) When the reasons for their appointment cease.
- g) With regard to proprietary directors, 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.
- h) With regard to independent directors, when they have continuously held such position in the Company for 12 years.

A number of scenarios which, if materialised, might have a negative impact on the proceedings of the board directors, or compromise the credit and reputation of the Company, are provided in section 25 of the Board of Directors. In all such cases, directors involved in such scenarios must offer their resignation to the board of directors and, should this latter deem it appropriate, formally tender their resignation.

Section 25(e) transcribed above was amended by the board of directors in the meeting held on 14 December 2020 in line with the language of revised Recommendation 22 GGC.

### **C.1.20 Are qualified majorities other than those established by statute required for any particular kind of decision?**

Yes ☒ No

**If so, describe the differences.**

#### **Description of differences**

A qualified majority other than that established by statute is exclusively required to amend the Board of Directors' Regulations. Pursuant to section 3.4 thereof, in order for the amendment of such Regulations to be valid, a resolution passed by a majority of two-thirds of the directors present shall be required.

Apart from this, the scenarios of qualified majority for the passing of resolutions by the board of directors are addressed in article 25.4 of the Articles of Association which reads: *"For resolutions to be passed, an absolute majority of votes by the directors attending the meeting shall be required, except for such cases where a larger majority is required by statute, by these Articles of Association or by the Board of Directors' Regulations. In the case of an equality of votes, the Chairman shall have a casting vote."* Likewise, article 27.2 of the Articles of Association provides that for the permanent delegation of any power of the board of directors other than non-delegable ones it shall be necessary for two-thirds of those making up the board of directors to vote for the motion, as provided in section 249.3 of the Companies Act

**C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.**

Yes

No **X**

Description of requirements
-

**C.1.22 Indicate whether the articles of association or Board regulations establish any limit as to the age of directors:**

Yes **X**

No

	Age limit
Chair	68
CEO	65
Director	68

Section 25.2(a) of the Board of Directors' Regulations provides that directors must offer their resignation to the Board of Directors and effectively resign, should this latter deem it advisable "When they reach the age of 68. Notwithstanding this, directors who hold the office of Chief Executive Officer or Managing Director shall offer their resignation to the Board of Directors upon attaining 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 founder of the Company, Mr. Amancio Ortega Gaona".

**C.1.23 Indicate whether the articles of association or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:**

Yes

No **X**

Additional requirements and/or maximum number of years of office	
	-

**C.1.24 Indicate whether the articles of association or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the**

**maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.**

Article 25.3 of the Articles of Association sets forth that any director can appoint another director as proxy holder in writing, each meeting requiring a special proxy, notifying the Chairman of the same in writing.

Pursuant to such article and section 20.1 of the Board of Directors' Regulations, non-executive directors may only be represented by another non-executive director.

No maximum number of proxies that a director can hold has been fixed.

In line with this provision, section 20.1 of the Board of Directors' Regulations provides that quorum shall be present on the board of directors when at least half plus one of its members attend either in person or by proxy (or, in case of an uneven number of directors, when a number of directors immediately higher than half of it is in attendance), stating further that the directors shall do their best to attend the meetings of the board of directors, and, when they cannot do so in person, they shall endeavour to grant a proxy to another member of the board giving instructions as to its use and communicating the same to the Chairman of the Board of Directors.

**C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, where applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.**

<b>Number of board meetings</b>	7
<b>Number of board meetings held without the chairman's presence</b>	0

Pursuant to section 19.4 of the Board of Directors' Regulations and in view of the mobility restrictions imposed due to the COVID-19 pandemic, the board of directors held virtual meetings via video conference or conference calls, as both systems allow the identification as well as the simultaneous and direct communication between the members in attendance.

In 2020 the board of directors has met more often, for the purposes of being updated on the evolution of the macroeconomic and social environment resulting from the global health crisis and its impact on the Group as well as the different contingency plans and measures implemented by the Company to minimize it.

Indicate the number of meetings held by the lead independent director with the other directors, where there was neither attendance nor representation of any executive director:

<b>Number of meetings</b>	<b>1</b>
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**Remarks**

On 2 March 2020, a separate meeting of non-executive independent directors was held, under the helm of Mr Rodrigo Echenique Gordillo, Lead Independent Director, for the purposes of discussing highly relevant matters to the Company, thus ensuring that with regard to the decision-making over such matters, their independence within the board of directors is kept.

**Indicate the number of meetings held by each board committee during the year:**

<b>Number of meetings held by the executive committee</b>	<b>0</b>
<b>Number of meetings held by the audit committee</b>	<b>4</b>
<b>Number of meetings held by the nomination committee</b>	<b>5</b>
<b>Number of meeting held by the remuneration committee</b>	<b>4</b>
<b>Number of meetings held by the sustainability committee</b>	<b>3</b>

In view of the mobility restrictions imposed due to the COVID-19 pandemic, board committees held virtual meetings via video conference or conference calls. Both systems allow the identification as well as the simultaneous and direct communication between the members in attendance. All of which is in accordance with the provisions of sections 19.2, 15.2, 12.2 and 14.2 of the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations and the Sustainability Committee's Regulations.

**C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:**

<b>Number of meetings in which at least 80% of directors were present in person</b>	<b>7</b>
<b>Attendance in person as a % of total votes during the year</b>	<b>100%</b>
<b>Number of meetings with attendance in person or proxies given with specific instructions, by all directors</b>	<b>7</b>
<b>Votes cast in person and by proxies with specific instructions, as a % of total votes during the year</b>	<b>100%</b>

**C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:**

Yes ☒ No**Identify, where applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:**

The individual and consolidated annual accounts of the Company that are presented to be stated by the board of directors are previously certified by the Executive Chairman and the Chief Financial Officer.

Name	Position
Mr Pablo Isla Álvarez de Tejera	Executive Chairman
Mr Ignacio Fernández Fernández	Chief Financial Officer

**C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Meeting of Shareholders are prepared in accordance with accounting regulations.**

The Audit and Compliance Committee, mostly made up of non-executive independent directors, meets with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the board of directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drafting of the financial statements. In such meetings, any disagreement or difference of opinion existing between the Company's Management and the external auditors is put forward, so that the board of directors can take the necessary steps to ensure that the annual accounts are stated in accordance with accounting regulations, endeavouring for them to be drafted in such a manner that they do not give rise to qualifications on the part of the auditor.

Furthermore, before drafting the annual, half-yearly or quarterly financial statements, the Company's Management also holds a meeting with the Audit and Compliance Committee and is subjected by the latter to suitable questions as to, among others, the application of accounting standards and the estimates made in the preparations of the financial statements, topics which are subject to discussion with the external auditors.

In this regard, in line with the revised Recommendation 8 GGC, section 7(d) of the terms of reference of the Audit and Compliance Committee includes the following among the powers of such committee: *"to review the contents of the auditor's reports and, where appropriate, of the reports on limited review of interim accounts, as well as other mandatory reports to be prepared by the statutory auditor, prior to the issue thereof, in order to avoid qualified reports, ensuring that the annual accounts that the Board of Directors presents to the General Meeting of Shareholders are drawn up in accordance with accounting standards and, that in the circumstances where the statutory auditors includes any qualification in the auditor's report, the Chair of the Committee should give a clear explanation at the General Meeting of the committee's opinion regarding the*

*contents and scope of such qualifications, making a summary of that opinion available to the shareholders at the time of the publication of the notice calling the General Meeting of Shareholders along with the rest of the proposals and reports of the board of director."*

Meanwhile, section 45.5 of the Board of Directors' Regulations reads as follows: "The board of directors shall ensure that the annual accounts are drawn up in accordance with accounting standards, endeavouring for them to be drafted in such a manner that they do not give rise to qualifications on the part of the auditor. However, in the exceptional circumstances where the auditor expresses a qualified opinion and the board of directors considers that it must stick to its position, it shall publicly explain the contents and scope of the discrepancy. The foregoing without prejudice to the information that the Chair of the Audit and Compliance Committee would make available to the shareholders at the General Meeting of Shareholders."

Finally, pursuant to the provisions of section 45.2 of the Board of Directors Regulations, the board shall meet at least once a year with the statutory auditor to receive information on the work done and on the evolution of the accounting and risk situation of the Company.

### **C.1.29 Is the secretary of the Board also a director?**

Yes      No **X**

**If the secretary is not a director, complete the following table:**

<b>Name or company name of the secretary</b>	<b>Representative</b>
Mr Antonio Abril Abadín	-

The Nomination Committee acknowledged in the meeting held on 25 January 2021 the resignation tendered by Mr Antonio Abril Abadín, who stepped down as General Counsel and Secretary of the board and its committees, to be effective at an early date. Likewise, the Nomination Committee gave a favourable report to the appointment of Mr Óscar García Maceiras as new General Counsel and Secretary of the board and its committees and resolved to raise it to the board of directors for consideration at a subsequent meeting.

### **C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.**

Section 45 of the Board of Directors' Regulations reads:

- "1. The relations of the Board of Directors with the external auditor of the Company shall be channeled through the Audit and Compliance Committee.
2. The Board of Directors shall meet at least once a year with the statutory auditor to receive

information on the work done and on the evolution of the accounting and risk situation of the Company.

3. The Audit and Compliance Committee shall refrain from proposing to the Board of Directors, and the latter shall refrain from putting forward to the General Meeting of Shareholders, the appointment as statutory auditor of the Company of an audit firm incurring in incompatibility in accordance with the legislation on statutory audit as well as any audit firm wherein the fees that the Company expects to pay them for all services are in excess of the limits established in the legislation on statutory audit.
4. The Board of Directors shall publicly disclose the whole of the fees paid by the Company to the audit firm for non-audit services. [...]"

The measures to preserve the independence of external auditors are explained below:

- The Audit and Compliance Committee, mostly made up of non-executive independent directors, all of whom have the relevant background with regard to the industry to which Inditex belongs, proposes to the board of directors the appointment of the statutory auditors, so that such motion is submitted to the Annual General Meeting. The Audit and Compliance Committee shall be in charge of the process for the selection of auditors, pursuant to the applicable regulations, as well as of the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment.

With regard to such process for the selection of auditors, above referred, and in accordance with the provisions of CNMV's Technical Guide 3/2017 on audit committees at public-interest entities, the Procedure for the Selection of the Statutory Auditor was approved by the Audit and Compliance Committee on 9 September 2019. For the purposes of ensuring an unbiased, fair, transparent and efficient and non-discriminating process, the selection criteria to be considered are defined in the Procedure, as well as the different proceedings both for the selection and appointment of external auditors, and for their re-election or replacement.

In accordance with the Procedure, the process for the selection of auditor must begin with the issue of tender documents for candidate firms, pursuant to a timeline and to tender documents previously determined. A work team made up of representatives of different areas and departments will be appointed to assist in the process. Such team will be responsible for selecting and inviting candidate firms to tender their proposal to become the statutory auditor of the Inditex Group. Finally, the work team will issue a report evaluating the proposals tendered based upon the predefined criteria.

On the other hand, the criteria for the re-election or replacement of the statutory auditors are also defined in the Procedure, based upon an annual evaluation of the proceedings of the statutory auditor that will take into account, without limitation, their contribution to the quality of the audit and to the integrity of financial and non-financial information.

- The Audit and Compliance Committee is entrusted with the duty of liaising with external auditors in order to receive information on such matters that could jeopardize their independence and on any other matter related to the carrying out of the statutory audit, as well as on those other communications envisaged by auditing legislation and auditing standards. Namely, the Audit and Compliance Committee shall:

- Receive from the auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly.
- Oversee the engagement of the statutory auditor for non-audit services, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services.

For such purposes, the Committee relies on the Procedure to Contract an Auditor for the Provision of Additional Non-audit Services, approved by the then Audit and Control Committee on 18 July 2016, that regulates the process that shall be followed so that the Committee may be apprised of and authorize the agreements executed by the Company and the entities within its Group with external auditors for the provision of non-audit services (in particular, when fees are significant) , as a mechanism to ensure the due independence of the latter. Additionally, such Procedure lists a number of services that under no circumstances may be provided by external auditors.

Additionally, for the purposes of reinforcing the duty to oversee and establish the independence of the statutory auditor, the engagement by Inditex's parent company (i.e., Pontegadea Inversiones, S.L. and/or any other significant shareholder from time to time) of non-audit services from such auditor shall be subject to the prior authorization of Inditex's Audit and Compliance Committee.

- Verify that the Company and the statutory auditor comply with applicable regulations regarding the provision of non-audit services, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the independence of the auditors.

To such end, it will receive from the statutory auditors detailed and itemized information of any non-audit service whatsoever rendered as well as the relevant fees paid in this regard to such auditors, or to any of their related natural or legal persons, in accordance with the provisions of the regulations on statutory audit.

- Ensure that the remuneration of the external auditors for their work does not compromise their quality and independence.
  - Finally, issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the statutory auditor or of the audit firms has been jeopardized. At any rate, such report must contain the assessment of the provision by external auditors of each and every additional non-audit service, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the audit regulations.
- In the event of resignation of the statutory auditor, the Audit and Compliance Committee shall examine the circumstances that may have given rise thereto.



- The Company discloses in its consolidated annual report information on total fees paid to the external auditors for each type of non-audit service.

As regards the mechanisms established to ensure the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct in the Securities Markets, 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 also relies on the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, informed by a set of principles that it must observe upon disclosing information: transparency, accuracy, immediacy and symmetry. Under the policy, the Company is encouraged to keep communication channels which ensure that clear, full, streamlined and simultaneous information is made available to its current and potential shareholders, to assess the performance of the Company and its economic and financial results. Such Policy is available on the [corporate website](#).

Likewise, in accordance with Recommendation 4 GGC, the board of directors approved on 14 December 2020, following a report of the Audit and Compliance Committee, the Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information that seeks to establish a framework for action and define the overarching principles that will govern the disclosure by the Company of Economic-Financial, Non-Financial and Corporate Information via Regulated and non-Regulated Channels.

The Policy is aligned with the provisions of the Company's internal regulations, in particular with the Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.

As the highest supervisory body responsible for overseeing economic-financial, non-financial and corporate information, the board of directors shall ensure the largest circulation and the highest quality of the information provided to the stakeholders and to the markets at large, in accordance with a set of principles, including: transparency, objectivity, accuracy, immediacy and symmetry in disclosure of information.

**C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:**

Yes	No <input checked="" type="checkbox"/>
Outgoing auditor	Incoming auditor
-	-

The board of directors resolved in the meeting held on 14 December 2020, following a report of the Audit and Compliance Committee to submit to the Annual General Meeting the appointment of Ernst & Young, S.L. as statutory auditor to audit the individual annual accounts and directors' report of the Company, and the consolidated annual accounts and directors' report of the Inditex Group

for financial years 2022, 2023 and 2024.

Such motion of the Audit and Compliance Committee was drawn up following an audit tender process led by such committee in accordance with the Procedure to Select the Statutory Auditor for the Group, and CNMV's Technical Guide 3/2017 on audit committees at public-interest entities. The process has been described in section C.1.30 above.

**If there were any disagreements with the outgoing auditor, explain their content:**

Yes      No **X**

Explanation of disagreements

-

**C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:**

Yes **X**      No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	114	21	135
Amount invoiced for non-audit work/Amount for audit work (in %)	21.2%	0.3%	1.7%

**C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion.**

Yes      No **X**

Explanation of the reasons and direct link to the document made available to the shareholders at the time that the general meeting was called in

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relation to this matter

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**C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:**

	Individual	Consolidated
Number of consecutive years	9	9

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	26%	30%

**C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details where applicable:**

Yes ☒ No

#### Details of the procedure

Pursuant to section 19.2 of the Board of Directors' Regulation, the notice calling ordinary meetings shall be given at least 3 days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

In 2020, a new software tool has been implemented through which the documentation deemed to be appropriate to prepare the meetings of the board and its committees, according to the agenda including presentations, is made available to directors. By using such tool, directors are granted permanent access to the documentation. Additionally, other relevant information for the appropriate performance of their duties is added through the tool (including, without limitation, internal conduct and corporate governance policies, updated membership of governing bodies, information about current agreements on remuneration or analysts' reports which may be useful for directors.

This new software tool offers board members new functionalities that enhance and improve the

preparation of the meetings of the board and its committees, as well as the system for directors' participation therein, as it allows the appropriate recognition of directors and the possibility for them to cast their vote in a confidential and secure environment. This is especially relevant in a year where the board and its committees held virtual meetings via video conference or conference calls, in view of the mobility restrictions imposed due to the COVID-19 pandemic.

On the other hand, attendance at board and committees' meetings of officers and supervisors of the different departments and areas of the Company with a recurrent presence is encouraged, to give their insight on certain issues directly associated with the responsibilities of the board and its committees so that directors have a direct understanding of business concerns, and are entitled to directly debrief them on the business transacted at each meeting.

Additionally, any employee or officer can be called to the meetings, even without the presence of any other officer.

Without prejudice to the foregoing, efforts will be made to ensure that presence at committee meetings of anyone other than its members is limited to such cases where it is necessary, and for the transaction of specific items on the agenda for which they were called to attend.

Additionally, section 27 of the Board of Directors' Regulations, recognizes the widest powers for directors to garner information about any topic affecting the Company (and its subsidiaries); examine its books, registers, documents and other records of the company's operations and inspect all its facilities; likewise it provides that the exercise of the powers of information shall be channeled through the Chairman, the Deputy Chairman or (any of the Deputy Chairmen, where appropriate), or through the Secretary of the board of directors, who shall attend to the requests made by any director, and directly provide him/her with the information, facilitate contacts with the appropriate spokespersons at the appropriate level in the organization or establish such measures as to enable them to conduct the desired examinations on-site.

On the other hand, specific questions on the quality of the information made available to directors and on how early in advance it has been received, are included in the evaluation questionnaire of the board. Additionally, the areas subject to improvement identified in the previous year and the assessment of the directors in respect of the improvement thereof, is subject to annual follow-up. This entails that where directors point out quality of information and/ how in advance they receive it as potential areas subject to improvement, progress can be made regarding submission of information required to prepare the meetings of the board of directors and its committees.

Meanwhile, section 28 of the Board of Directors' Regulations addresses the possibility for directors to seek external advice.

**C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:**

Sí ☒ No ☐

## Explain the rules

Pursuant to section 25.2(e) of the Board of Directors' Regulations, as amended in 2020 in line with the revised Recommendations 22 and 24 GGC, directors must submit their resignation from the position to the board of directors and formally tender their resignation, if this latter should consider it advisable, when they are involved in any circumstances affecting them, related or not to their actions within the Company, that may harm the name and reputation of the Company or, otherwise jeopardize its interests. For such purposes, they shall report to the board of directors any criminal cases in which they are accused as well as how the legal proceedings subsequently unfold.

Meanwhile, pursuant to section 39.3 of the Board of Directors' Regulations, directors shall inform the Board of Directors of any circumstance which might compromise the credit and reputation of the Company or jeopardize its interest.

**C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:**

Yes ☒ No

Name of director	Nature of the situation	Remarks
Mr Emilio Saracho Rodríguez de Torres	Criminal charge brought against him	Although the board of directors had already learned that criminal charges had been brought against Mr Saracho, and was closely following-up on the progress of the situation, in accordance with revised recommendation 22 GGC and in view of the directors' fiduciary duties, and for the purposes of protecting corporate interest, this situation was reviewed and assessed by the board of directors in the meeting held on 14 December 2020, following the assessment and report of the Nomination Committee.

**Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.**

**Indicate also whether the Board decision was backed up by a report from the nomination committee.**

Yes ☒ No

Decision / action taken	Reasoned explanation
The board of directors has deemed it appropriate to follow up on how legal proceedings subsequently unfold.	The case has been brought to justice and is currently in an early stage of investigation.

**C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.**

Not applicable.

**C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.**

Number of beneficiaries	23
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Type of beneficiary	Description of agreement
Executive Chairman and CEO	Both executive directors will be entitled to severance pay in an gross amount equivalent to the remuneration of 2 years calculated based upon their fixed remuneration respectively, established for the current year, where the relevant contract is terminated by unilateral decision of the Company, as well as in case of resignation tendered by the Executive Chairman or the CEO under certain premises (including the succession in the company or a change in control in the Company that affects more than 50% of the share capital or of the voting rights, provided that a significant refreshment of the governing bodies of the Company or a change in the contents or purpose of the main activity of the Company takes place at the same time, if such request for termination is made within 6 months of the occurrence of such succession or change. For such purposes, no succession or change in

	control shall be deemed to have taken place in the event of direct or indirect family succession in the ownership of the Company).
Senior managers and officers	Apart from the Executive Chairman and the CEO, golden parachute clauses are written in the contracts executed with 21 senior managers and officers, in the event that their contract, whether ordinary or senior management, is terminated further to withdrawal by Inditex, wrongful or unreasonable dismissal, or resignation based upon certain grounds, pursuant to the terms and conditions of their contracts. In such cases, the senior manager or officer shall be entitled to severance pay in a gross amount equivalent to the remuneration of 2 years, calculated based upon the fixed and variable remuneration determined for the current year

**Indicate whether, beyond the cases established by law, these agreements have to be communicated and/or authorized by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:**

	Board of Directors	General Meeting of Shareholders
Governing body authorizing the clauses	x	

	Yes	No
Are these clauses notified to the General Meeting of Shareholders?	x	

The internal system regarding approval of the terms and conditions of the contracts entered into by the Company or any Group company with senior managers and directors, provided in the Articles of Association, the Board of Directors' Regulations and the specific sets of regulations of each board committee, is not different from the statutory system provided in the Companies Act.

The clauses included in contracts with senior managers are approved by the board of directors, following a favourable report of the Remuneration Committee.

Information about such clauses, which are included in the contracts entered into with the Executive Chairman and the CEO, can be found in the Annual Report on Remuneration of Directors for 2020, which will be put to the advisory say-on-pay vote of the following Annual General Meeting as a separate item on the agenda.

## C.2 Committees of the Board of Directors

### C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

#### EXECUTIVE COMMITTEE

In accordance with the provisions of article 27 of the Articles of Association, an Executive Committee was set up by the Board of Directors on 28 February 1997, which holds in delegation all the powers of the Board, except for those that cannot be delegated by statute or pursuant to the Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the board of directors.

Composition of the Executive Committee as at 31 January 2021:

Name	Position	Directorship type
Mr Pablo Isla Álvarez de Tejera	Chair	Executive
Mr José Arnau Sierra	Deputy chair	Proprietary
Mr Amancio Ortega Gaona	Ordinary member	Proprietary
Mr Carlos Crespo González	Ordinary member	Executive
Ms Pilar López Álvarez	Ordinary member	Independent
Mr José Luis Durán Schulz	Ordinary member	Independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Independent

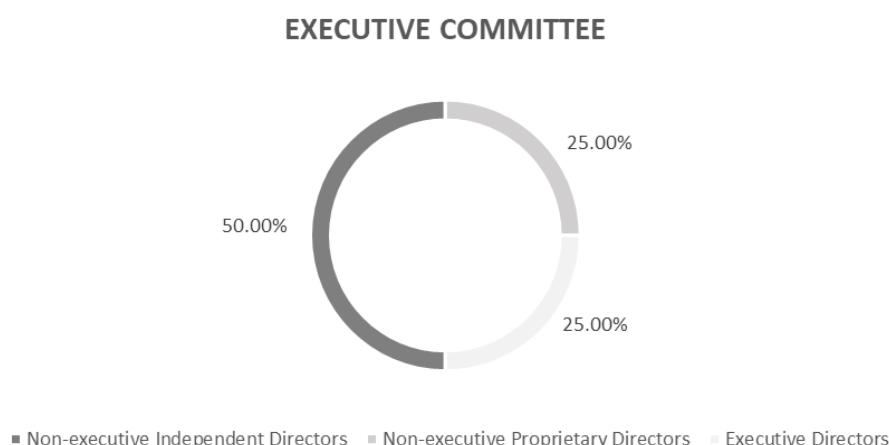
% executive directors	25 %
% proprietary directors	25 %
% independent directors	50 %
% affiliate directors	0 %

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

Considering the foregoing, the structure of the Executive Committee is represented in the image



below:



**Explain the duties delegated or assigned to this committee, other than those that have already been described in Section C.1.9. and describe the rules and procedures for its organization and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.**

**a) Composition**

The board of directors resolved on 14 December 2020, following a favourable report of the Audit and Compliance Committee to amend in part its terms of reference for the purposes, inter alia, of aligning the rules on the composition of the Executive Committee with the new language of Recommendation 37 GGC.

Pursuant to section 14.2 of the Board of Directors' Regulations, the Executive Committee, should it exist, shall be made up of a number of directors being no less than 3 and no greater than 8. At least 2 of the members of the Executive Committee must be non-executive directors and at least one of these latter must be an independent director. The Chairman of the board of directors shall chair the Executive Committee and the Secretary of the Board of Directors shall act as Secretary, who may be assisted by the Deputy-Secretary.

**b) Duties**

The Executive Committee holds in delegation all the powers of the board, except for those that cannot be delegated by statute or pursuant to the Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the board of directors.

Pursuant to article 27 of the Articles of Association, for the permanent delegation of any power of the board of directors to the Executive Committee, it shall be necessary for two-thirds of those making up the board of directors to vote for the motion.

**c) Proceedings**

**The Executive Committee did not hold any meeting in 2020.**

**AUDIT COMMITTEE**

Article 28 of the Articles of Association and section 15 of the Board of Directors' Regulations, as

well as the Audit and Compliance Committee's Regulations set out the regulations governing the Audit and Compliance Committee.

Composition of the Audit and Compliance Committee as at 31 January 2021:

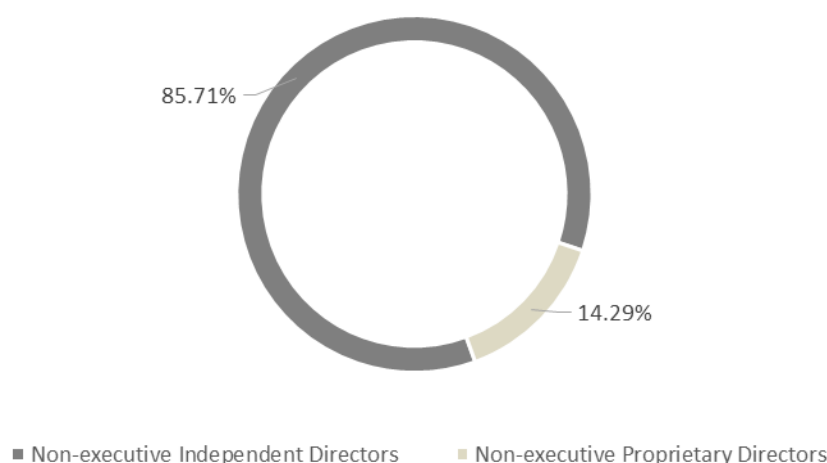
Name	Position	Directorship type
Ms Pilar López Álvarez	Chair	Independent
Bns. Denise Patricia Kingsmill	Ordinary member	Independent
Ms Anne Lange	Ordinary member	Independent
Mr José Arnau Sierra	Ordinary member	Independent
Mr José Luis Durán Schulz	Ordinary member	Independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Independent

% executive directors	0 %
% proprietary directors	14.29 %
% independent directors	85.71 %
% affiliate directors	-

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

Considering the foregoing, the structure of the Audit and Compliance Committee is represented in the image below:

## AUDIT AND COMPLIANCE COMMITTEE



**Explain the duties assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organization and functioning. For each of these duties, briefly describe its most important actions during the year and how it has exercised in practice each of the duties assigned to it by law, in the articles of association or in other corporate resolutions.**

### a) Composition:

Pursuant to section 14 of the Audit and Compliance Committee's Regulations and article 28 of the Articles of Association, the Audit and Compliance Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the board of directors, a majority of whom must necessarily be independent directors. All members of the committee and in particular its Chair shall be appointed taking into account their knowledge and experience on accounting, audit, internal control or risks management matters, both financial and non-financial, as well as industry-specific knowledge. Additionally, at least one of them shall be appointed taking into account their knowledge, skills and experience in the matter of information technology.

The Audit and Compliance Committee must be chaired by an independent director, who shall be elected by the board of directors for a maximum 4-year term, upon expiry of which he/she shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her removal. The board of directors shall appoint a Secretary of the Audit and Compliance Committee, who needs not be a member of said body.

The board of directors shall encourage diversity of committee membership in terms of professional experience, competencies, personal skills, sector-specific knowledge, international experience or geographic origin, age and gender, taking into account the restrictions that are a result of the smaller size of the committee.

### b) Duties

The mission and powers of the Audit and Compliance Committee are addressed in article 28 of the Articles of Association, section 15 of the Board of Directors' Regulations and sections 5 to 13 of

the Audit and Compliance Committee's Regulations.

In addition to the powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code, the Audit and Compliance Committee shall be expressly entrusted with the following duties:

- Powers relating to Corporate Governance: (i) to review and evaluate the appropriateness of the corporate governance system and to propose to the Board of Directors the amendments and updates of the Company's corporate governance regulations; (ii) to oversee the degree of compliance by the Company with generally recognized recommendations on good governance and in particular, with the GGC; (iii) to oversee compliance with the Internal Regulations of Conduct in the Securities Markets, and, in general, with the corporate governance regulations of the Company; (iv) to be regularly apprised of issues relating to management of treasury stock; and (v) to prepare and table to the board of directors for approval, the Annual Corporate Governance Report.
- Powers relating to Compliance: (i) to issue reports on the policies and procedures of the Company on topics within its remit; (ii) to oversee compliance with the applicable regulations and the effectiveness of the internal policies and procedures of the Company; (iii) to review the recommendations and best practices on Compliance and corporate governance, both domestic and/or international, and to encourage compliance with the most demanding standard; (iv) to oversee compliance with the Annual Compliance Plan and with the Model of Criminal Risk Prevention of the Group; (v) to ensure that the Compliance Function relies on the necessary resources for the appropriate discharge of its duties; and (vi) to receive information, at least every 6 months, on the degree of compliance with the Codes of Conduct and the proceedings of the Ethics Line and the reports received through the relevant channel of any potential breach of the Codes of Conduct of the Group, of any other internal regulation of the Group and of any potentially relevant irregularities, including of a financial and/or accounting nature, or otherwise relating to the Company.
- Powers relating to tax issues: (i) to receive from the head of tax issues of the Company prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company during the financial year, and on the degree of compliance with the Code on Good Tax Practices; and (ii) to apprise the board of directors of the tax policies applied and, in the case of transactions or matters which must be referred to the board of directors for approval, of the tax consequences thereof, when they represent a relevant factor.

In this regard, the Audit and Compliance Committee's Regulations were amended in 2020 to align its provisions with the revised text of the GGC approved by CNMV's board on 25 June 2020. The scope of such amendment covers certain powers of the committee:

- Powers relating to the process of preparing the regulated financial and nonfinancial information: (i) it has been made clear that the powers of the Audit and Compliance Committee relating to the process of preparing financial and nonfinancial information cover both oversight and evaluation of such processes

in accordance with Recommendation 42 GGC; and, (ii) the Audit and Compliance Committee and the Sustainability Committee have been jointly tasked with overseeing the process of preparing non-financial information, each of them within their respective purview.

- Powers relating to statutory audit: the committee shall ensure, that the financial statements that the board of directors presents to the General Meeting are stated in accordance with accounting standards.

In this regard, in accordance with Recommendation 8 GGC, the statutory auditor is no longer required to appear at the general meeting of shareholders in the exceptional circumstances where the auditor's report on the annual accounts is issued with a qualified opinion or with reservations, the Chair of the Audit and Compliance Committee being responsible for reporting such circumstance, where applicable, to the General Meeting of Shareholders.

Furthermore, a new obligation has been added: that of making available to shareholders at the time of the publication of the notice calling the Annual General Meeting, a report issued by the Audit and Compliance Committee in those cases where the statutory auditor includes a qualification in the auditor's report, explaining the committee's opinion about the scope and content of such qualification.

- Powers relating to the Internal Audit Function: the obligations to report to the committee on the execution of the Audit Plan and the outcome of the recommendations issued by the Internal Audit Function have been reinforced.
- Powers relating to enterprise risk management: (i) it has been made clear that the committee shall be responsible not only for overseeing but also evaluating the effectiveness of the risks management systems both financial and non-financial, including tax, operational, technological, legal, social, environmental, reputational risks and those related to corruption: and (ii) a new power has been assigned to the Audit and Compliance Committee relating to Enterprise Risk Management: that of ensuring, in general, that the internal control policies and systems established are effectively applied in practice, in accordance with recommendation 42 GGC.
- Other powers of the Audit and Compliance Committee: (i) it has been entrusted with the power to ensure that the Policy regarding Disclosure of Economic-Financial, Non-Financial and Corporate Information is effectively applied in practice, in coordination with the Sustainability Committee, where applicable, as regards issues which fall under their respective purview pursuant to Recommendations 4 and 54 GGC: and (ii) it has been made clear with regard to the powers of the committee relating to overseeing and evaluating the interaction with the different stakeholders that since the Sustainability Committee is also entrusted with the same duties in the area that falls under its purview, both committees should act in coordination, where applicable, to effectively carry out such powers.

### c) Organizational and operational rules

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the board of directors must approve and include within its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the board of directors or the Chairman thereof would request a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

Likewise, the Chair may arrange other communication channels, working meetings to prepare committee meetings on specific topics apart from the formal meetings of the committee.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair. A quorum for committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The committee may also pass resolutions in writing, without holding a meeting, pursuant to the provisions of statute.

Committee meetings may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. In addition, the committee may rely on external advisors to properly carry out its duties.

### d) Main proceedings of the Audit and Compliance Committee carried out in 2020

The main proceedings of the Audit and Compliance Committee in the year in furtherance of the responsibilities it has been entrusted with pursuant to article 28 of the Articles of Association and implemented in sections 5 to 13 of the Audit and Compliance Committee's Regulations, are addressed below:

#### 1. Proceedings relating to the supervision of the process to draw up and release the periodic financial information, annual accounts, auditor's report and Statement on Non-Financial Information.

##### - Preparation of financial and non-financial information

The Audit and Compliance Committee reviews Inditex's economic and financial information before it is approved by the board of directors.

To do so, prior to the stating of the quarterly, half-yearly or annual financial statements, the Audit and Compliance Committee also meets with the Company's Management to review, among other things, the enforcement of the accounting principles and the estimates made upon stating the financial statements.

Additionally, the committee, which is entirely made up of non-executive directors, meets with the external auditor for the purposes of reviewing the Company's annual accounts and certain periodic financial information, ensuring compliance with statutory requirements and the appropriate use of

generally accepted accounting principles upon stating the annual accounts.

The Audit and Compliance Committee reviewed on 16 March 2020 the annual accounts and the directors' report, both consolidated and individual, as well as the auditor's report for FY2019. The Committee verified that an unqualified auditor's report was issued.

In view of the extraordinary uncertain situation due to the global COVID-19 pandemic, the committee considered that it was not the right moment to take a decision on the dividend to be proposed relating to FY2019. Thus, the committee resolved to issue a favourable report and propose to the board of directors to allocate all net income generated to reserves with a view to submitting a final proposal on dividends at a later board meeting prior to the Annual General Meeting scheduled in July. Such motion was approved by the board of directors on 17 March 2020.

In its subsequent meeting held on 8 June 2020, the committee resolved to give a favourable report to the proposal on the declaration of a dividend in the gross amount of €0.35 per share charged against unrestricted reserves and on the deferral of payment of the extraordinary dividend for FY2020 and FY2021 to FY2021 and FY2022, respectively.

Such motion was approved by the board of directors and submitted to the Annual General Meeting which approved it on 14 July 2020.

Consequently, the Group resumed its policy on dividends, which consists of a 60% ordinary payout and the distribution of bonus dividends.

Likewise, the Audit and Compliance Committee reviewed the quarterly results for 2020 and the relevant Results Releases and Press Releases in the meetings held on 8 June (1Q), 14 September (1H) and 14 December 2020 (3Q). Such results – and the respective Results Releases and Press Releases – were provided by the board of directors to the market and its supervisory bodies on a quarterly basis pursuant to the Periodic Public Information (PPI) format.

- Statement on Non-financial Information

The committee gave a favourable report to the Statement on Non-financial Information (SNFI) of the Inditex Group for 2019 in the meeting held on 16 March 2020. In accordance with the provisions of Act 11/2018, the SNFI covers the description of the Group's business model and the main priorities of its strategy, such as: (i) the sustainability strategy of the Group, updated in the Annual General Meeting held on 16 July 2019, which defines Inditex's integrated and sustainable business model, including aspects relating to Human Rights and traceability within the supply chain, and environmental issues; as well as aspects relating to (ii) staff, diversity and other social issues; (iii) customer service; (iv) community investment; (v) anti-bribery and anti-corruption measures implemented; (vi) tax information, and (vii) the analysis and description of the policies relating to each such issues approved, and of the due diligence processes carried out to identify and assess the risks thereof.

The SNFI was prepared in accordance with the provisions of the prevailing commercial regulations, following the criteria laid down in Global Reporting Initiative (GRI) standards, in particular in GRI 101: Foundation 2016, selected pursuant to the table of required contents provided in Act 11/2019.

It was subject to an independent review by an external facilitator and the Audit and Compliance

Committee verified that it was unqualified. The SNFI was an integral part of the Annual Report for 2019.

- Report on the Internal Control System over Financial Reporting (ICFR)

The committee oversaw the effectiveness of the Internal Control System over Financial Reporting (ICFR). This is accounted for in section F of the 2019 Annual Corporate Governance Report approved on 16 March 2020. The Company's ICFR has been verified by the statutory auditor, who issued an unqualified report.

The committee acknowledged in the meeting held on 11 December 2020 the Report on the Internal Control System over Financial Reporting of the Inditex Group.

Such Report covers, inter alia, the key elements upon which the system is built up, its organizational model and structure, the 2020 scoping matrix, the most relevant issues identified during the oversight process and the scope of the matrix defined for 2021.

- Report on the Internal Control System over Non-Financial Reporting (ICNFR)

The committee acknowledged in the meeting held on 11 December 2020 the Report on the Internal Control System over Non-Financial Reporting of the Inditex Group (ICNFR).

The ICNFR arises from the need to conform to the new regulatory environment that affects the Group and to improve the internal control system over non-financial information reported in the SNFI and assure the reliability of the information reported. In the design of the Group's ICNFR, the same methodology as the one used for ICFR has been followed, leveraging existing resources, being also based on the 3 lines of defense model.

The Report on ICNFR covers, inter alia, the scope and targets of the system, its structure and the key elements upon which it is built, as well as the scoping matrix for 2020 and the progress on the first pilot test on ICNFR monitoring.

## **2. Proceedings relating to statutory audit**

- Overseeing the process to select and appoint the external auditor

An audit tender process was carried out in 2020 to select the new statutory auditor. Pursuant to applicable audit laws, audit firm that will perform the mandatory audit of a public interest entity will not be able to provide to the audited entity, its parent company or controlled entities prohibited non-audit services during the year before the period running from the beginning of the audited period and the issue of the auditor's report, i.e., between 1 February 2021 and 31 January 2022.

Taking into account that all audit firms invited to tender provided at the time non-audit services, in order to ease the independence process of the incoming statutory auditor, it was necessary to anticipate the tender process during the year prior to the start of audit activities (cooling off period).

The audit tender process seeks to comply with regulatory requirements regarding mandatory rotation periods of the audit firm. The tender has been carried out by means of a formal, orderly and regulated procedure to ensure that the competition is unbiased, fair, efficient, transparent and non-discriminatory.



The Audit and Compliance Committee, which is responsible for the process to select the statutory auditor, has been regularly apprised throughout 2020 of the progress of such process:

- The timeline of the audit tender and its main guidelines were approved in the meeting held on 8 June 2020.
- The Request for Proposal (RFP) was approved in the meeting held on 14 September 2020, drawn up in accordance with the provisions of applicable regulations on statutory audit and with Recommendation 60 of Technical Guide 3/2017, according to which audit committees should specify a selection procedure which should state the criteria and parameters to be assessed as among a sufficient number of auditors and audit firms invited to take part.
- Last, in the meeting held on 11 December 2020, the committee resolved to raise to the board of directors the motion on the appointment of E&Y, S.L. as the new statutory auditor of the company and its Group for FY2022, FY2023 and FY2024.
- Overseeing the effectiveness of the statutory audit and fulfilment of the audit engagement

The audit conducted in 2019 was reviewed by the Audit and Compliance Committee in the meeting held on 16 March 2020, which was attended by the external auditor via conference call upon special invitation of the committee.

The external auditor audited the consolidated financial statements of the Group as at 31 January 2020 as well as the individual financial statements of certain Group companies, also as at 31 January 2020. They issued an unqualified report.

External auditors have also reviewed the consolidated financial statements for 1Q2020 and 3Q2020, which was accounted for in the meetings held on 8 June and 14 December, respectively. They also attended by remote means the meeting held by the Audit and Compliance Committee on 14 September 2020 to account for the limited review of interim condensed consolidated financial statements of Industria de Diseño Textil, S.A. and Subsidiaries for the six-month period ended 31 July 2020.

External auditors were also in attendance by remote means in the virtual meeting held on 14 December 2020 upon special invitation of the Committee, to address the 2021 audit plan

- Verifying the independence of Statutory Auditor

Pursuant to the provisions of the Procedure to Contract an Auditor for the Provision of Non-audit Services approved by the Committee on 18 July 2016, the Audit and Compliance Committee evaluated and approved in all the meetings held in 2020 where the issue was addressed, the engagement by the Company and Group companies of non-audit services from external auditors.

On 16 March 2020, the committee approved the report on the independence of the external auditor, which also addressed the issue of the provision of non-audit services.

Pursuant to Recommendation 6 GGC, such report was made available to the shareholders on the corporate website at the time the Annual General Meeting was called.

In the meeting held on 16 March 2020, having established that independence requirements are

met, and having assessed the degree of fulfilment of the audit engagement, the audit findings, and the terms of the contracts entered into with auditors to perform non-audit services other than those covered in the audit engagement, the Audit and Compliance Committee gave a favourable report to the re-election of statutory auditors, to be approved by the board of directors and subsequently submitted to the Annual General Meeting.

### 3. Proceedings relating to Internal Audit

The Chief Audit Officer attended all the meetings of the Audit and Compliance Committee held in 2020 and took an active part therein.

A number of issues that fall under the purview of the committee were addressed in such meetings and it oversaw the work plan of the Internal Audit Department (progress report of the projects and review of the follow-up on the most critical recommendations, both of operational, financial, compliance and systems audits currently in progress), and approved its budget and its activities report.

- In the meeting held on 16 March 2020: (i) it acknowledged the Annual Activities Report of internal Audit for 2019; (ii) it approved the Internal Audit Plan and the budget for 2020, in accordance with Recommendation 42 GGC; and (iii) it gave a favourable report to the external audit fees for 2019, the external audit budget for 2020 and the fees for non-audit services provided to the company and its Group. .
- In the meeting held on 8 June 2020: (i) it acknowledged the work done by Internal Audit in 1Q2020 and (ii) it resolved to update the Internal Audit Plan and budget for 2020 as a result of the extraordinary environment created by the COVID-19 pandemic.
- In the meeting held on 14 September: (i) it acknowledged the work done by Internal Audit in 2Q2020; and (ii) it resolved to update again the Internal Audit Plan for 2020 in line with the new environment resulting from the evolution of the global COVID-19 pandemic.
- Last, in the meeting held on 11 December, it acknowledged the work done by Internal Audit in 3Q2020.

### 4. Proceedings relating to *Compliance*

- Supervision of the Model of Criminal Risk Prevention: review of the reports issued by the Committee of Ethics

The Committee reviewed and approved the Annual Report of the Committee of Ethics for 2019 in the meeting held on 16 March 2020, and the Half-yearly Report of the Committee of Ethics for 2020 first half, in the meeting held on 14 September 2020. Likewise in the meeting held on 16 March 2020 it acknowledged the Report on the Model of Criminal Risk Prevention for 2019 and in the meeting held on 14 September 2020 the half-yearly Report on the Model of Criminal Risk Prevention.

The committee also acknowledged the main proceedings carried out by the Committee of Ethics as regards the Ethics Line in the meetings held on 16 March, 8 June, 14 September and 11 December 2020.

Such reports review the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, with a description of the cases seen by the Committee of Ethics, the proceedings carried out and the resolutions issued; the outcome of the supervision of the Model of Criminal Risk and proceedings to implement the *Corporate Compliance* System at domestic and international level (circulation and communication of the Corporate Compliance System, proceedings regarding the acceptance of the Code of Conduct and Responsible Practices and training on *Corporate Compliance*).

- Supervision of the *Compliance* Function

In the meeting held on 16 March 2020, the committee approved the strategic action lines of the Compliance Function and its budget for 2020.

Likewise, in the meetings held on 16 March and 14 September 2020, it acknowledged the 2019 Annual Compliance Report and the half-yearly Compliance Report for 2020 first half, respectively.

The committee further acknowledged the main proceedings of the Compliance Function in the meetings held on 16 March, 8 June, 14 September and 11 December 2020.

- Corporate policies.

In order to align the company's internal regulations with certain regulatory developments, international standards and best practices on corporate governance and *corporate Compliance*, in particular, with the revised GGC approved by CNMV's board on 25 June 2020 and to implement certain aspects of the internal regulations, in 2020 the Audit and Compliance Committee gave a favourable report to the approval or amendment of the following corporate policies:

- In the meeting held on 16 March 2020, the approval of the Financial Risk Management Policy, approved by the board of directors on 17 March 2020.
- In the meeting held on 11 December 2020:
  - approval of the Policy on Disclosure of Economic-Financial, Non-financial and Corporate Information.
  - The partial review of: (a) the Diversity of Board of Directors Membership and Director Selection Policy; (b) the Diversity and Inclusion Policy; (c) the Enterprise Risk Management Policy; (d) the Financial Investment Policy; and, (d) the Sustainability Policy (formerly, the Environmental Sustainability Policy and the Corporate Social Responsibility Policy).

All such policies were approved by the board of directors on 14 December 2020.

## **5. Proceedings in the field of oversight and evaluation of the Enterprise Risk Management Function**

The Audit and Compliance Committee is responsible for verifying the level of risk tolerance and its limits, at least by means of an annual review and the reception of periodic reports on the degree of compliance with the Enterprise Risk Management Policy, to be raised to the board. Its main proceedings in the field in the year were:

- Risks Map

In the meeting held on 11 December 2020 the Head of the ERM Department apprised the committee of the main risks affecting business development and the control measures established to manage and monitor such risks. The committee gave a favourable report to the update of the 2020 Risks Map.

- Evaluation of other risks

Pursuant to sections 5.3(i) of the Audit and Compliance Committee's Regulations, and the provisions of the Enterprise Risk Management Policy, the evaluation of any question regarding "financial and non-financial risks (*including operational, technological, legal, social, environmental, political and reputational risks or those related to corruption*)" is part of the Committee's duty to oversee the effectiveness of risk control systems.

Likewise, pursuant to section 9(h) of the above referred set of rules, the Audit and Compliance Committee may "*meet with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.*"

In view of the extraordinary situation resulting from the global COVID-19 pandemic, in 2020 dialogue, coordination and interaction between directors, senior managers and the heads of all business units has been reinforced to ensure an appropriate monitoring and information flow, in particular with regard to the Group's critical areas or areas exposed to higher risks.

Considering the foregoing, the Committee has encouraged attendance of company's officers and supervisors at its meetings, to keep abreast of the operation of the risk management systems established and the findings reached.

In particular, with regard to:

- Report on Tax Policies

Pursuant to the Company's Tax Policy, the committee acknowledged in the meeting held on 16 March 2020 the tax policies followed in 2019.

- Coronavirus – COVID-19 Contingency Plan

The Audit and Compliance Committee acknowledged the Coronavirus – COVID-19 Contingency Plan in the meeting held on 16 March 2020. Such Plan covered preventive, organizational and measures relating to healthcare coordination for the purposes of ensuring the health and well-being of employees, customers, and of every direct or indirect service provider or supplier of goods, to prevent the risk of COVID-19 infection and transmission.

- Information Security

In the meetings held on 16 March 2020, the committee acknowledged (i) the main events of interest noted by the Information Security Committee in the second half of 2019; (ii) the most relevant projects and initiatives of the period; and, (iii) the 2020 Plan.

Likewise, in the meeting held on 14 September 2020, the committee (i) acknowledged the main events of interest noted by the Information Security Committee in the first half of 2020 and the most relevant initiatives put in place in the period; and, (ii) approved the budget for 2020.

- Report of the Data Protection Officer

In the meeting held on 14 September 2020, the committee acknowledged the report of the DPO, which identified: (i) the most relevant initiatives carried out between the second half of 2019 and the first half of 2020; (ii) the action taken to manage the global health crisis caused by COVID-19 with regard to data privacy; and, (iii) the strategy and main action lines for the period running between the second half of 2020 and the first half of 2021.

- Report on IP litigation

In the meeting held on 16 March 2020, the committee acknowledged the report submitted by the head of the IP Department covering, without limitation, the progress of the cases relating to the management of Inditex Group's IP assets and the status of the main litigation cases in the field of Industrial Property.

- The corporate strategy

As a general rule, the board of directors delegates the management of the day-to-day business and the conduct of its strategy to the management team, focusing on carrying out its general oversight duty and exercising its non-delegable powers, pursuant to statute, the Articles of Association and its own set of rules.

Within the scope of its powers relating to enterprise risk management, both financial and non-financial, the Audit and Compliance Committee will be regularly updated by the Management and the heads of business units who will attend its meetings for the purposes of reporting to the committee on trends of business and risks associated with the respective areas under their remit

In this regard, in view of the exceptional situation resulting from the global COVID-19 pandemic, the committee resolved in the meeting held on 8 June 2020 to acknowledge the update of the Business Plan for the purposes of aligning it with the new environment resulting from the new environment.

## **6. Proceedings relating to Corporate Governance**

The most relevant proceedings of the committee in 2020 regarding observance of statutory and good governance requirements have been:

- Annual Corporate Governance Report (ACGR)

The Audit and Compliance Committee approved on 16 March 2020 the 2019 Annual Corporate Governance Report (ACGR), filed for the first time in free format, in accordance with CNMV's Circular 5/2013, accompanied by the relevant Statistical Appendix laid down in such Circular. The committee submitted the ACGR to the board of directors which approved it on 17 March 2020, and subsequently sent it to the CNMV as other relevant information. The ACGR is available on CNMV website.

- Review of the reports of the Compliance Supervisory Board and the Office of the Chief

### Compliance Officer

The Audit and Compliance Committee reviewed in the meetings held on 16 March and 14 September 2020 the half-yearly reports prepared by the Office of the Chief Compliance Officer and the Compliance Supervisory Board on (i) the enforcement of the Internal Regulations of Conduct, and (ii) the measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

#### - Amendment to internal regulations

In the meeting held on 8 June 2020, the committee gave a favourable report to:

- The motion to amend in part the Articles of Association and the General Meeting of Shareholders' Regulations. Such partial amendment to both sets of rules mainly seeks to allow remote attendance and participation of shareholders and proxy holders at the General Meeting of Shareholders, empowering the board of directors so that, taking into account the circumstances existing from time to time, it would allow shareholders to remotely attend the General Meeting, in a manner that guarantees the identity of the shareholders or their proxy holders, pursuant to sections 182 and 521 LSC.

The Annual General Meeting held on 14 July 2020 approved the amendment to both sets of internal regulations.

- The motion to amend in part the Audit and Compliance Committee's Regulations that seeks to add as part of the powers of such committee, the possibility in certain cases, whenever the Committee so determines, of exercising duties inherent in audit committees with regard to such Group companies which are deemed to be Public-Interest Entities, in accordance with the requirements of applicable laws and regulations on statutory audit. The board of directors approved such amendment in the meeting held on 9 June 2020.

Likewise, in the meeting held on 14 September 2020, the committee gave a favourable report to the partial amendment to the Internal Regulations of Conduct in the Securities Markets. The board of directors approved such amendments in the meeting held on 15 September 2020.

Last, in the meeting held on 11 December 2020, the committee gave a favourable report to the motion to amend in part the Board of Directors' Regulations and the Audit and Compliance Committee's Regulations, to align their wording to the new language of the revised GGC approved by CNMV's board on 25 June 2020, as well as to the changes to the standard form of the annual corporate governance report and the standard form of the annual report on remuneration of directors of public listed companies, introduced by CNMV's Circular 1/2020 of 6 October, to align them with the new language of GGC.

#### - Evaluation of the appropriateness of the corporate governance system

In the meeting held on 11 December 2020 the Audit and Compliance Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interest taking into account the lawful interests of the different stakeholders.

#### - Related-party transactions

In the meeting held on 16 March 2020, the Audit and Compliance Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout 2019.

Pursuant to Recommendation 6 GGC, such report was made available to the shareholders on the corporate website at the time the notice calling the Annual General Meeting was posted.

- Report on treasury stock

The Committee acknowledged in the meeting held on 16 March 2020 the report on treasury shares, issued by the Capital Markets Director pursuant to the provisions of the document headed "Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares" dated 18 July 2013.

- Report on its proceedings

The Audit and Compliance Committee issued the annual report on its proceedings on 8 June 2020. It was published in the 2019 Annual Report and is available on [www.inditex.com](http://www.inditex.com)

## 7. Other actions

- Assumption by Inditex's Audit and Compliance Committee of functions of audit committee at Zara España, S.A.

In the meeting held on 8 June 2020, the committee gave a favourable report to the assumption by the Audit and Compliance Committee of duties inherent in the audit committee of Zara España, S.A., in accordance with the provisions of section 3.(d) of Third Additional Provision of Act 22/2015 of 20 July on Statutory Audit.

In that same meeting, the Audit and Compliance Committee, exercising the duties inherent in the audit committee thus assumed in respect of Zara España, S.A., authorized the provision by the external auditor of non-audit services to Zara España, S.A.

**Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.**

<b>Names of directors with experience</b>	Ms Pilar López Álvarez; Bns. Denise Patricia Kingsmill; Ms Anne Lange; Mr José Arnau Sierra; Mr José Luis Durán Schulz; Mr Rodrigo Echenique Gordillo and Mr Emilio Saracho Rodríguez de Torres
<b>Date of appointment of the chairperson</b>	14/07/2020

The board of directors resolved in the meeting held on 14 July 2020, following a favourable report of the Nomination Committee, to appoint Ms Pilar López Álvarez as new chair of the Audit and Compliance Committee for a 4-year term.

## NOMINATION COMMITTEE

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations and the Nomination Committee's Regulations set out the regulations governing the Nomination Committee.

Composition of the Nomination Committee as at 31 January 2021:

Name	Position	Directorship type
Mr Emilio Saracho Rodríguez de Torres	Chair	Independent
Ms Anne Lange	Ordinary Member	Independent
Ms Pilar López Álvarez	Ordinary Member	Independent
D. José Arnau Sierra	Vocal	Proprietary
D. Rodrigo Echenique Gordillo	Vocal	Independente

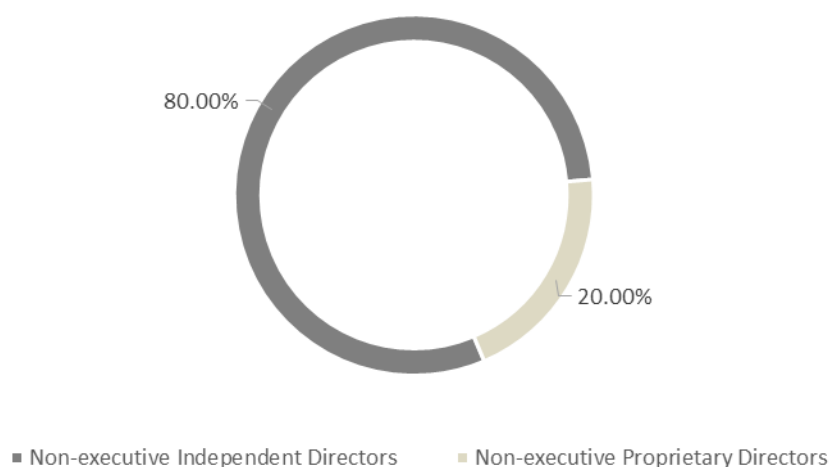
% executive directors	0 %
% proprietary directors	20.00%
% independent directors	80.00%
% affiliate directors	0 %

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

Considering the foregoing, the structure of the Nomination Committee is represented in the image below:



## NOMINATION COMMITTEE



**Explain the duties assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organization and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.**

### a) Composition

Pursuant to the provisions of article 29 of the Articles of Association, the Nomination Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the board of directors, a majority of whom must necessarily be independent, who shall be elected considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Nomination Committee shall be appointed by the board of directors out of the independent members of the committee.

Pursuant to section 10 of the Nomination Committee's Regulations, the board of directors shall ensure that committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience to discharge the duties they are called upon to perform, including on corporate governance issues, analysis and strategic assessment of human resources, selection of directors and officers and the assessment of the suitability requirements legally provided for the discharge of senior management functions.

Likewise, the board of directors shall encourage diversity of committee membership in terms of professional experience, qualifications, personal skills, sector-specific knowledge, international experience or geographic origin, age and gender, taking into account the restrictions that are a result of the smaller size of the committee.

### b) Duties

The mission and powers of the Nomination Committee are provided in article 29.3 of the Articles of Association, section 16 of the Board of Directors' Regulations, and sections 5 to 9 of the Nomination Committee's Regulations.

In addition to such powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code, the Nomination Committee is entrusted with the following duties:

- With regard to the annual evaluation programme: (i) to establish and oversee an annual programme for evaluating the performance of the Executive Chairman, the CEO and board committees; (ii) to report on an annual basis to the board of directors on the performance of the Executive Chairman, the CEO and any other executive director; (iii) to propose an action plan or recommendation to amend potential weaknesses detected or to improve the operation of the board and its committees; and (iv) to assess the convenience of discussing with the directors the findings of their individual evaluations and, if appropriate, the measures to be adopted to improve their performance.

Additionally, the Committee may gather information about the evaluation of senior managers.

- With regard to succession plans, the committee is expressly entrusted with the power to be regularly apprised of the succession and career plans of senior managers.
- Designing and periodically organizing the induction and refresher programmes for directors.

The terms of reference of the Nomination Committee were amended in 2020 for the purposes of aligning them with the language of the revised GGC approved by CNMV's board on 25 June 2020. As a result of the update, certain powers of the committee have been affected:

- With regard to director selection:
  - o The Director Selection Policy is amended and renamed Diversity of Board of Directors Membership and Director Selection Policy. Such Policy seeks to ensure an appropriate composition of the board of directors, encouraging diversity of membership, and in particular gender diversity. The company's commitment to gender diversity within senior management is written down in the Policy, supporting the existence of a significant number of female senior managers, in line with Recommendation 14 GGC.
  - o Upon filling new vacancies or upon appointing new directors, selection procedures shall mainly follow the merit-base approach.
  - o As part of the powers of the Nomination Committee, and in accordance with Recommendation 15 GGC, it shall make efforts to ensure that by the end of 2022 female directors would account for at least 40% of all board seats and not less than 30% prior to that date.
  - o With regard to the composition of board committees, the committee shall seek a diverse membership in all board committees, in terms of professional experience, competencies, personal skills, sector-specific knowledge, international experience or geographic origin, age and in particular, gender, taking into account the restrictions resulting from their smaller size
- With regard to directors' removal and dismissal

In accordance with Recommendation 22 GGC, the Nomination Committee has been entrusted with the duty of reporting to the board of directors on whether or not measures should be taken with regard to any board member if they are found in any circumstances affecting them which may harm the name and reputation of the Company; in particular, of any criminal charges brought against them.

### **c) Organizational and operational rules**

The Nomination Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair shall call a committee meeting each time the Board of Directors or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, whenever this is suitable for the successful performance of its functions.

Likewise, the Chair may arrange working meetings to prepare committee meetings on specific topics apart from the formal meetings of the Committee.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorized by the signature of the Chair. A quorum for committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Committee meetings may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. In addition, the committee may rely on external advisors to properly carry out its duties.

### **d) Main proceedings of the Nomination Committee in 2020:**

In 2020, the main proceedings of the Nomination Committee have revolved around the following areas:

- Proceedings relating to appointment and removal of directors

In the meeting held on 8 June 2020, the Nomination Committee resolved to give a favourable report to the motion on the re-election of Pontegadea Inversiones, S.L. as non-executive proprietary director, represented by Ms Flora Pérez Marcote as its legal representative, and to propose the re-election of Bns. Denise Patricia Kingsmill to the board, and the ratification of the appointment of Ms Anne Lange, both of the them as non-executive independent directors.

The Committee had previously approved an explanatory report on the analysis of prior needs of the Board, for the purposes of re-election and ratification of directors.

The motions and reports above referred were subsequently submitted by the board of directors to the Annual General Meeting and were approved by the latter on 14 July 2020.

The relevant reports issued by the Nomination Committee were made available to the shareholders on the [corporate website](#) at the time the notice calling the Annual General Meeting

was posted.

In the meeting held on 14 July 2020, the committee acknowledged the removal of Mr José Luis Durán Schulz as chair of the Audit and Compliance Committee upon expiry of his term of office, and gave a favourable report to the appointment of Ms Pilar López Álvarez as new chair of the Audit and Compliance Committee. It also acknowledged the resignation tendered by Mr Santiago Martínez-Lage, who stepped down as Deputy Secretary of the board of directors, and gave a favourable report to the appointment of Mr Javier Monteoliva Díaz as new Deputy Secretary of the board of directors.

Such motions were approved by the board of directors on 14 July 2020.

The committee acknowledged in the meeting held on 25 January 2021 the resignation tendered by Mr Antonio Abril Abadín, who stepped down as General Counsel and Secretary of the board and its committees, and resolved to give a favourable report to the appointment of Mr Óscar García Maceiras as new General Counsel and Secretary of the board and its committees and raise it to the board of directors.

Last, pursuant to Recommendation 22 GGC, the committee resolved in the meeting held on 11 December 2020 to raise to the board of directors the findings of its assessment on the criminal charges brought against Mr Emilio Saracho Rodríguez de Torres, non-executive independent director.

- Proceedings relating to the process to evaluate the performance of the board of directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the board.

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations and, in line with the Recommendations of GGC and Recommendation 7 of Technical Guide 1/2019, the Nomination Committee submitted to the board of directors on 14 September 2020 the supervision of the "Programme for the Evaluation of the Board of Directors, the Directors, the Committees and the Executive Chairman".

Such programme covers the preparation and supervision of the annual evaluation of the performance of the board, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board. The evaluation process has been updated in 2020, as described in section C.1.17 above.

Likewise, pursuant to Inditex' internal regulations and best practices in the field of corporate governance, the Nomination Committee approved on 14 December 2020 the annual evaluation of the performance of the Board of Directors, the Executive Chairman, the CEO, the Secretary of the Board, the Lead Independent Director, the directors and board committees. Such report was subsequently approved by the board in the meeting held on 14 December 2020.

The findings of the evaluation carried out in 2020 show that in general, directors are satisfied with regard to the areas evaluated. In particular, they underlined the diverse board membership, as they consider appropriate the balance of skills and experience on the board, the increase in the number of meetings held by the board, as well as the conference calls regularly made for the purposes of apprising it of the impacts and measures taken to address the crisis arising from the global pandemic caused by COVID-19.

On the other hand, directors underscored the planning, arrangement and proceedings of the meetings of the board of directors and its committees, as well as the input and performance of directors, the Executive Chairman, the Lead Independent Director and the Secretary of the board.

Likewise, the different measures implemented by the company during the global health crisis caused by COVID-19 have been highly appreciated, showcasing Inditex's corporate culture firmly rooted on strong ethical values.

Last, the meeting separately held by non-executive directors for the second straight year on 2 March 2020 under the helm of the Lead Independent Director, has been considered again as very useful.

- Schedule of dates and agenda of business to be transacted:

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Nomination Committee approved in the meeting held on 11 December 2020 the schedule of dates and agenda of business to be transacted by the committee in 2021.

- Report on its proceedings

The Nomination Committee issued the annual report on its proceedings on 8 June 2020. It was published in the 2019 Annual Report and is available on the [corporate website](#).

## REMUNERATION COMMITTEE

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and the Remuneration Committee's Regulations set out the regulations governing the Remuneration Committee.

Composition of the Remuneration Committee as at 31 January 2021:

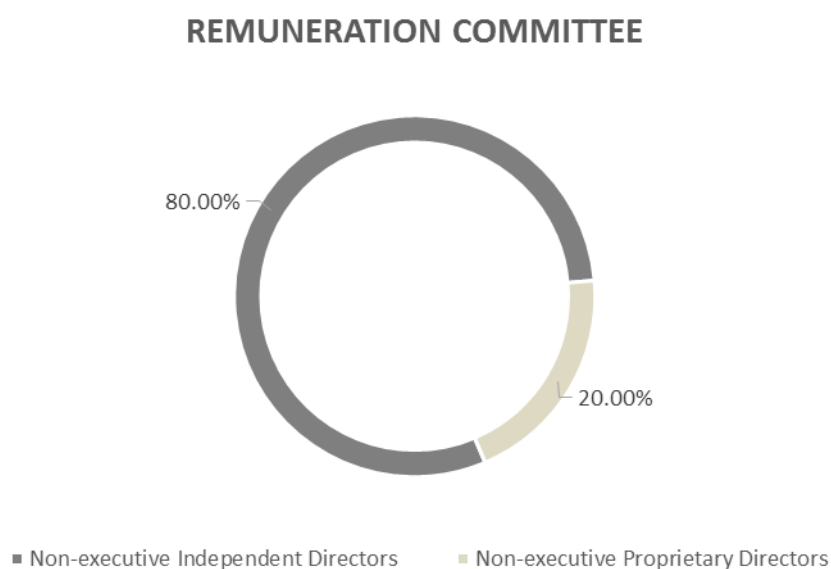
Name	Position	Directorship type
Mr Rodrigo Echenique Gordillo	Chair	Independent
Bns. Denise Patricia Kingsmill	Ordinary member	Independent
Mr José Arnau Sierra	Ordinary member	Proprietary
Mr José Luis Durán Schulz	Ordinary member	Independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Independent

% executive directors	0%
% proprietary directors	20.00%

% independent directors	80.00%
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Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as Secretary-non-member of the Remuneration Committee.

The structure of the Remuneration Committee is addressed in the sections below. It is represented in the image below



**Explain the duties assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organization and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.**

### **a) Composition**

Pursuant to article 30 of the Articles of Association, the Remuneration Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the board of directors, a majority of whom shall be independent. Members of such committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Remuneration Committee shall be appointed by the board of directors out of the independent members of the committee.

Pursuant to section 7 of the Remuneration Committee's Regulations, the board of directors shall endeavour to ensure that committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience to discharge the duties they are called upon to perform, including among others, the analysis and strategic assessment of human resources and the design of remuneration policies and schemes for directors and senior managers.

Likewise, the board of directors shall encourage a diverse committee membership in terms of professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

### **b) Duties**

The mission and powers of the Remuneration Committee are addressed in article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and sections 5 and 6 of the Remuneration Committee's Regulations.

The Remuneration Committee has not been assigned any powers other than those expressly entrusted by statute, and the Recommendations set forth in the Good Governance Code.

### **c) Organizational and operational rules**

The Remuneration Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair of the Remuneration Committee shall call it whenever the board of directors or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, whenever this is suitable for the successful performance of its functions.

The Chair may arrange working meetings to prepare committee meetings on specific topics apart from the formal meetings.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be signed by the Chair. A quorum for committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Committee meetings may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. The committee may rely on external advisors to duly perform the duties it has been entrusted with.

**d) Main proceedings of the Remuneration Committee in 2020:**

In 2020 the most relevant proceedings of the Remuneration Committee have revolved around the following areas:

**A. Remuneration of executive directors and Senior Managers**

The Remuneration Committee resolved in the meeting held on 16 March 2020 to submit to the board of directors the motion on the remuneration of the Executive Chairman and the CEO for 2019 for the performance of executive functions.

In that same meeting, the committee gave a favourable report to the remuneration of Senior Managers for 2019 and resolved to raise it to the board of directors.

Considering the exceptional situation caused by the COVID-19 global pandemic, the committee resolved to propose to the board of directors that the annual variable remuneration of the Executive Chairman and the CEO for 2019 be halved. In that same meeting, the committee resolved to submit to the board the motion on the remuneration of executive directors for 2020.

Both motions were approved by the Board of Directors in the meeting held on 17 March 2020.

Likewise, in the meeting held on 14 September the committee resolved to give a favourable report and raise to the board of directors a motion to update the yardsticks and terms to determine the annual variable remuneration for 2020 for Executive Directors and Senior Managers, which had been approved by the board of directors on 17 March 2020. Such update answers the need to adjust the terms of the annual variable remuneration in line with the new objectives of the revised budget of the company for the second half of the year, as a result of the extraordinary situation arising from the global COVID-19 pandemic.

**B. 2016-2020 Long-term Incentive Plan**

The Remuneration Committee acknowledged in the meeting held on 16 March 2020 the accrual of the second cycle (2017-2020) of the 2016-2020 Plan.

**C. 2019-2023 Long-term Incentive Plan**

On 11 December 2020, for the purposes of adapting the terms of the 2019-2022 Long-Term Incentive Plan to the new environment resulting from the global health crisis caused by COVID-19 pandemic, the Remuneration Committee resolved to raise to the board of directors a motion on the amendment of the targets for each of the performance scales linked to EBT and Same Store Sales metrics, approved for the first cycle (2019-2023) of the Plan, and a motion to approve the targets for the second cycle (2020-2023) thereof, pursuant to section 9 of the Plan's Regulations, section 17.2(c) of the Board of Director's Regulations and section 5(c) of the terms of reference of the committee.

In that same meeting, the Committee acknowledged the list of beneficiaries of the second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan. Such motion was approved by the board of directors in the meeting held on 14 December 2020.



D. Annual Report on Remuneration of Directors for 2019

The Remuneration Committee resolved in the meeting held on 16 March 2020 to raise the 2019 Annual Report on Remuneration of Directors to the board of directors for approval, which it did in the meeting held on 17 March 2020.

Such report was submitted to CNMV as a relevant fact and is available on CNMV's website.

Additionally, pursuant to section 541LSC, the 2019 Annual Report on Remuneration of Directors was approved by the Annual General Meeting held on 14 July 2020, having been put to an advisory say-on-pay vote.

E. Schedule of dates and agenda of business to be transacted

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Remuneration Committee approved on 11 December 2020 the schedule of dates and agenda of business to be transacted by the Committee in 2021.

F. Report on its proceedings

The Remuneration Committee issued the annual report on its proceedings on 8 June 2020. It was published in the 2019 Annual Report and is available on the corporate website.

**SUSTAINABILITY COMMITTEE**

Article 30bis of the Articles of Association, section 17 *bis* of the Board of Directors' Regulations, and the Sustainability Committee's Regulations set out the regulations governing the Sustainability Committee.

Composition of the Sustainability Committee as at 31 January 2021:

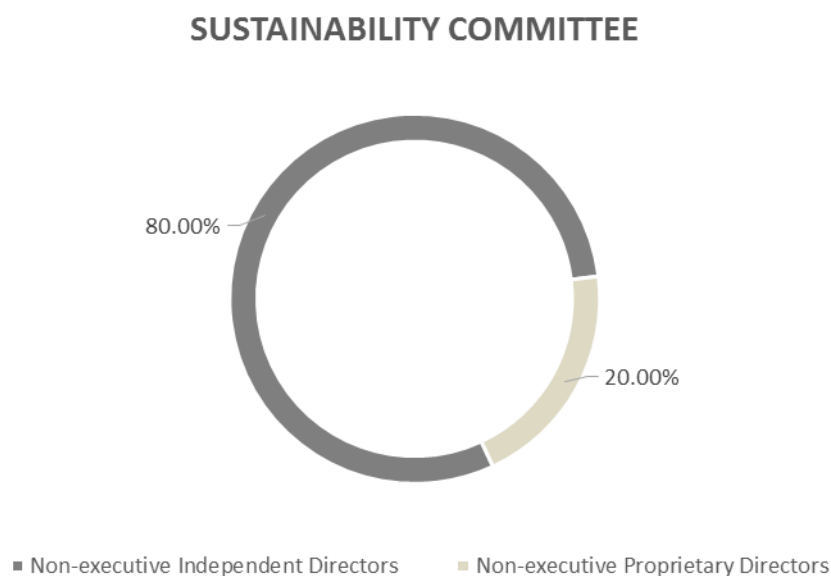
Name	Position	Directorship type
Bns. Denise Patricia Kingsmill	Chair	Independent
Ms Anne Lange	Ordinary member	Independent
Ms Pilar López Álvarez	Ordinary member	Independent
Mr José Arnau Sierra	Ordinary member	Proprietary
Mr José Luis Durán Schulz	Ordinary member	Independent

% executive directors	0 %
% proprietary directors	20 %

% independent directors	80 %
% affiliate directors	0 %

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

The structure of the Sustainability Committee is addressed in the sections below. It is represented in the image below:



**Explain the duties assigned to this committee and describe the rules and procedures for its organization and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of association or in other corporate resolutions.**

**a) Composition:**

Pursuant to article 30bis of the Articles of Association, the Sustainability Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the board of directors, a majority of whom shall be independent. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge.

The Chair of the Sustainability Committee shall be appointed by the board of directors out of the independent members of the Committee.

Pursuant to section 9 of the Sustainability Committee's Regulations, the Board of Directors shall endeavour to ensure that committee members, and namely its chair, have the appropriate knowledge, qualifications and experience in the field of sustainability, social action initiatives, sustainable management of resources and design of communication policies with stakeholders.

Likewise, the board of directors shall encourage a diverse committee membership in terms of professional experience, competencies, personal skills, sector-specific knowledge, international

experience or geographic origin, age and gender, taking into account the restrictions that are a result of the smaller size of the committee.

**b) Duties:**

Pursuant to article 30.3 of the Articles of Association, section 17bis of the Board of Directors' Regulations and sections 5 to 8 of the Sustainability Committee's Regulations, the Sustainability Committee shall have the following basic responsibilities:

- To regularly review the internal regulations on sustainability of the Group, and to propose to the Board, if appropriate, any update or amendment thereof, and to monitor compliance with them for the purposes of ensuring that they fulfil the mission to promote the corporate interest and catering as appropriate to the legitimate interests of remaining stakeholders.
- To deliver a more intensive and committed management of sustainability and social or environmental issue.
- To encourage compliance by the Group with the 17 Sustainable Development Goals set by the United Nations (the "SDGs").
- To oversee monitoring of the entire supply chain and compliance by suppliers with Inditex's Code of Conduct for Manufacturers and Suppliers.
- To verify that the goods that the Company sells comply with the product health and safety standard.
- To verify compliance with the most exacting environmental standards, encouraging biodiversity conservation and the sustainable management of natural resources in respect of use of raw materials, production processes, product and store.
- To verify compliance with the Company's Policy on Human Rights across its entire value chain.

The terms of reference of the Sustainability Committee have been amended in 2020 to align its wording with the language of the revised GGC approved by CNMV's board on 25 June 2020. Some of the powers it has been entrusted with have been affected by such update:

- Powers relating to the relations with the different stakeholders: the committee's responsibilities as regards its relations with the different stakeholders have been increased as it has been entrusted with overseeing, in coordination with the Audit and Compliance Committee, the strategy on communication and relations with stakeholders with regard to the issues that fall under its purview, being also responsible for overseeing that the Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information is effectively applied.

Likewise, it has been clarified that the duty to oversee procedures and channels of communication with stakeholders is also shared between both committees with regard to the issues under their respective purview. Thus, both of them shall act in coordination where applicable.

- With regard to the duty relating to oversight of the process to prepare the non-financial

information, it has been assigned to both the Audit and Compliance Committee and the Sustainability Committee collectively, with regard to such issues that fall under their respective purview. However, the Audit and Compliance Committee is ultimately responsible for overseeing and evaluating the process.

- Powers relating to sustainability:

The Sustainability Committee shall be responsible for periodically reviewing compliance with the internal regulations on sustainability, in particular, with the Sustainability Policy of the Group.

Likewise, the committee has been entrusted with the task of following-up on the social and environmental sustainability strategy and practices, assessing whether they adhere to the Sustainability Policy.

**c) Organizational and operational rules.**

The Sustainability Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair must call the Sustainability Committee whenever the board of directors or its Chairman would request the issue of a report or the approval of motions within the scope of its powers and, at any rate, whenever it is useful for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be signed by the Chair. A quorum for committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, the Chair may arrange working meetings to prepare committee meetings on specific topics apart from the formal meetings of the committee.

Committee meetings may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system.

For the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. The committee may rely on external advisors to duly perform the duties it has been entrusted with.

**e) Proceedings of the Sustainability Committee in 2020:**

The most relevant proceedings of the Sustainability Committee in 2020 have revolved around the following areas:

A. With regard to following-up on the social and environmental sustainability strategy and practices

In the first ever meeting held by the Sustainability Committee on 8 June 2020, the Department Sustainability was introduced to its members and the 2020 annual work programme was approved.

In the meeting held on 14 December 2020, the Sustainability Department updated committee members on the different current initiatives in place with regard to the different areas, and the committee acknowledged the strategic targets, the main action lines in progress and the main social sustainability milestones for 2021, 2022 and beyond

**B. With regard to Human Rights**

In the meeting held on 8 June 2020, the committee resolved to give a favourable report to the Statement on the action taken to prevent any manner of slavery and human trafficking with the organization and its supply chain for 2019, and submit it to the board of directors, pursuant to the provisions of section 54 of the UK Modern Slavery Act, the California Transparency in Supply Chain Act and section 14 of the Australian Modern Slavery Act.

The Statement addressed, inter alia, the set of measures taken by the Company between March and May 2020 in response to the global health crisis resulting from COVID-19 as regards employees' health and safety, as well as economic and health-related issues within the Group's supply chain.

**C. With regard to the periodic review of the Group's internal regulations on sustainability**

The committee resolved in the meeting held on 14 December 2020 to give a favourable report to the new Sustainability Policy which consolidated the former Environmental Sustainability Policy and Corporate Social Responsibility Policy. Such consolidation seeks to align with the holistic approach to sustainability, extended across the entire value chain of the Group, in line with SDGs.

Likewise, the consolidation of both policies seeks to have in place a single policy on sustainability, which addresses the minimum contents set out in Recommendation 55 GGC, in accordance with the current approach to sustainability.

**D. Schedule of dates and business to be transacted:**

The Sustainability Committee approved in the meeting held on 14 December 2020 the schedule of dates and agenda of business to be transacted by the Committee in 2021.

**E. Report on its proceedings**

The report on the Sustainability Committee was issued on 8 June 2020 and was published in the 2019 Annual Report. It is available on the corporate website.

**F. Inditex's Annual Report**

In the meeting held on 8 June 2020, the committee gave a favourable report to the 2019 Annual Report concerning the topics within its purview.

**C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:**

	Number of female directors			
	2020 Number %	2019 Number %	2018 Number %	2017 Number %
Executive Committee	12.5%	12.5%	14.3%	0
Audit and Compliance Committee	42.85%	42.85%	33.3%	16.7%
Nomination Committee	40%	40%	33.3%	16.7%
Remuneration Committee	20%	20%	33.3%	16.7%
Sustainability Committee	60%	60%	-	-

**C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any annual reports on the activities of each committee have been voluntarily prepared.**

The terms of reference of the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee are available on the corporate website.

- Audit and Compliance Committee:

<https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/audit-and-compliance-committee-s-regulations>

- Nomination Committee:

<https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/nomination-committee-s-regulations>

- Remuneration Committee:

<https://www.inditex.com/en/compliance/remuneration-committee-s-regulations>

- Sustainability Committee:

<https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/sustainability-committee-regulations>

Additionally, information on board committees is also included in the Board of Directors' Regulations and in the Articles of Association. The full text of the Board of Directors' Regulations

is available on both the corporate website: <https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/regulations-of-the-board>, and on CNMV's website ([www.cnmv.es](http://www.cnmv.es))

The Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee prepare on an annual basis a report on the activities they have carried out in the year, which is included in the Annual Report published ahead of the Annual General Meeting.

In 2020, the board of directors resolved to update the terms of reference of some of its committees as follows:

- It resolved on 9 June 2020 to amend the Audit and Compliance Committee's Regulations for the purposes of adding to the powers of the committee that of assuming duties inherent in an audit committee with regard to such Group companies which qualify as Public-Interest Entities in accordance with current laws on statutory audit.
- The board of directors resolved on 14 December 2020 to amend the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations and the Sustainability Committee's Regulations for the purposes of aligning their provisions with the language of the revised GGC approved by CNMV's board on 25 June 2020.

## D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

Below is a list of related-party transactions carried out in 2020 in accordance with the definitions, criteria and groupings provided in Order EHA/3050/2004 of 15 September, to which the Instructions included in Appendix II of CNMV's Circular 1/2020 refer, regarding completion of the form of the annual corporate governance report of listed companies, whereby the contents of the annual corporate governance report of listed companies provided in section 540 of the Companies Act, as amended by Act 31/2014, and in section 5 of Order ECO/461/2013, of 20 March, are determined.

### **D.1 Describe, where applicable, the procedure and competent bodies for the approval of related party and intragroup transactions.**

#### **Procedure to approve related-party transactions**

Pursuant to the provisions of section 5.3(b)(vii) of the Board of Directors' Regulations, it is incumbent on the Audit and Compliance Committee to report on the transactions of the Company or of any company of the Inditex Group with directors, shareholders or with Related Persons, as referred to in Section 40 of the Board of Directors' Regulations. Related Persons are defined in section 34 of such Regulations.

The board of directors shall not authorize related-party transactions without a prior report from the Audit and Compliance Committee evaluating the transaction from an arm's length perspective.

In this regard, section 13(c) of the Audit and Compliance Committee's Regulations provides that it is incumbent on such Committee to advise the board of directors on such transactions that the Company or the companies comprising its corporate Group intend to carry out with directors, significant shareholders or shareholders who hold a significant stake or who have proposed the appointment of any director of the Company, or with their respective related persons, from an arm's length perspective.

In the event of transactions with significant shareholders, the Audit and Compliance Committee shall also examine them from the standpoint of an equal treatment of all shareholders.

In the case of transactions within the ordinary course of trade of the Company and being of a habitual or recurrent nature, a general authorization of the line of transactions and the terms of execution thereof will suffice.

The Company shall report on any transactions carried out with its directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope provided by statute in each case.

Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors or with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out at arm's length.

The authorization of the board of directors shall not be required for such related-party transactions that meet at the same time the following terms:

- i) they are conducted under contracts with standard terms and conditions which apply en masse to many customers;
- ii) they are conducted at prices or rates generally established by the suppliers of the good or



service in question;. and

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

Such authorization has to be granted by the Annual General Meeting where it refers to a related-party transaction with a director which amount is in excess of ten percent (10%) of the corporate assets.

## **D.2 Describe any transactions that are significant, either because of the amount involved or the subject matter, entered into between the company or entities within its group and the company's significant shareholders:**

The transactions carried out in 2020 by the INDITEX Group with its controlling shareholder Pontegadea Inversiones, S.L., or with Partler Participaciones, S.L.U. (or Partler 2006, S.L.) or Rosp Corunna Participaciones Empresariales, S.L.U and with persons and companies related thereto, are shown in the table below:

<b>Name of the significant shareholder (person or company)</b>	<b>Name of the company or entity of its group (person or company)</b>	<b>Nature of the relationship</b>	<b>Type of transaction</b>	<b>Amount (thousand euros)</b>
PONTEGADEA INVERSIONES, S.L. PARTLER PARTICIPACIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP (1)	Contractual	Lease of assets	(32,839)
PONTEGADEA INVERSIONES, S.L. PARTLER PARTICIPACIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP (1)	Contractual	Provision of services (Construction works)	3,065
PONTEGADEA INVERSIONES, S.L. PARTLER PARTICIPACIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP (1)	Contractual	Other income	578
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto	INDITEX GROUP (1)	Contractual	Lease of assets	(1,102)

ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto	GRUPO INDITEX (1)	Contractual	Purchase of goods (finished or work in progress)	(153)
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto	INDITEX GROUP (1) <sup>1</sup>	Contractual	Other income	62
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto	INDITEX GROUP (1) <sup>1</sup>	Contractual	Other expenses	(95)

(1) Different companies of the Inditex Group.

**D.3 Describe any transactions that are significant, either because of their amount or the subject matter, entered into between the company or entities within its group and directors or managers of the company:**

With regard to the remuneration received by directors and officers, reference is made to the provisions of sections C.1.13 and C.1.14 above.

Name (person or company) of directors or officers	Name (person or company) of the related party	Relationship	Type of transaction	Amount (thousand euros)
-	-	-	-	-

No relevant transactions have been carried out between the Company or entities of its group and the directors and officers of the Company

**D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the consolidation process and do not form part of the company's ordinary business activities in terms of their purpose and conditions.**

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the group entity	Brief description of the transaction	Amount (thousand euros)
----------------------------------	--------------------------------------	-------------------------

Joint Control Companies (1)	Purchase of goods	780,211
100% Subsidiaries (2)	Sale of goods and provision of services to stores	12,484

- (1) Transactions between Inditex and its subsidiaries form part of the company's ordinary business activities as regards their purpose and terms and have been fully eliminated during the consolidation process. For such reason, they are not detailed in this section.
- (2) The above mentioned transactions are exclusively within the ordinary course of trade of the Group through its stores, and are not due to tax reasons. As at 31 January 2021, transaction of the Group with Group companies residing in countries or territories considered tax havens under Spanish laws, correspond to sales through 7 stores of the Group located in Macau and in Monaco.

**D.5 Report any material transactions carried out by the company or entities belonging to its group with other related parties that have not been reported in the previous sections.**

Company name of the related party	Brief description of the transaction	Amount (thousand euros)

No other transactions with related parties have been carried out.

**D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.**

Section 34 of the Board of Directors' Regulations addresses potential situations of conflict of interest for board members:

*"1. It shall be understood that a conflict of interest situation 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 deemed to be equivalent to a spouse;*
- (b) the ascendants, descendants and siblings of the director or of the spouse (or any other person deemed to be equivalent to a spouse) of the director;*

- (c) the spouse (or any other person deemed to be equivalent to a spouse) of the ascendants, descendants and siblings of the director;*
- (d) those companies where directors hold the office of director or a management position, or in which they hold a significant interest, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in the applicable regulations, and for the case of unlisted national or foreign companies, any direct or indirect interest 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 of the situations provided in Section 42 of the Code of Commerce;*
- (b) The representative, who is a natural person, the director de iure or de facto, the liquidators and the attorneys-in fact with general powers of the director, who is a legal entity;*
- (c) Those companies that are part of the same corporate group, as defined in Section 42 of the Code of Commerce, and their shareholders; and,*
- (d) Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the provisions of the paragraph above regarding directors who are natural persons.*

*The following rules shall apply to the conflict of interest situations:*

- (a) Prevention: directors must take all necessary measures to prevent, as far as possible, becoming involved in any situations in which their interests may, either on their behalf, or on behalf of third parties, be in conflict with the interest of the company and with their duties towards the company.*
- (b) Information: without prejudice to their obligation of active prevention, directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any conflict of interest situation in which they are involved.*
- (c) Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in a conflict of interest situation, with the exceptions provided in the applicable laws. Likewise, 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 that had proposed their appointment and the Company.*
- (d) Transparency: the Company must disclose in the notes to the annual accounts any conflict of interest situation 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, sections 33 and 35 to 37 of the Board of Directors' Regulations address the following situations which can give rise to conflicts of interest: (i) the rendering of professional services in competing companies (section 33); (ii) the use of corporate assets (section 35); (iii) the use of non-public Company information for private ends (section 36), and (iv) taking advantage of business opportunities of the Company (section 37).

Moreover, section 39 of the Board of Directors' Regulations provides that directors must inform: (i) the Company of the shares of its share capital that he/she directly or indirectly holds. Likewise, they must inform about those other shares which are held, directly or indirectly, by their closest relatives, all of which is in accordance with the provisions of the Internal Regulations of Conduct in the Securities Markets; (ii) the Company of any conflict of interest situation, either direct or indirect, in which either themselves or their Related Parties may be involved in respect of the interest of the Company; and (iii) the Nomination Committee of all the positions they hold and the activities they carry out in other companies or entities and, in general, about any fact or situation which may be relevant for the performance of their duties as director of the Company (in this regard, and without prejudice to the obligation of offering their resignation to the board of directors, provided in Section 25 of the Board of Directors' Regulations- which addresses the resignation, removal and dismissal of directors-, directors shall inform the board of any other change in their professional situation and of any circumstance which might harm the name and reputation of the Company or jeopardize its interests); and (iv) of any legal, administrative proceedings or other proceedings whatsoever brought against them and which might, given their relevance or description, seriously affect the reputation of the Company. Namely, directors shall inform the Company via the Chairman of the board of directors, of any criminal charges brought against them as well as how the legal proceedings subsequently unfold. The Board of Directors shall examine the case, as soon as possible, and shall take, following a report of the Nomination Committee and based upon the interest of the company, such measures as it may deem fit, such as the opening of an internal investigation, calling on a director to resign or proposing his/her dismissal.

In such case, the Company shall report the measures taken in the Annual Corporate Governance Report, unless there are special circumstances which justify otherwise, which must be recorded in the minutes.

Additionally, section 1 of the Board of Directors' Regulations provides that the rules of conduct therein established for directors shall apply, to the extent that they are compatible with their specific nature, to the senior managers of the company who are not directors. More particularly and with the due nuances, the following sections shall apply to senior managers: section 32 (duty of confidentiality), 34 (conflicts of interest), in connection with the duty of informing the Company, 35 (use of corporate assets), 36 (non-public information), 37 (business opportunities), and 38 (prohibition to make undue influence of the office).

With regard to significant shareholders, section 40 of the Board of Directors' Regulations provides that:

*"1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a shareholder who owns, either individually or jointly with others, any significant stake, including any shareholder who, regardless of his/her stake in the share capital, is represented on the Board of Directors of the Company or of other companies which are part of its corporate group.*

*2. In no event shall such a transaction be authorized if previously a report has not been issued by the Audit and Compliance 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.*

5. *The authorization of the Board of Directors shall not be required for such transactions which meet simultaneously the following three conditions:*

*(a) they are carried out pursuant to standard agreements and applied to a large number of clients;*

*(b) they are carried out at such prices or rates generally set by the provider of the good or service in question; and*

*(c) their amount is not in excess of one percent (1%) of the annual revenue of the Company.*

6. *The authorization shall be granted by the General Meeting of Shareholders when it refers to any transaction with a director for a value which is in excess of 10% of the corporate assets."*

As stated in section D.1 above, the Audit and Compliance Committee is responsible for reporting on the transactions that involve or are likely to involve any conflict of interest and the Nomination Committee is responsible for reporting on the authorization or release by the Board of Directors of the obligations stemming from the duty of loyalty of directors, where such responsibility is not incumbent on the General Meeting of Shareholders.

Although the system above described exclusively applies to directors and other individuals within the Organization considered as senior managers, the Company has in place a number of mechanisms to detect, determine and solve potential conflicts of interest which may arise regarding officers and other employees.

Thus, section 4.8 of the Code of Conduct and Responsible Practices provides that: "*INDITEX's employees shall avoid any situation which might entail any conflict between their personal interests and those of the company. They shall also refrain from representing the company and from taking part or having a say in any decision making wherein they may have, either directly or indirectly, either themselves or through any related party thereto, any personal interest. They may not avail themselves of their position in the company to obtain any economic or personal benefit, or any business opportunity for them.*

*No employee of INDITEX may render services as consultant, director, officer, employee or advisor to any of INDITEX's competitors, except for such services which may be rendered at the request of INDITEX or with the authorization of the Committee of Ethics.*

*INDITEX respects the private life of its employees and therefore the private sphere of their decisions. In the framework of this policy of respect, employees are urged to report to the Committee of Ethics any personal conflicts of interest or any conflicts of interest involving their relatives, that might jeopardize the necessary objectivity or professionalism of their duties within Inditex, so that, in the respect of the confidentiality and privacy of individuals, the relevant measures might be taken for the mutual benefit of the company and of the affected individuals.*

*Namely, the cases below shall be considered as potential situations of conflict of interest and they shall be reported to the Committee of Ethics:*

- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which is the same, similar or supplementary to the business conducted by INDITEX.*
- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which involves an exchange of goods and/or services, regardless of the remuneration system agreed."*

On the other hand, the Board of Directors approved on 16 July 2019 the Conflicts of Interest Policy, following a favourable report of the Audit and Compliance Committee.

Such Policy seeks to supplement and implement the provisions of the Code of Conduct on conflicts of interest, defining the appropriate measures aimed at preventing, detecting, disclosing and managing such conflicts of interest which may affect employees in the performance of their job.

In this regard, section 4 of the Policy defines conflict of interest as *"any situation where an employee's personal interest (direct conflict of interest) or the interest of any related party thereto (indirect conflict of interest) contradicts (actual conflict of interest) or may contradict (potential conflict of interest) the Company's interest, jeopardizing the requisite objectivity or professionalism of such employee at the workplace."*

Likewise, section 5 provides the obligation for employees to avoid where possible, being in any situations which may entail a direct or indirect, actual or potential conflict of interest.

Moreover, employees are bound to forthwith disclose to the Committee of Ethics any apparent or real conflict of interest situation which may arise, as well as any doubt they may have on whether a specific situation qualifies as conflict of interest. The Committee of Ethics shall be responsible for addressing the conflicts of interest situations which may arise between the Company and its employees

**D.7 Indicate whether the company is controlled by another entity within the meaning of section 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.**

Yes ☒ No

Pontegadea Inversiones, S.L owns 1,558,637,990 shares of the Company, which represents a 50.1% stake. Transactions that are significant, either on account of the amount involved or of their nature, entered into between the company and the different entities within the Inditex Group and Pontegadea Inversiones, S.L and its related entities, are covered in section D.2 above

**Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:**

Yes ☒ No

**Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported.**

Transactions that are significant, either on account of the amount involved or of their nature, entered into between the company and the different entities within the Inditex Group and Pontegadea Inversiones, S.L and its related entities, are covered in section D.2 above.

Pursuant to section 40.4 of the Board of Directors' Regulations, the Company reports on the transactions carried out with its significant shareholders and their related parties in the periodic half-yearly information.

Additionally, pursuant to Recommendation 6 GGC, the report on related-party transactions issued by the Audit and Compliance Committee is made available to the shareholders on the corporate website well in advance of the Annual General Meeting.

**Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:**

**Mechanisms for resolving possible conflicts of interest**

Section 40 of the Board of Directors' Regulations governs the procedure to approve transactions between the Company and its shareholders as well as the rules on the reporting thereof. It is fully transcribed in section D.6 above. In short: this type of transactions must be authorized by the board of directors, following a report of the Audit and Compliance Committee, except for (i) transactions within the ordinary course of company business and of a habitual or recurrent nature. In such case, a general authorization of the line of transactions will suffice; (ii) transactions which do not require the authorization of the board of directors for meeting simultaneously a number of conditions; and (iii) any transaction with a director for a value which is in excess of 10% of the corporate assets. These latter must be approved by the General Meeting of Shareholders.

Likewise, as stated in section D.1 above, the Audit and Compliance Committee is tasked with reporting on transactions which entail or which might entail conflicts of interest situations.



## E. ENTERPRISE RISK MANAGEMENT SYSTEMS

### E.1. Risk Management Framework

Inditex's Integrated Enterprise Risk Management System ("ERMS") extends to the whole Group, both at corporate, business units and subsidiaries' level, irrespective of their geographic area. It is part of the strategic planning process, the definition of business objectives and of the daily operations of the Group. The Integrated Enterprise Risk Management System encompasses both financial and non-financial risks that the Group faces (including tax, operational, technological, risks related to cybersecurity, legal or regulatory, social, environmental risks, risks related to climate change, political, reputational risks, and risks related to corruption). The Group defines risk as any potential event, irrespective of their nature, that may impact at a given time the achievement of business objectives.

The Enterprise Risk Management Policy sets out the overarching principles, risk factors and the general framework for action in order to manage and monitor the risks that affect the Group. The board of directors is responsible for determining the enterprise risk management policy, this being a non-delegable power. Although the Policy is driven by the board of directors and the senior management its implementation is incumbent on each and every member of the company. The enforcement of the Policy, in full or in part, may extend to any natural and/or legal person associated with Inditex. The Policy seeks to provide reasonable assurance as to the achievement of the targets set by the Group in response to social and environmental challenges, providing all its stakeholders with an appropriate level of assurance which ensures protection of the value built.

The ERMS is based on the above referred Policy and is implemented and supplemented by other specific risk policies or regulations which are laid down in respect of certain units or areas of the Group. The ERMS coexists with other functions tasked with overseeing specific risk areas. The enterprise risk management policies or regulations implemented include:

- Investment Policy
- External Financing Policy
- Payment Management Policy
- Financial Risk Management Policy
- Policy on Management of Insurable Risks
- Code of Conduct and Responsible Practices
- Policy on Criminal Risk Prevention
- Internal Regulations of Conduct in the Securities Markets
- Code of Conduct for Manufacturers and Suppliers
- Occupational Health & Safety Policy.
- Sustainability Policy

- Information Security Policy
- Standard for Procurement Management
- Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors
- Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information
- Policy and Procedure for Representatives and Attorneys
- The Policy on Human Rights
- The Diversity & Inclusion Policy
- Compliance Policy
- Tax Strategy and Tax Policy
- Anti-money Laundering and Terrorist Financing Policy Due Diligence Policy
- Conflicts of Interest Policy
- Policy on Donations and Sponsorship
- Policy on Gifts and Business Courtesies
- Policy on Relations with Civil Servants

The Group's ERMS ensures the appropriate segregation of duties among the different elements which make it up, i.e., among the areas or business units which assume and manage risks and the areas responsible for coordinating, monitoring and overseeing them. It is based upon a differentiated responsibility model, the "Three lines of defense" model-

Business units act as the first line of defense, setting appropriate risk management mechanisms and reporting the relevant information to the different areas entrusted with oversight duties with regard to the suitability of the internal control system, and to the ERM Department (which reports to the Financial Department) as the second line of defense. In turn, Internal Audit acts as the third line of defense, overseeing independently and objectively the operation and effectiveness of ERMS and reporting to the board of directors through the Audit and Compliance Committee.

The Integrated Enterprise Risk Management System of the Group is based upon the COSO ERM methodological framework and the relevant ISO standards, aligned with the requirements and particularities of the Group. Uniform, standardized and systematic processes are in place for risk identification, assessment and prioritization based upon the following concepts: risk appetite, risk tolerance and risk target. The risk factors that the Group addresses are classified in 6 different groups, which are in turn divided into families and sub-types of lesser rank based upon their causality: financial, geopolitical, technological, environmental, social and governance risks.

Risk identification seeks to pinpoint, recognize and describe such risks which may hamper achievement of objectives by the Organization. Identification requires relying on the best available information resting on the knowledge and experience of areas directly responsible for risk

management, which will be supplemented, as the case may be, with the relevant external sources. In addition, emerging risks are considered, i.e., any new risks which are undergoing transformation or are a new combination of risks whose impact, likelihood of occurrence and cost has not been grasped yet.

Risk criteria must be fixed by the Senior Managers based upon the objectives and interests of the Group and its stakeholders, and are regularly updated. Risks are assessed in terms of residual risks, i.e. the amount of risk remaining after it has been treated through the relevant action in response adopted.

Each risk is assessed based upon three parameters: impact, likelihood of occurrence and preparedness level. The ERM Department regularly requests business units, at least once a year, to assess and review the different risks and the mitigation measures implemented and estimated, by means of interviews and checklists of questions. A register of risks is kept, represented in a risk map. The map covers critical risks, i.e. those which if materialized might hamper the achievement of the strategic objectives set by the Group. Such map is regularly reported to the board of directors.

- Impact, defined as the effect that risk would have should it materialize, is calculated by combining risk consequences in a number of variables, both financial and non-financial. Risk managers consider the worst possible impact scenario for risk materialization and assess impact on each strategic objective based upon their own estimates, except for the “Corporate image and reputation” variable; to assess this latter, Risk managers use a standard checklist of questions. To obtain the aggregate assessment of risk impact, the result of the variable with the highest impact is considered and increased based upon the other variables, which are also affected, to which a weighing factor applies in accordance with their own value. This final assessment is subsequently transferred to the tolerance scales defined by the Senior Management for each variable to achieve the total impact level. Different thresholds are currently assessed for the following financial variables: sales variation, Gross Margin variation, net profit variation and cash flow from operating activities (standardized) variation.
- Likelihood of occurrence: Risk managers consider an average scenario to assess likelihood of occurrence. The degree of likelihood assigned to risk materialization is assessed considering the historical background of the last 5 years and the expectations over a one-year period. The different possible scenarios in terms of impact and likelihood of occurrence are documented.
- Preparedness level: preparedness level is assessed based upon a checklist of questions on issues relating to the response capacity, existing mechanisms and controls, reviews of scenarios or existence of contingency plans.

### **Risk Factors. Follow-up, Risk Monitoring and Management**

The main risk factors and the monitoring and management procedures are described below. The Group's risk taxonomy has been recently reviewed as part of the ERMS evolution and implementation process.

### **Financial Risks**

These are threats which originate in macroeconomy, financial markets, global value chains and specific events of a given industry or company which may hamper achievement of objectives set.

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are market risks, foreign exchange risk, counterparty risk and risk related to increase in the price of raw materials.

- Exchange rate volatility

Euro is the functional currency of the Group. Its international transactions require using a large number of currencies other than euro, which gives rise to the foreign exchange risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. The Group has investments abroad, the net assets of which are exposed to foreign exchange risk. As the consolidated financial statements of all Group companies are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the Economic and Monetary Union (EMU). The Company also addresses the risk resulting from exchange rate volatility in respect of currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both as regards transactions within the Group and outside the Group.

Foreign exchange rate risk is managed pursuant to the guidelines of the corporate risk management model materialized in the Financial Risk Management Policy, including ongoing monitoring of foreign exchange rate fluctuation and other measures designed to mitigate such risks, mainly by optimizing the Groups' operations, including risk centralization and its management to minimize its impacts, using natural hedges, the benefits of diversification and the arrangement of financial hedge.

The Policy sets forth review and follow-up procedures regarding foreign exchange exposure and the potential hedging strategies, the procedure to purchase financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. The Group also uses the Value-at-Risk (VaR) method to manage translation risk in the most relevant accounting entries. Derivatives such as option buying strategies, zero cost option strategies and forward contracts, are occasionally used as part of the mitigation strategies.

- Third-party risk

The Group is exposed to counterparty risk as regards its suppliers of goods and services, as well as its customers and business partners, which might impact the ordinary course of a number of its operations. Most of its revenue results from retail sales, where payment is made on demand, either in cash or with credit card. Thus, it is not exposed to significant concentrations of counterparty credit risk. The financial standing of major third parties is reviewed and monitored, this being part of a review process which also covers, without limitation, legal, regulatory compliance and reputational issues. In addition, the Group also deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

The Group's Financial Investment Policy seeks to ensure the security, integrity and liquidity of the company's financial assets. Based upon the Financial Risk Management Policy and its implementing regulations, the maximum exposure limits are determined in terms of counterparty, and the procedures to secure control, follow-up and monitoring of the credit risk are covered. The Company uses value at risk methodologies to assess the credit risk of its investment portfolio. This same policy applies to interest and liquidity risks. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum also considering sovereign exposure or country risk. The current environment of interest rates, in particular in the Economic and Monetary Union brings with it a risk of negative profitability in the Group's financial position. Finally, the potential impact resulting from the increase in the price of the many different raw materials indirectly used in Group operations, and in the purchase of goods and services is also considered among market risks. This risk is reviewed using the above referred value at risk methodology.

Also relevant to financial risk management is the Payment Management Policy, which sets out the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. The Policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. It also covers the potential payment exceptions and the procedure to authorize them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the company, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

- Competitive environment

Also included in this group are risks associated with the competitive environment, understanding as such the difficulty in adjusting to the environment or market where the Group operates, whether as regards procurement processes or distribution and sale of goods. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow up and offer a response to the evolution of its target market or to adjust to the new situations in procurement or distribution countries. Such risks stem from a presumptive difficulty in recognising and taking in the ongoing changes in fashion trends, and manufacturing, supplying and placing on the market new models that fulfil customers' expectations.

Achievement of the business objectives might be affected by a decline in consumption as a result of an economic downturn, whether global or limited to a number of market where the Group operates. To mitigate such risk, the Group carries out a feasibility study for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether estimated numbers are met. The company has very exacting requirements in terms of profitability of business premises. The Group's business model based on management seeks to improve the efficiency and effectiveness of existing markets, business lines and stores, in the pursuit of a streamlined and diversified commercial network within an organic model of growth of the existing business. The expansion policy, the multi-brand format of the Group and its commitment to the full integration of all the channels and the use of new technologies as an alternative channel of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this environment risk.

Production and procurement have also been designed based upon a model which ensures a reasonable flexibility which permits adapting production to market demands and to potential changes in the environment of procurement markets. Stores and online teams are permanently in touch with the team of designers, through the Product Management Department, which allows them to keep abreast of changes in customers' taste. Meanwhile, vertical integration of transactions allows reducing lead and delivery times as well as stock volumes, while at the same time, the reaction capacity to introduce new products throughout the season is kept. Given the relevance that an efficient logistics management has on the materialisation of such risks, the Group reviews all the factors which might have a negative impact on the target of achieving maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

### **Geopolitical risks**

These risks emerge from the deterioration of the political situation, the levels of crime in society, ideological shifts and changes to leadership and regulation of authorities, political conflicts at domestic level or among nations/states that represent a threat to operations or estimated outlook.

- Political unrest

The potential unrest in the territories where the Group's supply chains are based and where its goods are marketed is a significant risk. The Group's business model is supported by a value chain of varied geographic origins. This system allows a flexible response to meet the demand, ensures a high diversification level and offers alternatives in case a shift among different production markets is required in the event of serious or ongoing disruption. From the perspective of sales markets, the Group is present with its integrated sales model in some 200 markets, which ensures a significant level of diversification and resilience.

- Regulatory framework

As a result of its extended geographic presence, both direct and indirect, the Group is subject to different legislation in the countries where it conducts business. The Group is exposed to potential negative financial, regulatory compliance and/or reputational impacts on account of unexpected regulatory developments and the potential consideration of legal facts in a dissimilar or even opposite way in different jurisdictions. Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with other legislations, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of legal persons, as well as other regulatory non-compliance risks.

### **Technological Risks**

Included in this group are cyberattacks orchestrated, critical infrastructure collapse, industrial accidents with direct or indirect impacts and the inability to embrace technological progress.

- Cybersecurity

Given the importance the smooth running of technological systems has for the achievement of its objectives, the Group exercises, through the Information Security Department and with the support

of the Information Security Committee, permanent control on such systems, aimed at ensuring streamlining and consistency thereof, in addition to the security and stability required for business continuity. The Group is aware that its systems will require continuous improvement and investment to prevent obsolescence and keep their response capacity at the levels required by the organization.

As a benchmark, aimed at keeping security and integrity of information and of the elements which process it, the Group relies on the Information Security Policy. The achievement of the objectives described in the Policy is based upon the following overarching principles: (i) classification of information in accordance with its value, relevance and criticality for the business; (ii) use of information systems limited to lawful and exclusively professional purposes; (iii) segregation of duties to avoid risks; setting retention periods by information category, where necessary or convenient; (v) setting monitoring procedures to control how information is made available to third parties; (vi) Security in Information Systems; (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and (viii) alignment of the Group's IT systems with the requirements of applicable laws and regulations. Additionally, the roles, responsibilities and the remit of the different departments and bodies of the Organization are defined. The Information Security Policy is accepted by all users with access to information and is available on the Company's intranet (INET).

The risk map and inventory of technology and information security risks is updated on an annual basis, for the purposes of providing an aggregated view of the Group's situation that permits setting the relevant mitigation and continuous improvement measures.

For the specific purpose of keeping continuous systems operation, the Group relies on technical contingency systems which would, together with the associated technical procedures, reduce the consequences of any breakdown or stoppage. Technical contingency systems include, without limitation, the main data center - TIER IV certified (availability) - as well as the storage of synchronous data in redundant locations exposed to different physical or geological risks, or equipment and lines duplication.

Additionally, the Information Security Department exercises control duties as a second line of defense in an independent manner. It relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyberattack. Such controls would allow anticipating and/or reducing the consequences of risk materialisation, together with insurance policies covering loss of profit, expenses stemming from cyberattack and corporate civil liability for damages incurred by third parties. Based upon the available information, the Organization considers that these controls have been successful to date. Particularly, regarding the e-commerce environment, the Group meets the requirements of the Payment Card Industry Data Security Standard (PCI DSS) and is certified for compliance with ISO/IEC 27011 in Information Security.

However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is among the top priorities for the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the organization, cannot be ruled out.

- Business interruption

Another technological risk stems from business interruption associated with the potential occurrence of extraordinary events beyond the control of the Group (fires, strike of haulers or key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc., ) which may significantly affect normal operations. Given the Group's operations, the main risks included in this category are found at logistics centers and in external operators charged with carriage of the goods. Apparel, footwear, accessories and homeware for all the brands are distributed from 14 logistic centers spread throughout Spain. Distribution logistics is also assured through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistic centers based in different countries and by external logistics operators in charge of small volume distribution.

The size and use of all centers has been optimized, based upon the size of each brand or the specific requirements of the geographic area which they service. In particular, part of the above mentioned logistics centers specializes in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centers in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active steps to reduce risk exposure in respect of this type of risks, by means of a large number of prevention and protection measures at all its distribution centers, in addition to insurance policies covering both potential property damage incurred by the facilities and stock and loss of profit which might result from any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new logistic centers or extending the existing ones, so as to minimize the risk associated with the logistics planning and sizing.
- Investing towards improvement and automating processes in the existing hubs to enhance their capacity and efficiency and improve internal control on goods stored in such centers. In this regard, it bears mention the progressive use of RFID technology across the supply chain, which allows a significant degree of control on goods.
- The search, approval and monitoring of external logistics operators at different strategic points, with full integration in the logistics capacity of the Company.
- Data governance and use

Data governance, availability, quality and enhancement of the information generated by the Company has increasingly become a competitive advantage, essential for the ordinary course of business. This applies to information of varied nature: transactional and operational, relating to financial and accounting, management and budgeting and control matters.

For the purposes of reducing exposure related to data use and governance, management information circulated to the different supervisors is regularly reviewed, and investments are made in information transmission systems, data analysis and intelligence for the decision making and processes optimization (distribution, logistics, etc.,) business monitoring and budgeting. Group



departments, in particular, Planning and Management Control Dep. and Administration Dep., which report to the Financial Department, are directly responsible for creating and overseeing quality of information. The Information Security Department is tasked with ensuring that information is made available to and/or amended exclusively by duly authorized employees, parameterizing systems to ensure reliability, confidentiality integrity and availability of critical information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control System over Financial Reporting (ICFR) aimed at achieving a continuous follow-up and assessment of the main associated risks, which permits to reasonably ensure the reliability of the public financial information of the Group. Additional information on this issue is available in Section F below. The Group also relies on an internal control system to ensure the reliability of the non-financial information disclosed to the market (ICNFR).

In addition, the consolidated Annual Accounts and the individual accounts of all relevant companies, as well as the Statement on Non-financial Information, which is a part of the Directors' Report, are reviewed by the external auditor, who is also in charge of carrying out certain audit works relating to financial information. Likewise, with regard to the most significant companies of the Group, the external auditor is requested to issue recommendations on internal control.

- Digitalization

Technological innovation and progress in the broadest terms, both as regards interaction with our customers by providing them with a satisfactory omni-channel experience, and the improvement of operating processes, are essential to ensure business success. Being aware of such risk, the Group is committed to digital transformation, by adopting state of the art technology and services both customer and operations oriented, as one of its strategic targets.

### **Environmental risks**

Those are risks associated with natural disasters, climate change and interactions resulting from the human exploitation of the environment.

Key operations of business and carriage processes might come to a halt as a result of natural disasters such as floods, fires, earthquakes, etc.,. These events might also affect critical infrastructures of the Group. Risk management in this area, including mitigation measures and resilience plans have been addressed in the section on technological risks.

Group performance is exposed to the potential impact that climate change, whether a chronic or catastrophic physical risk, may have. In this regard, sharp changes to climate cycles could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others. Likewise, certain potential financial and reputational risks are associated with the nature, speed and approach of political, regulatory, technological and market changes as the society transitions towards a low carbon economy. In June 2020, Inditex Group joined the “*Task Force on Climate-related Financial Disclosures (TCFD)*” and is currently integrating and implementing this standard into its ERMS as regards climate risks.

Another risk arises from the potential adverse impact of the Group's value chain on account of spillage of dangerous substances (whether biological or chemical) into the environment. In addition, there is a risk that the Group operations might result in loss of biodiversity, deforestation, land degradation and shortage of raw materials, among other things.

Steady progress towards the most exacting sustainability standards is one of the strategic pillars of the Group that seeks to play a transformative role in the industry. The Group has in place an Environmental Sustainability Policy that covers all the environmental commitments undertaken by the Group applicable across all its business areas and the entire supply chain. Under such Policy, three environmental strategies are implemented to ensure the best possible protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line and in addition to such strategies, it bears mentioning that Inditex is committed to forest products and this has materialized in the Forest Product Policy. The Group is committed to clean energy and to implement circular management models at headquarters, logistics centres, factories and stores, including, without limitation, the “*Closing the Loop*” programme. Additional information on this and other programmes and initiatives can be found in the Statement on Non-Financial Information, the Annual Report and on the corporate website.

In line with the Global Energy Strategy, the Group is a member of the UN *Fashion Industry Charter for Climate Action* (UNFCCC) with the initial medium-term objective of reducing its GHG emissions by 30% by 2030. The Group is also a signatory of the Fashion Pact and as such, is committed to working within the framework of the *Science-Based Targets* (SBT) initiative, that sets science-based reduction targets and which focuses on three essential pillars to protect the planet: stopping climate change, restoring biodiversity and protecting the oceans.

The Company seeks to play a leading role in transforming the industry and is committed to fully eliminating the use of plastic bags by 2020 as well as all single-use plastics for customers sales by 2023. Likewise, before 2025, 80% of the energy used in the Group activities (stores, logistic centres and offices) will be renewable. With regard to raw materials, 100% of the cotton, linen and polyester used in the goods the Group markets will be organic, sustainable or recycled by 2025.

One board committee, the Sustainability Committee is responsible for following up, inter alia, the sustainability strategy and practices of the Inditex Group.

## Social Risks

Social risks are defined as those arising from social and economic trends in society, including the evolution of preferences, social standards, demographics and the prevalence of sickness and the development of public health systems.

Risks relating to the field of human resources are associated with a potential dependence on key personnel and the inability to swiftly adapt the organizational culture to staff needs in a new and complex environment, where sustainability of human capital is gaining ground which seeks to ensure employment quality, health and well-being of staff, work-family balance, diversity, remote work culture, etc.,

The action lines followed by the Department of People are explained in detail in the relevant section of the Annual Report and in the Statement on Non-financial Information. The work system implemented within the organization encourages the transfer of knowledge and the involvement of all employees with the Company's culture and operations. Career development, training and compensation policies seek to encourage development of all teams, give career development opportunities to the more talented people and retain key employees. Additionally, the Group carries out selection and recruitment processes to ensure the continuous arrival of talent at all

areas of the Company. With such proceedings and the continuous improvement of Group policies relating to people, risk arising from concentration of knowledge in key people is reduced.

On the other hand, a growing demand has arisen lately within the labour market, concerning companies' corporate social responsibility, which has become a key factor upon selecting a company for the job of choice.

In this regard, the Group has implemented a number of initiatives around different focal points of action. The Diversity and Inclusion Policy applies globally to the Company. The Inditex Group has implemented equality plans that include measures to promote commitment to and effective implementation of the principle of equal opportunities between women and men, contributing to reduce inequality and imbalance, preventing discrimination at work, ensuring a healthy work environment and providing actions to promote work-family balance.

Volunteering in community service projects is also encouraged so that employees may work on their social concerns wherever the Company operates. A number of programmes and projects have been implemented in this field offering employees different extents of collaboration.

Included in the social risks group are also those which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large. They stem from a potentially inappropriate management of the issues regarding corporate ethics, social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance or noncompliance with best practices which might have an impact on the reputation of the Organization.

In such sizable and visible organizations as the Group, certain conflicts might arise out of an inappropriate relationship with third parties alien to its operations (e.g., CNVM, the media, investors, financial analysts, public authorities, etc.). A number of departments, including the Communication and Corporate Affairs Division are responsible for monitoring the image of the Group in all environments, including social media. Through the Communication and Corporate Affairs Division and the Sustainability Department, the Group sets out the procedures and protocols required to mitigate this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relations with CNMV, the relations with investors and financial analysts being incumbent on the latter.

The risk represented by contagious diseases is also covered in this group. It relates to a potential disruption resulting from a pandemic, whether, local regional or global, originating in contagious diseases with little or zero pre-existing immunity in humans. The impact and mitigating measures relating to COVID-19 are addressed in detail in the section on materialized risks below.

## **Governance Risks**

This group encompasses risks of different nature, such as risks of non-compliance by the Company and in particular the board of directors and the senior management, with (i) statute, from both a formal and material perspective; (ii) good governance recommendations; (iii) best practices; as well as with (iv) corporate commitments willingly made by Inditex, and additionally, risks arising from tactical and strategic decisions made by the Group's management which may result in non-achievement of the business objectives of the functional areas or of the Group itself, as well as in

corruption risks, or which harm the reputation of the company.

Included in this group are risks relating to tax, customs, employment, trade and consumption, industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with remaining laws, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office – Office of the Chief Compliance Officer (GCO-OCCO) is responsible for managing the Model of Compliance of the Company. In particular, GCO-OCCO undertakes a triple function consisting of organization, coordination and reporting duties.

Organization duties means that the GCO-OCCO oversees the process of preparing the Company's internal regulations (Policies, Procedures and Instructions) and approves them, where appropriate.

The GCO-OCCO is also charged with coordinating Compliance functions assigned to other departments or areas responsible for compliance risk, through a periodic reporting system.

In order to mitigate exposure to compliance risks in a broad sense and in particular to criminal risks – including the risk relating to a potential commission of criminal offences relating to corruption, fraud and bribery – the Group relies on a structure of high level basic regulations and a number of organizational documents which constitute the main pillars of the Company's cross-cutting Compliance system: the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group. A full description of both of them is provided in section F-1.2 below.

The General Counsel's Office – Office of the Chief Compliance Officer, charged with managing the essential duties of the Compliance Function, reports to the Audit and Compliance Committee, at least twice a year, on the monitoring of the system, and on the main Compliance matters reported by the areas and departments of the Group. Monitoring is carried out based upon a questionnaires system.

To prevent criminal offences, Inditex relies on an organizational and management model known as the Model of Criminal Risk Prevention, made up of 3 documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (the "Model of Criminal Risk Prevention"). The Policy associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent, and the Procedure covers the organizational measures to prevent commission of offences. Criminal risks identified and controls set to prevent the commission of offences are listed in the Scoping Matrix.

Inditex Model of Criminal Risk Prevention, approved by the board of directors in 2016, is subject to an ongoing evaluation and improvement process. In particular, the Scoping Matrix of Criminal Risks and Controls is permanently updated by; (i) regularly reviewing potential risks inherent to the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the Company's organization; and (ii) monitoring controls implemented, taking into account risk prioritization determined in the risk map.

Within the scope of such Model of Criminal Risk Prevention, a number of internal regulations have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates, the most relevant of which are:

- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.
- The Conflicts of Interest Policy
- The Anti-Money Laundering and Terrorist Financing Policy
- The *Due Diligence* Policy
- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorized Markets

The Committee of Ethics that reports to the board of directors through the Audit and Compliance Committee, is responsible for overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness and appropriate implementation of the controls therein set - the GCO-OCCO being responsible for the material performance thereof -, and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

The Committee of Ethics as the decision-making body, and the GCO-OCCO as operational body, make up the Compliance Function.

To duly oversee the Model, the Committee of Ethics submits to the Audit and Compliance Committee at least twice a year a report reviewing the findings of the supervision of the Model of Criminal Risk Prevention. In turn, such board committee reports on this issue to the board of directors on a quarterly basis and whenever the board requests so.

The Company relies on a whistle blowing channel, known as the “Ethics Line”, which is described in section F.1.2 below.

Protection of personal data of its customers and employees is a top priority at Inditex, including privacy from design and by default in its processes.

To ensure such protection, Inditex has in place a compliance model in the field of data protection and privacy, helmed by the Data Protection and Privacy Department, overseen by the Group’s global Data Protection Officer (DPO). At the core of such model is the Compliance Policy regarding Personal Data Protection and Privacy, approved by the board of directors. The Policy covers the principles and commitments championed by the company to ensure observance of applicable regulations on data protection and privacy in every jurisdiction where it conducts business, and respect for the rights of all concerned parties (customers, users, employees, etc.,)

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the review carried out by qualified social auditors of the facilities where the fashion items that the

Group retails are manufactured, for the purposes of minimizing any potential risk to the Group's reputation on account of improper conducts of third parties. Such specific programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. Such Compliance Programme is supplemented by the "2019-2022 Workers at the Centre" strategy that focuses on workers within the supply chain and their well-being, and through partnerships with different stakeholders, including without limitation, the Global Framework Agreement executed with *IndustriALL Global Union*, or alliances with the International Labour Organization (ILO). Additional information on this and other programmes is available in the Annual Report and on the corporate website.

To reduce the risks associated with finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications in respect of its health and safety of the products standards ("*Safe to Wear*" and "*Clear to Wear*"). Enforcement of such standards is mandatory across the supply chain for all the products sold.

The General Counsel's Office – Office of the Chief Compliance Officer is responsible for overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risk (including criminal ones, in particular those relating to corruption) and reputational risks, arising from a potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

In order to downplay this type of risks, the alignment of the Company's corporate governance system (comprising the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations, the Sustainability Committee's Regulations, the Internal Regulations of Conduct in the Securities Markets, the corporate enterprise risk management policies, and the internal conduct regulations of the Group) with the applicable regulations regarding Corporate Governance from time to time in force (including, without limitation, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct, among others), must be ensured.

For such purposes, the Audit and Compliance Committee conducts an annual review of the company's corporate governance system to establish the extent of compliance therewith and its alignment with regulatory developments, and existing recommendations, standards and best practices in the field, and systematically shore up good corporate governance practices across the company's governing bodies.

Additionally, the performance of the board of directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board (non-member), is subject to an annual self-evaluation process, led by the Nomination Committee.

Inditex relies on the Internal Regulations of Conduct (IRC) that sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use of inside information, and other relevant information of the Company.

The Compliance Supervisory Board and the Chief Compliance Officer, who reports to the Audit and

Compliance Committee every six months, are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relation and with a lawful business or professional interest, by submitting a report in good faith.

Meanwhile, the Audit and Compliance Committee regularly reviews whether potential conflicts of interest or related-party transactions detrimental to the interests of the Company and/or the shareholders exist, in accordance with a regulated review and assessment procedure, subject to approval by the board of directors. In the performance of this function, the Committee is supported by the General Counsel's Office – Office of the Chief Compliance Officer that feeds on the information regularly provided by board members and senior managers through specific questionnaires.

In short: risk is reduced ensuring the appropriate proceedings of governing and managing bodies and improving internal control, transparency and corporate responsibility within the Company, thus building up trust among shareholders and investors.

With regard to supervision, the board of directors and the Audit and Compliance Committee are the main governing bodies responsible for monitoring risks.

#### 1.- Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and organising the appropriate internal control and information systems.

#### 2.- Audit and Compliance Committee

The duties of the Audit and Compliance Committee include assisting the board of directors in its oversight and monitoring duties, by reviewing the internal control systems. The powers of the Audit and Compliance Committee are set forth in the Articles of Association, the Board of Directors' Regulations, and its own terms of reference.

Pursuant to the Audit and Compliance Committee's Regulations, the duties of such committee, exclusively comprised of non-executive directors, include without limitation: overseeing the effectiveness of the internal control system of the Company, the internal audit and the risk management systems covering both financial and non-financial risks, including tax risks and risks associated with corruption, and to review with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, during the audit, and to oversee the process for preparing and releasing the regulated financial and non-financial information.

It is further responsible for overseeing the Internal Audit Department ensuring its independence and effectiveness. To this end, the Committee is charged with: (i) evaluating the proceedings of the Internal Audit function and the performance of the Chief Audit Officer; (ii) ensuring that the function relies on the appropriate material and human resources, whether internal or external, to discharge its duties; and, (iii) approving the Internal Audit Plan and the annual activities report of the Internal Audit function- regularly receiving information on the proceedings carried out by Internal Audit - ensuring that its activity is mainly focused on the risks which are relevant for the Company and its



Group.

In the current organizational structure, the Internal Audit Department is directly linked to the board of directors, to which it reports functionally, through the Chair of the Audit and Compliance Committee, thus ensuring the full independence of its proceedings.

The mission of the Internal Audit function, defined in the Group's Internal Audit Charter, is to contribute to the good running of the Group by assuring an independent and effective supervision of the internal control system, and issuing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organization.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

In addition, certain areas or departments are responsible for monitoring that the internal control system is suitable, including: the Compliance Function that reports to the General Counsel's Office – Office of the Chief Compliance Officer. The Compliance Function oversees the Model of Criminal Risk Prevention and the Anti-Corruption Model; the Internal Control ICFR/ICNFR area, reporting to the Financial Division oversees internal control over the integrity of financial reporting (ICFR) as well as the internal control over the Statement on Non-Financial Information (ICNFR); the Information Security area oversees internal control over cybersecurity risks; the Data Protection and Privacy area is responsible for managing internal control systems over personal data; and, the tax area oversees the management system of tax risks.

## **E.2 Risks materialized in the year**

Performance in the year has been clearly impacted by COVID-19 pandemic. The global health crisis has become a systemic event with many implications on the operations of the Group. The disease spread across all geographies at different pace and with varying degrees of severity. To respond to the pandemic, competent authorities took different sets of measures aimed at restricting people mobility, even ordering home lockdowns and total or partial interruption of non-essential services.

During the pandemic peak in March and April 2020, up to 98% of the Group stores were either closed or subject to a number of restrictions affecting opening hours and/or store capacity. On occasions, such restrictions also affected the remaining services necessities for the Group to operate normally.

From the moment Inditex became aware of the health crisis, it set in place an information system to gain better understanding of all guidelines and recommendations issued by the relevant public authorities and institutions to ensure not only compliance with applicable regulations, but also leveraging best practices being implemented in different geographies. The Group's first and foremost concern has been to ensure the health and well-being of its employees, customers and of anyone who directly or indirectly renders services or supplies goods required for the smooth operation of its business, taking at all times appropriate preventive and, as the case may be,



mitigating measures.

At the time of this report, strict mobility restrictions continue in place in a number of territories where the Group is present. In particular, restrictions on work attendance affect many headquarters and peripheral offices. Remote work protocols and technical resources have permitted the normal operation of the Group's management and administration infrastructures in all geographies. Mechanisms designed to ensure that the necessary resources to permit continuity of operations in this new environment are in place, have been reinforced. Likewise, measures to protect IT systems have been enhanced.

Our integrated sales model has allowed us to continue meeting our customers' demand in all markets, even at the time when the highest mobility restriction measures were in place. Online sales have performed strongly, setting-off the impact on the physical distribution channel.

Our value chain has also been impacted by the pandemic. Sporadic disruption in production has taken place in certain procurement markets, which has translated in late deliveries of orders. Our flexible business model has served to mitigate the impact of such disruptions, leveraging the diversity of proximity origins and long cycle, and of the foresight of estimated demand to nimbly adapt purchase of goods. The pandemic has also affected the carriage of supply and distribution network. The decline in the demand of passenger transport has resulted in scarcity of routes and/or high price of freights. The Group has searched for versatile transport alternatives, in line with the unexpected circumstances to ensure the continuity of its model of goods carriage.

The pandemic has also affected market risks, giving rise to scenarios of high volatility of some of the currencies with which the Group operates and, occasionally of devaluation. The foreign exchange risk is mainly associated with the US dollar, the Russian ruble, the Chinese renminbi, the Mexican peso, the Sterling pound and the Japanese yen. The depreciation of non-euro currencies in 2020 has had a negative impact on the sales growth rate of the Company and a slightly negative impact on sales cost. Foreign exchange risk has continued to be actively managed pursuant to the Group's guidelines, based upon centralized management, optimizing currency exposure, maximizing the diversification of the risks portfolio and ongoing risk monitoring. Although the Group's liquidity position is strong, measures have been tightened to secure and safeguard the company's liquidity. Expenses have been systematically and tightly managed, and external financing sources have been increased, by extending credit lines, most of them committed, up to 8,029 million euro.

The global health crisis has also affected the proceedings of our governing bodies, as physical meetings have been limited; this issue has been resolved using technological tools that allow constant communication. Directors have been regularly updated on the evolution of the macroeconomic and social environment resulting from the global health crisis and its impact on the operations of the Group as well as on the main risk indicators and the various contingency plans and measures implemented by the Company to minimize the negative impact.

In view of the exceptional environment, dialogue, coordination and interaction between executive directors, senior managers and the heads of all business units have been reinforced across all geographies to ensure an appropriate monitoring and information flow thus allowing a nimble and appropriate decision-making, in particular with regard to the Group's critical areas or areas exposed to higher risk.

On account of mobility restrictions in place in certain parts of Spain, the Annual General Meeting was held for the first time ever with both physical and remote attendance and participation of shareholders. All the necessary preventive measures to preserve the health of the people involved in arranging it and of the shareholders who chose to attend in person were duly implemented.

The end of the Brexit transition period has given rise to new operations and business requirements. Despite the fact that these circumstances are common and well-known in many markets where the Group operates, they are new to the British market. The Group has been working on an action plan since the date the Brexit referendum took place, for the purposes of reviewing, assessing, designing and implementing mitigation strategies to minimize the potential impact of Brexit on the Group's business in general and on the British market in particular. The Group has adopted the relevant measures to mitigate Brexit impact on its operations, in particular with regard to the supply chain, distribution and employment-related issues. Relevant administrative and accounting procedures have been adapted and set to ensure compliance with the new regulations, including indirect taxation and customs duties. Additionally, certain supply, carriage and distribution flows between the EU and the UK territories have been redesigned.

## **F. Describe the mechanisms forming your company's Internal Control System over Financial Reporting (ICFR).**

### **F.1 The entity's control environment**

**Give information on the key features of at least:**

**F.1.1. The bodies and/or functions that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.**

#### **Board of Directors**

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the board of directors is the supreme decision-making, supervisory and monitoring body of the Group, being ultimately responsible for the existence and update of an appropriate and effective ICFR, as provided in the Policy on Internal Control System over Financial Reporting (the "ICFR Policy"), approved by the board of directors.

The board of directors is entrusted with the duties of leadership, management and representation of the Group, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, evaluating officers' performance, making the most relevant decisions for the Group and liaising with the shareholders.

#### **Audit and Compliance Committee**

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and

the Audit and Compliance Committee's Regulations, and as part of its financial and monitoring duties, the committee shall oversee the process for preparing and releasing the regulated financial information, as well as the effectiveness of the Internal Control System over Financial Reporting, as provided in the ICFR Policy.

In this regard, the Committee carries out the following duties, without limitation:

- To oversee the effectiveness of the internal control system of the Group, the internal audit, and the risk management systems, including tax risks, as well as reviewing with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, during the audit.
- With regard to the powers relating to the process of preparing the regulated financial information:
  - To oversee and evaluate the process of preparation and presentation as well as the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the statutory auditor, with the scope and frequency that may be defined, as the case may be.
  - To review compliance with statutory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable;
  - To keep a fluent communication with the Company's Management to understand its decisions regarding the application of the most significant criteria; with the Internal Audit Function to be apprised of the findings of the reviews carried out; and with the external auditor or verifier, to obtain their opinion regarding financial information;
  - To be familiar with, understand, oversee and evaluate the effectiveness of the internal control over financial and non-financial information system and receive information on a regular basis from the supervisor thereof;
  - To submit recommendations or motions to the board of directors for the purposes of safeguarding the integrity of the financial information;
  - To assess and advise the board of directors on any significant changes in accounting standards and on the significant risks on the balance sheet and off-balance sheet;
- With regard to enterprise risk management:
  - To oversee the enterprise risk management function and establish that it operates pursuant to the provisions of the policy approved by the Board.
  - To receive on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, and on

any significant internal control weakness detected by external auditors.

- To evaluate the effectiveness of internal control and management systems relating to financial risks, as well as of the measures established to mitigate the impact of identified risks.
- To promote a corporate culture within the Company wherein risk assessment is a factor upon decision-making, at all levels of the Company and its Group.
- To identify and re-assess, at least on an annual basis, the most significant financial risks and the level of risk tolerance.
- To identify and understand emerging risks as well as their alert mechanisms, and regularly evaluate their effectiveness.
- To ensure that risks are kept and managed within the levels of risk tolerance set by the board of directors.
- To ensure that the internal control policies and systems established by the company are effectively applied in practice.
- To meet with the heads of business units at least once a year, and whenever the committee deems it appropriate, for the purposes of reporting to the committee on trends of business and risks associated with the respective areas under their remit.
- To submit recommendations or motions to the board of directors and the relevant deadline for follow-up.

Most members of the Audit and Compliance Committee are non-executive independent directors. The committee meets on a quarterly basis and whenever it is called by its Chair. In 2020, the Audit and Compliance Committee has met 4 times.

### **Financial Department**

The Financial Department is responsible for the design, roll-out and implementation of the ICFR system, as provided in the ICFR Policy, keeping the system updated, monitoring its design and proceedings to ensure that it is effective and appropriate, communicating and training the parties involved and keeping a periodic report.

The Financial Department drafts and circulates the policies, guidelines and procedures, associated with financial reporting and is charged with ensuring the appropriate enforcement thereof within the Group.

### **Internal Audit**

The Internal Audit function supports the board of directors, through the Audit and Compliance Committee, with regard to the oversight duty relating to risk exposure, ensuring that appropriate and effective controls are set as an answer to risks in the field of governance, operations and information systems, regarding, inter alia, reliability and integrity of financial information and in particular, the Internal Control System over Financial Reporting (ICFR). To achieve this, Internal Audit carries out specific periodic ICFR audits, requests action plans to correct or reduce any

weaknesses revealed and follows up on the implementation of the proposed recommendations.

The Internal Audit Charter, approved by the board of directors, covers the mission, authority and responsibilities of the Internal Audit function pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the “*International Standards for the Professional Practice of Internal Auditing*” by the Instituto de Auditores Internos, a member of the IIA (Institute of Internal Auditors).

### **F.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information:**

Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination within the entity.

The board of directors is responsible for the design and review of the organizational structure and the lines of responsibility within the Group. The departments charged with drawing up the financial information are found within such structure.

Senior Managers and the Human Resources Department define the duties and responsibilities of each area.

The Group has clearly defined lines of authority and responsibility regarding the process to draw up financial information. The main responsibility regarding financial reporting lies with the Financial Department.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Department and disclosed by the Human Resources Department.

The Financial Department is organized in the following departments: Administration, Planning and Management Control, Treasury, Risk Management, Tax, and Processes and Projects.

With regard to ICFR, a specific management area was set up within the Financial Department, to which it reports, (the “ICFR Area”).

The Group relies on financial organizational structures that meet local requirements in each country where it operates, under the helm of a Chief Financial Officer who is charged, inter alia, with complying with the procedures set out within the ICFR System.

- **Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analyzing breaches and proposing corrective actions and sanctions.**

The board of directors approved in the meeting held on 17 July 2012, following a favourable report of the Audit and Compliance Committee, the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

Likewise, on 19 September 2017 the Board of Directors approved, following a favourable report of the Audit and Compliance Committee, the so called Integrity Policies of the Inditex Group.

The main internal conduct regulations of the Group are provided in:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Integrity Policies, which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships, and; (iii) the Policy on Dealings with Public Servants
- The Conflicts of Interest Policy
- The Internal Regulations of Conduct in the Securities Markets (IRC)

### **Code of Conduct and Responsible Practices**

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group employees upon doing their job.

Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of business anywhere in the world, as a gist of its corporate culture built up on training and personal and professional career development for its employees. For such purposes, the principles and values which shall govern the relations between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined therein.

The Code of Conduct and Responsible Practices is based upon a number of overarching principles, inter alia, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the “Obligation to Record Transactions”, addressed in section 4.13 thereof, according to which:

*“Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.*

*Inditex’s employees shall enter the financial information on the company’s systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.*

*Inditex undertakes to implement and maintain an appropriate internal control system on financial*

*reporting, ensuring the regular supervision of the effectiveness of such system.*

*Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."*

### **Policy on Criminal Risk Prevention.**

The Policy on Criminal Risk Prevention associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent.

Similarly to the provisions of the Code of Conduct and Responsible Practices, section 2.9 of the Policy reads as follows: *"(...) any transaction of economic weight carried out by the Company shall be clearly and accurately recorded in appropriate accounting records that show the true and fair image of the transactions carried out. Such records must be made available to internal and external auditors.*

*Inditex's employees shall enter the full financial information into the Company's systems in a clear and accurate manner so that they will show, as at the relevant date, its rights and obligations in accordance with the applicable regulations. Likewise, they shall ensure that the financial information that must be disclosed to the market under the prevailing regulations in force, is accurate and full.*

*Inditex is committed to implementing and keeping an appropriate internal control system in respect of financial reporting, ensuring that the effectiveness of such information is regularly monitored. For such purposes, required training will be offered so that employees may be apprised of and understand the company's commitments in the field of internal control on financial information."*

As stated in section E.6. above, the Policy, together with the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls, comprise the Model of Criminal Risk Prevention of the Inditex Group. The Committee of Ethics is the governing body responsible for overseeing compliance with such Model and the effective and appropriate implementation of the controls therein set.

### **IRC**

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Ethics Line Procedure.

In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be, on account of civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Compliance Supervisory Board (the "CSB") which reports directly to the Audit and Compliance Committee, composed of:

- The Executive Chairman

- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

CSB is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, the Office of the Chief Compliance Officer (the "OCCO") reports to the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, inter alia, with enforcing the conduct regulations of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The IRC sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use and dissemination of inside information and other relevant information of the Company.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside information and/or other relevant information, and namely financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

With regard to the IRC, the OCCO keeps a General Documentary Register of Affected Persons. The OCCO informs Affected Persons that they are subject to the provisions of the IRC and reports any breaches and penalties which may result, as the case may be, from an inappropriate use of reserved information.

Likewise, the OCCO informs the Affected Persons that they have been included in the General Documentary Register.

Compliance with the Codes of Conduct of the Inditex Group and, in general, with its internal regulations of conduct is ensured through the Committee of Ethics, composed of:

- The General Counsel and Chief Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer
- The Chief Human Resources Officer

The Committee of Ethics may act of its own motion or at the behest of any employee, manufacturer or supplier of Inditex, or any third party involved in a direct relation and with a lawful business or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the board of directors through the Audit and Compliance Committee and has the following basic responsibilities:

- To oversee compliance with the Code and the internal circulation thereof to the Group's s



personnel.

- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for processing and issuing a resolution regarding such instrument.
- To oversee the ethics line (formerly known as the “Whistle Blowing Channel”) and compliance with the Ethics Line Procedure.
- To monitor and oversee proceedings and their settlement.
- To solve any doubts which may arise regarding the enforcement of the Code.
- To propose to the board of directors, following a report of the Audit and Compliance Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To promote training plans for employees on internal conduct regulations and the proceedings of the ethics line.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by a court order.

To ensure that the Ethics Line is properly run, and that the privacy of the parties concerned is protected, the Committee of Ethics may address ex-officio anonymous concerns.

- The thorough review of any information or document that triggered its action.
- The commencement of proceedings that adjust to the circumstances of the case, where it shall always act with independence, fully respecting the right of the parties to be heard, to honour and to the presumption of innocence.
- Prohibition of retaliation and indemnity of anyone who reports through the Ethics Line in good faith.

Further to the launching of appropriate proceedings, the Committee of Ethics will take, as the case may be, the relevant prevention, remediation and/or disciplinary measures, including referring the matter to the relevant department which will be charged with taking, and at any rate applying, the remediation measures which may be necessary. Such remediation measures shall be reported to the Committee of Ethics.

Decisions of the Committee of Ethics are binding for the Inditex Group and its employees.

The Committee of Ethics submits a report to the Audit and Compliance Committee at least every six months, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the board of directors, on an annual basis as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance

with internal regulations, from time to time in force.

With regard to the dissemination of the above referred conduct regulations, the Human Resources Department is responsible for circulating a copy of the Code of Conduct and Responsible Practices to any new employee when they join the organization.

Likewise, conduct regulations as amended are available on the corporate website ([www.inditex.com](http://www.inditex.com)), under the Compliance tab, and on INET; they are subject to the appropriate measures regarding disclosure, circulation, training and awareness-raising, so that they may be understood and implemented within the whole organization.

- **Whistleblowing channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organization, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.**

An Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any breach of the Group's internal conduct regulations by employees, manufacturers, suppliers or third parties engaged in an employment, business or direct professional relations with the Group, which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice, including those of a financial and accounting nature, may be reported.

The Committee of Ethics is responsible for overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the board of directors on 17 July 2012 and amended on 10 December 2019. Such Procedure clarifies and reinforces guarantees and protective measures for all parties in the process: (i) maximum confidentiality; (ii) non-retaliation; (iii) presumption of innocence and respect for the right to honour of reported parties; (iv) the right of the parties to be heard, and; (v) appropriate use of personal data processed.

Full information on the Committee of Ethics and the Ethics Line is available on the intranet and on the corporate website ([www.inditex.com](http://www.inditex.com)), under the "Compliance" tab, where a direct link to such Line is available.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct regulations may be sent to the Company either by post - for the attention of the Committee of Ethics to the following postal address: Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain) – or by e-mail - ([ethicsline@inditex.com](mailto:ethicsline@inditex.com)) .The confidentiality of such reports or queries is ensured.

- **Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system,**

**covering at least accounting standards, auditing, internal control and risk management.**

The Group's Training and Career Development Area, reporting to the HR Department, is charged with preparing, together with each of the areas reporting to the Financial Department, training and refresher courses addressed to staff responsible for drawing up and overseeing the financial information of each company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of regulatory developments on financial reporting and supervision of financial information.

**General Induction**

Aimed at gaining internal knowledge of each business unit, as well as of each department and the respective activities, functions and duties within the business. Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at different corporate departments at headquarters and their training is completed at any of the markets where the Group operates.

**Specific training**

Group employees responsible for the processes associated with the drawing up of financial information regularly take training and refresher courses that seek to acquaint them with local and international regulations on financial reporting, as well as with existing regulations and best practices in the area of internal control. An e-learning platform is available to employees, to train them on issues regarding financial reporting or information security.

Within the financial environment, training and refresher schemes are arranged by the Human Resources Department liaising with each of the areas of the Financial Department.

Training courses are provided on an annual basis for all new heads of financial areas in each country, in order to get them acquainted with the Inditex Group's management model, as well as with the internal control system over financial reporting implemented by the Group.

Additionally, courses are taught by internal staff on the operation of financial software tools used to draw up the financial information.

Among the specialized training run to employees of the different units and areas of the Financial Department in the year, the following bear mention:

- Internal Control System over Financial Reporting
- Significant aspects of the risk management system
- New risks resulting from COVID-19
- Update on international accounting standards (IFRS)
- Cybersecurity

Additionally, training schemes on local accounting regulations are in place in the different markets.

## F.2 Financial reporting risk assessment

Report on at least the following:

### F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- **Whether the process exists and is documented.**

The risk identification process has been documented in the Procedure for Enterprise Risk Management regarding Financial Reporting. This Procedure seeks to describe the mechanisms for identifying and assessing, on an annual basis, the risks which might lead to material errors in financial reporting

- **Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.**

The above referred risks management process consists of five stages:

- Gathering financial information.
- Identifying the operation cycles with an impact on financial information.
- Assessment of risks by the reporting unit of financial statements.
- Prioritizing accounts criticality.
- Checking risks versus operational cycles.

As a result of such process, a scoping matrix of risks regarding financial information (ICFR Scoping Matrix) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information.

Assessment covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; and (v) rights and obligations.

Following the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit; and, (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for Incorporating and Financing of Companies.

The Master covers, on the one hand, general corporate information, such as company name, accounting closing date and currency, and on the other, legal details such as the date of incorporation, share capital, list of shareholders, equity interest, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter

- **Whether the process takes into account the effects of other types of risk (financial, geopolitical, technological, environmental, social and governance) to the extent that they affect the financial statements.**

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks.

Potential risks identified through the ICFR Scoping Matrix are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Department) with the assistance of all areas of the Organization involved in the process. The Group may thus consider the impact that the remaining risks classified in the following groups: financial, geopolitical, technological, environmental, social and governance risks, may have on financial statements.

- **The governing body within the company that oversees the process.**

The whole process is overseen and approved on an annual basis by the Audit and Compliance Committee.

### **F.3 Control activities**

**Report on whether the company has at least the following, describing their main characteristics:**

- F.3.1. Review and authorization procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the specific review of significant judgements, estimates, valuations and projections.**

Pursuant to the Board of Directors' Regulations, the Audit and Compliance Committee is responsible, inter alia, for reviewing the annual accounts and the periodic information that the board of directors must submit to the markets and their supervisory bodies, verifying at all times compliance with statutory requirements and the appropriate use of generally accepted accounting principles upon drawing up such information.

Likewise, pursuant to the above referred Regulations the Audit and Compliance Committee shall meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the board of directors must approve and release as its annual public documentation.

Furthermore, the ICFR Area monitors that the ICFR is effective and appraises the Financial Department and, where appropriate, the Audit and Compliance Committee, of the findings of such monitoring.

The Group relies on mechanisms to review financial information. Each organizational structure is responsible for reviewing the financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Department and the external auditor meet, for the purposes of reviewing and assessing the financial information.

The Audit and Compliance Committee submits this information to the board of directors which is ultimately responsible for approving it before releasing it to the market.

The Group keeps its main business processes with ICRF scope duly documented. Each process is structured in a number of sub-processes, with their relevant flowcharts, that include the proceedings that play a direct or indirect role on financial reporting.

Such processes describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives relating to reliability and integrity of the financial information, identifying the risks which may result in accounting fraud, so as to prevent, detect, reduce and correct the risk of any potential error way in advance. Each ICFR process has its scoping matrix of risks and controls associated, and they are separated between processes carried out at local level and at corporate level for the entire Group. Design of flowcharts, description of the different processes and sub-processes and identification of risks and controls is carried out with ARIS.

This software application allows keeping the entire documentation relating to the Group's ICFR processes within a single environment, which results in streamlined processes, as flowcharts, narratives and scoping matrices of risk and control are integrated. All members of the Group involved in ICFR have access to ARIS to view the different processes.

The ICFR system monitoring model is implemented based upon *SAP GRC Process Control* tool, wherein each control activity is assigned to a supervisor, who carries them out with the defined frequency.

Each process is assigned to a process owner, who assesses on a quarterly basis the effectiveness of controls, and defines and keeps updated the ICFR process for which they are responsible.

The ICFR Area monitors on a quarterly basis the assessments made by processes owners about

the effectiveness of controls. It also coordinates and encourages the periodic review of controls design.

In addition, the ICFR Area is subject every year to an internal certification process whereby financial heads of the markets within the scope of ICFR monitoring, process owners and corporate directors of areas who take part in the process of preparation and monitoring of financial information certify that they have implemented the controls for which they are responsible.

SAP GRC Process Control is implemented with regard to all the processes within the ICFR scope, including those carried out by areas outside the financial area.

With regard to the consolidation, closing and reporting process, the Financial Department issues the instructions together with the calendar and contents of the financial information to be reported by each of the local financial structures to draw up the consolidated financial statements.

Risks are identified in the ICFR's consolidation, closing and reporting process, and controls matrix which includes controls relating to relevant opinions, estimates, assessments and projections.

**F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the company relating to the preparation and publication of financial information.**

The internal control framework of the Group's information systems seeks to set up controls over the main business processes, which are closely related to Information Technologies ("IT").

Based upon the link between business processes and associated systems, basic risks are reviewed which allows the company to prioritize and focus on such IT environments which are deemed to be especially relevant.

A number of general controls on applications (IT General Controls or ITGCs) are identified within the Group's ICFR, including:

- Secure access to both applications and data.
- Control on changes in applications.
- Environment segregation.
- Appropriate operation of applications.
- Availability of data and continuity of applications.

The implementation of ITGCs on the applications identified within the ICFR scope is monitored on an annual basis by the ICFR area. As a general rule, the yardstick to identify applications within the ICFR scope is that they play a significant role in the preparation of the financial information and/or support at least a key operating control.

The findings of such monitoring are reported to the Financial Department through the quarterly

reports assessing ICFR controls.

It bears mention that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of information systems in case of lack of availability.

In 2020, the Information Security Committee has held quarterly meetings. Such Committee is charged with ensuring the effective and consistent enforcement of best practices regarding information security management across the organization, reducing risks affecting security to the minimum, taking into account the company's business.

The Information Security Committee is composed of:

- The CEO
- The General Counsel and Secretary of the Board
- The Chief IT Officer
- The Chief Information Security Officer
- The Chief Financial Officer
- The Chief Audit Officer

The Information Security Policy sets forth the principles and guidelines whereby Inditex will protect its information, pursuant to applicable regulations and its ethical values defined in the Code of Conduct and Responsible Practices as well as the provisions of the Regulations of the Information Security Committee and of any other applicable internal regulations.

The overarching principles that inform the Policy are:

- (i) classification of information, in accordance with its value, relevance and criticality for the business;
- (ii) limited use of information systems to lawful and exclusively professional purposes;
- (iii) segregation of duties to avoid risks;
- (iv) setting retention periods by information category, where necessary or convenient;
- (v) setting monitoring procedures to control how information is made available to third parties;
- (vi) security in Information Systems;
- (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and



- (viii) alignment of Information Systems and communications of the Group with the requirements of applicable laws and regulations.

The Information Security Department performs its monitoring duties in an independent manner, and is responsible for implementing the Policy and monitoring compliance therewith, and with all requirements arising from applicable laws, regulations and best practices in the field of Information Security.

In 2020, as a result of the global pandemic caused by COVID-19, special attention has been given to the remote work plans and the management of risks associated thereto.

In particular, the existing capacity of remote access channels and systems has been adapted, monitoring, protection and control measures regarding such remote connections have been reinforced, and specific awareness-raising actions have been addressed to our employees and collaborators.

### **F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.**

In 2020, certain activities, mainly actuarial calculations, human resources-related services, valuation of derivatives, calculation of discount rates and certain processes of the Systems area, were outsourced to third parties. Included in the ICFR processes are controls on such calculations made by third parties, for the purposes of mitigating risks which may have an impact on financial information.

Outsourced services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the experts hired.

## **F.4 Information and communication**

**Report on whether the company has at least the following, describing their main characteristics:**

### **F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.**

Within the Planning and Management Control Department, the External Reporting area is responsible for drawing up, disclosing, implementing and updating the Group's Manual on Accounting Policies. With regard to the Group's accounting policies, such area is responsible for, inter alia:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing doubts and queries arising from the construction of accounting standards.
- Standardizing the accounting practices of the Group.

The Manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The Manual is regularly updated. As part of such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drawing up the financial statements.

The Manual is available on the Company's INET.

#### **F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.**

The process for consolidation and preparation of consolidated financial statements is centralized, being incumbent on the External Reporting area which reports to the Planning and Management Control Department.

Drawing up the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is supported by SAP BPC tool.

Financial information reported to CNMV is prepared based upon consolidated financial statements gathered through the above referred tool, and upon certain supplementary information reported by the markets, required to prepare the annual/half-yearly report. The entire process is supported by SAP Disclosure Management tool. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

The board of directors approved on 14 December 2020 the Policy on Disclosure of Economic-Financial, Non-Financial and Corporate Information that seeks to establish a framework for action and define the overarching principles that will govern the disclosure by the Company of Economic-Financial, Non-Financial and Corporate Information via Regulated and non-Regulated Channels.

Under such Policy, the board of directors, being the highest supervisory body responsible for overseeing economic-financial, non-financial and corporate information, shall ensure the largest circulation and the highest quality of the information provided to the stakeholders in accordance with a set of principles, including: transparency, objectivity, accuracy, immediacy and symmetry in disclosure of information.

## F.5 Supervision of the system's operation

Give information on the key features of at least:

**F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.**

With regard to the evaluation of ICFR and the procedure set to disclose its results, the ICFR area has monitored on a quarterly basis, via the owners of processes with an impact on the financial information, the implementation of controls, requesting and reviewing a sample of evidence from the supervisors of each control.

As a result of such monitoring, improvement areas of each control have been identified and they have been assigned an action plan to remedy them. Follow up has ensued, to ensure they have been complied with.

Likewise, the ICFR area has issued on a quarterly basis a report with the findings of each control, the main action lines followed in the quarter and the incidences identified. Moreover, in 2020 an additional follow-up report was issued on the evaluation of specific controls implemented as a result of the changes to financial processes and new risks resulting from COVID-19. These reports have been submitted to the Financial Department, the heads of financial departments and the Internal Audit Department. The ICFR area has reported to the Audit and Compliance Committee on the evaluation of ICFR effectiveness in 2020 and the planned scope for 2021.

In 2020 and specifically regarding ICFR oversight activities, the Audit and Compliance Committee has carried out the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate application of the generally accepted accounting principles upon drafting such information.
- As part of its supervision duties regarding the Internal Audit function, it has approved its annual activities report, as well as its budget and the annual internal audit plan which includes specific audits on ICFR processes, pursuant to a pluri-annual plan set.
- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interest or significant transactions subject to review in the year.
- It has reviewed with the external auditor and with Internal Audit the internal control

weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Compliance Committee on the degree of enforcement of recommendations resulting from such assignments.

- It has regularly met with other corporate departments of the Inditex Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function directly linked to the board of directors, which ensures full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Compliance Committee.

The area is centrally managed from headquarters and has representatives at such geographic areas where the presence of the Inditex Group so requires. Additionally, it is divided into specialized areas, which allows gathering deep understanding on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Compliance Committee which provides for the human and material resources, both internal and external of the Internal Audit Department.

The mission of the Internal Audit function consists, inter alia, of assessing risk exposure and the suitability and effectiveness of controls in respect of risks identified and namely, those related to reliability and integrity of financial and operational information.

Based upon the ICFR Scoping Matrix, Internal Audit drafts a pluri- annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Compliance Committee for approval every year.

This pluri-annual plan entails conducting ICFR reviews of the significant processes and elements of the Group's financial statements. Review priorities are set based upon the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks. Additionally, annual planning include compliance with the provisions of current internal corporate policies, including the ICFR Policy.

Namely, the following issues are subject to review: the design and effective operation of key transactional controls and general controls on the main software tools involved in financial reporting, as well as the review of the general control environment.

To carry out its activities, Internal Audit uses different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the appropriateness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Department and the Audit and Compliance Committee. Internal Audit follows up on the implementation of such measures which is reported to the Audit and Compliance Committee.

**F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.**

Internal Audit regularly discloses to the Financial Department and the Audit and Compliance Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, external auditors regularly meet with the Financial Department and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

In its meetings, the Audit and Compliance Committee considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: *"The Board of Directors shall ensure that the annual accounts are drawn up in accordance with accounting standards, endeavouring for them to be drafted in such a manner that they do not give rise to qualifications on the part of the auditor. However, in the exceptional circumstances where the auditor expresses a qualified opinion and the Board of Directors considers that it must stick to its position, it shall publicly explain the contents and scope of the discrepancy. The foregoing without prejudice to the information that the Chair of the Audit and Compliance Committee would make available to the shareholders at the General Meeting of Shareholder"*

To meet the provisions of section 45.5 above referred, any discussions or different views existing are advanced in the meetings of the Audit and Compliance Committee with external auditors. In turn, external auditors report, where appropriate, on the main internal control issues that need to be improved which have been identified as a result of their work. Additionally, Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

Meanwhile, the Audit and Compliance Committee meets with the statutory auditors of the individual and consolidated annual accounts for the purposes of reviewing on the one hand the Group's annual account, and on the other, certain half-yearly periodic financial information that the board of directors must provide to the market and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate enforcement of generally accepted accounting principles upon preparing such information.

Moreover, the Committee shall regularly receive from the statutory auditor information regarding the audit plan and the results of its implementation, follow up on the recommendations proposed by the statutory auditor and may request its collaboration whenever this is deemed necessary.

In 2020, members of the Internal Audit function and external auditors were in attendance at all 4

meetings held by the Audit and Compliance Committee.

## **F.6 Other relevant information**

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## **F.7 External auditor's report**

### **Report:**

**F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.**

The information on ICFR included in this section F of the Annual Corporate Governance Report for 2020 and prepared by the Group's Management is reviewed by the external auditors.



*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

**AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF INDUSTRIA DE DISEÑO TEXTIL, S.A., FOR THE FISCAL YEAR ENDED ON 31 JANUARY 2021**

To the Directors of  
Industria de Diseño Textil, S.A.:

As requested by the Board of Directors of Industria de Diseño Textil, S.A. ("the Entity") and in accordance with our proposal-letter of 15 July 2020, we have applied certain procedures to the information relating to the ICFR included in section F) of the accompanying Annual Corporate Governance Report of Industria de Diseño Textil, S.A. for the fiscal year ended on 31 January 2021, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on 31 January 2021 described in the information relating to the ICFR included in the section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in Circular 5/2013 of 12 June 2013 published by the Spanish National Securities Market Commission ("CNMV") and its subsequent amendments, being the most recent Circular 1/2020 of 6 October 2020 ("CNMV Circulars").
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for preparing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit and Compliance Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Compliance Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circulars for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Cleber H. Beretta Custodio  
9 March 2021



## G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of association of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies X

Explain

2. That when the listed company is controlled by another entity within the meaning of section 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies X

Complies partially

Explain

3. That, during the Annual General Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last Annual General Meeting.

- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies X

Complies partially

Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to shareholders who are in the same position. And that the company

should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (media, social media or other channels) that helps maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies **X**      Complies partially      Explain

5. That the Board of Directors should not submit to the General Meeting of Shareholders any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of pre-emptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of pre-emptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies **X**      Complies partially      Explain

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website well in advance of the Annual General Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the proceedings of the audit and nomination and remuneration committees.
- c) Report by the audit committee on related party transactions.

Complies **X**      Complies partially      Explain

7. That the company should broadcast its Annual General Meeting live on its website.

And that the company should have mechanisms in place allowing to grant proxy and to cast votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies **X**      Explain

8. That the audit committee should ensure that the financial statements submitted to the General Meeting of Shareholders are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to

shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies **X**      Complies partially      Explain

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Meeting of Shareholders, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory manner.

Complies **X**      Complies partially      Explain

10. That when a duly authenticated shareholder has exercised his or her right to supplement the agenda or submit new proposals for resolutions in advance of the General Meeting of Shareholders, the company should:

- a) immediately distribute the supplementary items and new proposals for resolutions.
- b) publish the standard form of attendance card or the form to vote by proxy or cast absentee voting with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) after the General Meeting of Shareholders, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies **X**      Complies partially      Explain      Not applicable

11. That if the company intends to pay premiums for attending the General Meeting of Shareholders, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies      Complies partially      Explain      Not applicable **X**

12. That the board of directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, customers and other stakeholders that may be affected, as well as the impact of its corporate activities on the

**communities in which it operates and on the environment.**

Complies **X**      Complies partially      Explain

- 13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.**

Complies **X**      Explain

- 14. That the Board of Directors should approve a policy aimed at encouraging an appropriate composition of the Board and that:**

- a) Is specific and ascertainable;**
- b) Ensures that motions for appointment or re-election are based upon a prior analysis of the needs of the board of directors; and**
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.**

**That the result of the prior analysis of the competencies required by the board of directors are written up in the explanatory report from the nomination committee published upon calling the Annual General Meeting to which the ratification, appointment or re-election of each director is submitted.**

**The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.**

Complies **X**      Complies partially      Explain

- 15. That proprietary and independent directors should constitute a substantial majority of the board of directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the ownership interest of executive directors.**

**And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and not less than 30% prior to that date.**

Complies **X**      Complies partially      Explain

- 16. That the number of proprietary directors out of all non-executive directors should not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.**

**This yardstick may be relaxed:**

- a) In large-cap companies where very few shareholdings are legally considered significant.**
- b) In the case of companies where a plurality of shareholders is represented on the board of directors without ties among them.**

Complies **X** Explain

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalization or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies **X** Explain

18. That companies should publish the following information on its directors on their website, and keep it regularly updated:

- a) Professional experience and biography.
- b) Any other boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Directorship type, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's board of directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies **X** Complies partially Explain

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors on the proposal of shareholders whose holding is less than 3%. It should also explain, where applicable, any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies Complies partially Explain Not applicable **X**

20. That proprietary directors representing significant shareholders should resign from the board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its stake to a level that requires a decrease in the number of proprietary directors.

Complies **X** Complies partially Explain Not applicable

21. That the board of directors should not propose the removal of any independent director before the completion of the director's term provided for in the articles of association unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee.

Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, are in breach of their fiduciary duty, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The removal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies X Explain

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the board of any criminal charges brought against them as well as of how the legal proceedings subsequently unfold.

And that, if the board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must examine the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disclose, if appropriate, at the time when the corresponding measures are implemented.

Complies X Complies partially Explain

23. That all directors clearly express their opposition when they consider any proposal submitted to the board of directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board of directors.

Furthermore, when the board of directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies X Complies partially Explain

24. That whenever, due to resignation or resolution of the General Meeting of Shareholders, a director leaves before the completion of his or her term of office, the director should explain

the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter addressed to all members of the board of directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the direct.

Complies X      Complies partially      Explain

25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company boards on which directors may sit.

Complies X      Complies partially      Explain

26. That the board of directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies      Complies partially X      Explain

The Board of Directors meets according to the schedule of dates and agendas previously approved at the start of each year. Such schedule covers the most relevant issues that the board of directors must address.

The board of directors met 7 times in 2020. In addition, directors have been regularly updated on the evolution of the macroeconomic and social environment resulting from the global health crisis and its impact on the operations of the Group as well as on the different contingency plans and measures implemented by the Company to minimize it, in a number of meetings not formally called.

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies X      Complies partially      Explain

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the board of directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies X      Complies partially      Explain      Not applicable

29. That the company should establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external

advice at the company's expense.

Complies X

Complies partially

Explain

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies x

Complies partially

Explain

31. That the agenda for meetings should clearly indicate those matters on which the board of directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the board of directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies x

Complies partially

Explain

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies x

Complies partially

Explain

33. That the chairman, as the person responsible for the efficient workings of the board of directors, in addition to carrying out the duties assigned by law and the articles of association, should prepare and submit to the board of directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the board as well as, where applicable, the chief executive of the company, should be responsible for leading the board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies x

Complies partially

Explain

34. That when there is a lead independent director, the articles of association or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the board of directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies x

Complies partially

Explain

Not applicable

35. That the secretary of the board of directors should pay special attention to ensure that the activities and decisions of the board of directors take into account such recommendations regarding good governance contained in the Good Governance Code as may be applicable to the company.

Complies x

Explain



**36. That the board of directors meets in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:**

- a) Quality and efficiency of the proceedings of the board.**
- b) Proceedings and composition of its committees.**
- c) Diversity of board membership and competencies.**
- d) Performance of the chairman of the board of directors and of the chief executive officer of the company.**
- e) Performance and input of each director, paying special attention to those in charge of the various board committees.**

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies x

Complies partially

Explain

**37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.**

Complies x

Complies partially

Explain

Not applicable

**38. That the board of directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the board of directors receive a copy of the minutes of meetings of the executive committee.**

Complies x

Complies partially

Explain

Not applicable

**39. That all members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.**

Complies x

Complies partially

Explain

Not applicable

**40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the board or of the audit committee.**

Complies x

Complies partially

Explain

Not applicable

- 41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.**

Complies x

Complies partially

Explain

Not applicable

- 42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:**

**1. With regard to information systems and internal control:**

- a) Overseeing and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, where applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and overseeing a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

**2. With regard to the external auditor:**

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

- b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, where applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies x

Complies partially

Explain

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies x

Complies partially

Explain

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies x

Complies partially

Explain

Not applicable

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) An enterprise risk management model based on different levels, which will include a specialized risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialized.
- e) Internal control and information systems to be used in order to control and manage

**the aforementioned risks, including contingent liabilities or off-balance sheet risks.**

Complies x

Complies partially

Explain

**46. That under the direct supervision of the audit committee or, where applicable, of a specialized committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:**

- a) Ensuring the proper functioning of the enterprise risk management systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.**
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.**
- c) Ensuring that the enterprise risk management systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.**

Complies x

Complies partially

Explain

**47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – efforts are made to ensure that they have the knowledge, skills and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.**

Complies x

Complies partially

Explain

**48. That large-cap companies have separate nomination and remuneration committees.**

Complies x

Complies partially

Explain

**49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.**

**And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the board of directors.**

Complies x

Complies partially

Explain

**50. That the remuneration committee operates independently and that, in addition to the functions it has been assigned by statute, it should be responsible for the following:**

- a) Proposing to the board of directors the basic terms and conditions of employment for senior management.**
- b) Verifying compliance with the company's remuneration policy.**
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received**

by the company's other directors and senior managers.

- d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies x

Complies partially

Explain

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies x

Complies partially

Explain

52. That the rules on membership and proceedings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the board of directors appoints members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies x

Complies partially

Explain

Not applicable

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialized committee on sustainability or corporate social responsibility or such other specialized committee as the Board of Directors, in the exercise of its powers of self-organization, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies x

Complies partially

Explain

**54. The minimum functions referred to in the foregoing recommendation are the following:**

- a) **Monitoring compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Monitoring the application of the general policy on disclosure of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
- c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
- d) **Oversee the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.**
- e) **Oversee and evaluate the company's interaction with its different stakeholders.**

Complies x

Complies partially

Explain

**55. That environmental and social sustainability policies identify and include at least the following:**

- a) **The principles, commitments, objectives and strategy relating to shareholders, employees, customers, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.**
- b) **Means or systems for monitoring compliance with these policies, their associated risks, and management.**
- c) **Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**
- d) **Channels of communication, participation and dialogue with stakeholders.**
- e) **Responsible communication practices that impede the manipulation of data and protect integrity and honour.**

Complies x

Complies partially

Explain

**56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.**

Complies x

Explain

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies x

Complies partially

Explain

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies x

Complies partially

Explain

Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies x

Complies partially

Explain

Not applicable

60. That remuneration related to company results should take into account any reservations that

**might appear in the external auditor's report and that would diminish said results.**

Complies **x**      Complies partially      Explain      Not applicable

- 61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.**

Complies **x**      Complies partially      Explain      Not applicable

- 62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.**

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies **x**      Complies partially      Explain      Not applicable

- 63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.**

Complies **x**      Complies partially      Explain      Not applicable

- 64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies **x**      Complies partially      Explain      Not applicable



## H. FURTHER INFORMATION OF INTEREST

1. **If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.**
2. **This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.**
3. **Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.**
4. **The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.**

Codes and global commitments willingly undertaken by INDITEX are:

- *UNI GLOBAL UNION* ([www.uniglobalunion.org](http://www.uniglobalunion.org)). It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.
- *The United Nations Global Compact* ([www.globalcompact.org](http://www.globalcompact.org)). A United Nations initiative that encourages social dialogue between companies and the civil society. Date of endorsement: 31 October 2001.
- *Ethical Trading Initiative* (ETI) ([www.ethicaltrade.org](http://www.ethicaltrade.org)). A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organizations. Date of endorsement: 17 October 2005.
- Framework Agreement with IndustriALL Global Union (formerly, ITGLWF) ([www.industriall-union.org](http://www.industriall-union.org)). To promote fundamental human and social rights within Inditex's supply chain, including the definition of mechanisms of joint action within the supply chain to implement the Code of Conduct for Manufacturers and Suppliers. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to define the involvement of trade unions in the reinforcement of the International Framework Agreement within Inditex's supply chain." On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL, that introduces the concept of "union experts" to enforce the Global Framework Agreement. On 13 November 2019 the Global Framework Agreement was renewed, with both parties

agreeing to set up a Global Union Committee on which worker representatives from each of the Inditex Group's key areas of production will sit.

- *Zero Discharge of Hazardous Chemicals in 2020*. Commitment towards restriction and elimination of certain chemicals in the product manufacturing process. Date of execution: 27 November 2012.
- *ILO's Better Work Programme* ([www.betterwork.org](http://www.betterwork.org)). Platform to improve compliance with labour regulations and competitiveness of global supply chains. Date of endorsement: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific partnership agreement whereby Inditex became a direct buyer partner of the Better Work programme.
- *The CEO Water Mandate* ([www.ceowatermandate.org](http://www.ceowatermandate.org)). A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.
- *Sustainable Apparel Coalition* ([www.apparelcoalition.org](http://www.apparelcoalition.org)). An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.
- *Textile Exchange* ([www.textileexchange.org](http://www.textileexchange.org)). A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.
- *Better Cotton Initiative* ([www.bettercotton.org](http://www.bettercotton.org)). An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.
- Code of Good Tax Practices. It encourages a mutually cooperative relationship between the Tax Administration Authority of Spain and the companies. Sign up date: 21 September 2010.
- Cooperation Agreement between the Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defense and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.
- *Cotton Campaign*: this is an initiative led by companies and organizations of the third sector to improve working conditions and defend Human Rights in the production and supply of cotton. Date of endorsement: 25 October 2012.
- Agreement on Buildings Safety in the Textile Industry in Bangladesh (*Accord*) executed on 13 May 2013 and renewed in June 2018. ([www.bangladeshaccord.org](http://www.bangladeshaccord.org)). This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country. One of the first signatories of the agreement, Inditex is a member of its Steering

Committee. On 1 June 2020, the RMG Sustainability Council (RSC) took over the work of the Accord on Fire and Building Safety in Bangladesh.

- *Fur Free Alliance* ([www.infurinformation.com](http://www.infurinformation.com)). Inditex is a member of the Fur Free Retailer Program of the Fur Free Alliance. The Fur Free Alliance is an international coalition of animal protection organizations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.
- *ACT (Action Collaboration Transformation)*: an initiative of international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. In development thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of execution: 13 March 2015.
- *CanopyStyle Initiative*. Date of endorsement: 2014. Committed to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibers (viscose, modal, Lyocell).
- Organic Cotton Accelerator (OCA Foundation). One of the founding partners of OCA Foundation in 2016 and member of the Investment Committee, being actively committed to contributing to develop a responsible and healthy market of organic cotton for all parties involved.
- International Labour Organization (ILO). Execution of a global Public-Private Partnership aimed at promoting respect for the fundamental principles and rights at work in the cotton sector. Date of execution: 11 May 2017.
- *Fashion Industry Charter for Climate Change*. The Fashion Industry Charter was subscribed with the UN Climate Change Office. Aligned with the goals of the Paris Agreement, the Charter has set an initial target of 30% GHG emission reduction by 2030. Date of execution: 28 November 2018.
- *New Plastics Economy Global Commitment*. Undertaken with the Ellen MacArthur Foundation to establish a circular economy for plastic and prevent that it becomes waste, on account of not being reused or recycled. Date of execution: 18 October 2018.
- *Better Than Cash Alliance*. Based in the UN, this is an alliance of governments, companies and large international organizations that seek to globally promote the transition from cash to digital payments. Inditex is focused on achieving digitalization and financial education across its supply chain. Inditex became a member in November 2018.
- *Sustainable Fibre Alliance* (SFA). Non-profit international organization that works with the extended cashmere supply chain, from herders to retailers. Its goal is to promote a global sustainability standard for cashmere production in order to preserve and restore grasslands, ensure animal welfare and secure livelihoods.

Year of membership: 2019.

- *Fashion Pact* (<https://thefashionpact.org>), Global coalition of companies in the fashion industry committed to key specific common goals to meet the challenges that the industry faces to stop climate change, preserve the oceans and restore biodiversity. The Pact was signed on 23 August 2019.
- *Global Fashion Agenda* (<https://globalfashionagenda.com>). It encourages a number of commitments towards circular economy in 2020 known as GFA 2020 Commitment. Inditex has been a signatory since 11 May 2017.
- AFIRM GROUP: working forum of leading brands in the apparel, footwear and sporting goods industries who share the goal of reducing the use and impact of harmful substances across the textile and leather supply chain.
- Partnership for a sustainable recovery plan for the Spanish economy: initiative promoted in 2020 by Ecodes and the Spanish Green Growth Group, to support and implement a sustainable stimulus package, effective from both an economic and social perspective and aligned with sustainability and biodiversity policies.
- BSR: Global non-profit organization that works with a network of more than 200 members to build a fair and sustainable world. Inditex has been a member of BSR since 2019 and takes part in several of BSR's initiatives, such as the HER Project to promote women's empowerment.
- *UN Business Ambition for 1.5°C*: Inditex joined in 2020 this urgent call for action from UN Global Compact, for a global coalition of business and industry leaders to commit their companies to set science-based targets aligned with emission reduction.
- The Fashion Industry Charter for Climate Action (UNFCCC): Inditex is a signatory of the Charter with the UN Climate Change Office, aligned with the goals set in the Paris Agreement, to be climate-neutral by 2050 (net-zero GHG emissions). The Agreement has set an initial target of -30% by 2030. The Fashion Industry Charter was launched in December 2018 at the COP24 summit in Katowice, Poland.
- *Clean Cargo Working Group*: Inditex joined in 2020 this initiative that seeks to reduce the environmental impacts of global freight transport and promoting responsible shipping. Within the Clean Cargo Working Group, companies work together to integrate environmentally and socially responsible business principles into freight management.
- *Covid-19: Action in the global garment industry*: this initiative aims to catalyze action from across the global garment industry to support manufacturers to survive the economic disruption caused by the COVID-19 pandemic and to protect garment workers' income, health and employment. This call to action has been coordinated in 2020 by the International Organisation of Employers (IOE), the International Trade Union Confederation (ITUC) and IndustriALL Global Union together with international brands, with the technical support of the International Labour Organization (ILO). Inditex is a member of the international working group convened by ILO to implement it.

- Foro Social de la Moda [*Fashion Industry Social Forum*]: This forum was founded in 2018 as a joint initiative involving organisations in the third sector, local unions affiliated with IndustriALL Global Union (CCOO and UGT) and various Spanish textile brands including Inditex. It provides a forum for dialogue on global supply chains between various stakeholders.
- *Massachusetts Institute of Technology* (MIT): Inditex has partnered with the Massachusetts Institute of Technology (MIT) in the MIT-MISTI (International Science and Technology Initiatives) to finance research to develop recycling processes from used garments. In addition, Inditex is part of the group of founding companies of the *MIT Climate and Sustainability Consortium* (MCS), created with the aim of accelerating the development of large-scale solutions to combat climate change. The initiative brings together leading multinationals from different industries to work with the Massachusetts Institute of Technology (MIT) to share processes and strategies for environmental innovation.
- *Shift*: non-profit organisation specializing in Human Rights led by Professor John Ruggie, the author of the UN Guiding Principles on Business and Human Rights. Inditex has been a participant of Shift's Business Learning Program since 2018. This leading program in Human Rights involves companies of all sectors willing to work towards implementing the Guiding Principles.
- *Smart Freight Centre* (SFC): Inditex has joined in 2020 this global non-profit organization dedicated to sustainable freight. Its vision is achieving an efficient and zero-emissions global logistics sector, contributing to the Paris Agreement targets and the Sustainable Development Goals. To achieve this, it brings together the global logistics community through its Global Logistics Emissions Council (GLEC).
- *The Policy Hub*: Inditex actively collaborates with The Policy Hub, an organization that brings the textile industry and its stakeholders together to speed up the sector's transformation to a circular model.
- *Uniting Business and Governments to Recover Better* Statement, backed by UN: Inditex has signed in 2020 together with some other 150 companies in the Science Based Targets initiative, this joint statement urging governments across the world to align their COVID-19 economic aid and recovery efforts with the latest climate science.

**This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on 9 March 2021.**

**Indicate whether any director voted against or abstained from approving this report.**

Yes      No ☒

Name or company name of the member of the Board of Directors who has not voted for the approval of this report	Reasons (against, abstention, non attendance))	Explain the reasons

Pursuant to the provisions of section 253 of the Revised Text of the Companies Act, and section 34 of the Code of Commerce, the Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 9 March 2021, to issue the consolidated annual accounts and the management report for the financial year ended 31 January 2021. The annual accounts consist of the documents preceding this page (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements).

Mr Pablo Isla Álvarez de Tejera  
Executive Chairman

Mr Amancio Ortega Gaona  
Ordinary Member

Mr José Arnau Sierra  
Deputy Chairman

Mr Carlos Crespo González  
CEO

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

Bns Denise Patricia Kingsmill  
Ordinary Member

Ms Pilar López Álvarez  
Ordinary Member

Ms Anne Lange  
Ordinary Member

Mr José Luis Durán Schulz  
Ordinary Member

Mr Rodrigo Echenique Gordillo  
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres  
Ordinary Member