Social and Environmental Performance

ANNUAL REPORT 2005

INDITEX
Social and Environmental Performance

1 Corporate Cash Flow 05

2 Human Resources Report 09
   2.1 Our human team
   2.2 Corporate policies with a global dimension
   2.3 2005 Actions

3 Social Report 25
   3.1 Programmes of social investment
   3.2 Programmes of strengthening the production chain
   3.3 Platforms of dialogue
   3.4 Open to society

4 Environmental Report 61
   4.1 New strategic bet: innovate in terms of sustainability
   4.2 Our environmental management model
   4.3 Strategic plan 2006-2010
   4.4 Indicator system

5 Verification of the GRI Indicators Audit 79
Corporate Cash Flow
Inditex develops policies and systems of management in the three spheres of business reality: social, economic and environmental, acting with criteria of transparency and establishing independent mechanisms of control and evaluation.
The growth of our Organisation is based on a renewed commitment to our interest groups, —customers, employees, suppliers, shareholders and business partners, society in general and workers’ representatives—. One of our corporate objectives is to contribute to the improvement of the social, economic and environmental reality of our surroundings.

Apart from the economic impact deriving from our activities of design, production, logistics and distribution, Inditex develops specific programmes in the social and environmental sphere of sustainable development in the settings in which it acts. We believe that our responsibility as an Organisation must be measured by the capacity to respond to and anticipate the expectations and demands of our interest groups, partners in our growth.

In 2005, our turnover reached 6,741 million euros, 21% more than in the previous year. We created 11,000 new jobs and we have established ourselves in five new markets.

### 1.1 CORPORATE CASH FLOW

Bearing in mind the targets of the cash flows generated during the year, we have established the company’s comparative cash flow over the last two fiscal years, as well as the variation between the two.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Net cash received for sale of products and services</th>
<th>Flow received from investments made</th>
<th>Cash received for sales of assets</th>
<th>Total value-added flow</th>
<th>Distribution of value-added flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6,740.8</td>
<td>9.9</td>
<td>17.1</td>
<td>6,767.8</td>
<td>Employees wages for their services:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,036.6</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Tax payments:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>290.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Financial debt repayments:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>97.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dividends paid out to shareholders:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>301.8</td>
</tr>
<tr>
<td>2004</td>
<td>5,568.6</td>
<td>14.6</td>
<td>18.8</td>
<td>5,602.0</td>
<td>Corporate investment:</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cash withheld for future growth:</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>210.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>External payments made outside the group for purchasing goods, raw materials and services:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,012.8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Payments made for investments in new productive assets:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>811.9</td>
</tr>
</tbody>
</table>

* In millions of euros

\[ \text{Net cash received for sale of products and services} - \text{Flow received from investments made} - \text{Cash received for sales of assets} = \text{Total value-added flow} \]

\[ \text{Total value-added flow} = \text{Distribution of value-added flow} \]

\[ \text{Employees wages for their services} + \text{Tax payments} + \text{Financial debt repayments} + \text{Dividends paid out to shareholders} + \text{Corporate investment} + \text{Cash withheld for future growth} + \text{External payments made outside the group for purchasing goods, raw materials and services} + \text{Payments made for investments in new productive assets} = \text{Total value-added flow} \]
Inditex grows with the people in its teams. Being able to work with motivated people is a guarantee to keep on growing. In order to achieve this objective, the Group strives to develop the internal promotion channels, thus establishing a tight relationship framework with its employees, which is based on trust and innovation.
2.1 OUR HUMAN TEAM

Inditex has grown during the year 2005, with a current workforce of more than 11,000 net employees. Our organisation understands growth in two ways: on the one hand, the incorporation of new employees and the creation of new teams, and on the other hand, the continuous development of all members of our Group.

At the end of the year, our workforce was composed by 58,190 employees, i.e., 23.68% more than the previous year. Almost half of the said employees (49.6%) work in Spain, and the other half in the rest of the countries. The international expansion of Inditex is implemented with a mixed formula: through its own shops and franchises. The franchises account for 10% of the total number of shops.

The opening of new shops is the main path for the creation of direct and indirect employment. However, this is not the only one. In 2005, the purchase of three franchises has led to the incorporation of 668 direct employees to the Group. This is the case of 17 employees of the shops of Massimo Dutti in Mexico, two Pull and Bear shops in Ireland and all of the shops of Zara and Bershka in Poland.

Since the year 2000, Inditex has multiplied its number of employees by four.
<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>28,894</td>
<td>26,719</td>
<td>21,933</td>
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<tr>
<td>Portugal</td>
<td>4,698</td>
<td>3,474</td>
<td>3,265</td>
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<tr>
<td>France</td>
<td>3,599</td>
<td>3,017</td>
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<td>Mexico</td>
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<td>1,890</td>
<td>1,723</td>
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<td>Greece</td>
<td>2,302</td>
<td>1,326</td>
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<td>UK</td>
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<td>1,752</td>
<td>1,449</td>
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<td>Italy</td>
<td>2,236</td>
<td>1,055</td>
<td>745</td>
<td>111.9</td>
</tr>
<tr>
<td>Germany</td>
<td>1,837</td>
<td>1,332</td>
<td>1,165</td>
<td>37.9</td>
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<td>Turkey</td>
<td>850</td>
<td>575</td>
<td>532</td>
<td>57.8</td>
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<tr>
<td>Belgium</td>
<td>811</td>
<td>690</td>
<td>629</td>
<td>17.5</td>
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<tr>
<td>Brazil</td>
<td>803</td>
<td>499</td>
<td>470</td>
<td>60.9</td>
</tr>
<tr>
<td>Japan</td>
<td>762</td>
<td>433</td>
<td>314</td>
<td>76.0</td>
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<tr>
<td>USA</td>
<td>744</td>
<td>449</td>
<td>357</td>
<td>65.7</td>
</tr>
<tr>
<td>Venezuela</td>
<td>714</td>
<td>640</td>
<td>617</td>
<td>11.6</td>
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<td>Poland</td>
<td>561</td>
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<tr>
<td>Canada</td>
<td>513</td>
<td>436</td>
<td>341</td>
<td>17.7</td>
</tr>
<tr>
<td>China (incl. Hong Kong)</td>
<td>483</td>
<td>69</td>
<td>9</td>
<td>600.0</td>
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<tr>
<td>Ireland</td>
<td>423</td>
<td>340</td>
<td>65</td>
<td>24.4</td>
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<tr>
<td>Holland</td>
<td>422</td>
<td>386</td>
<td>238</td>
<td>9.3</td>
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<tr>
<td>Chile</td>
<td>418</td>
<td>370</td>
<td>367</td>
<td>13.0</td>
</tr>
<tr>
<td>Argentina</td>
<td>380</td>
<td>316</td>
<td>313</td>
<td>20.3</td>
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<tr>
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<td>291</td>
<td>190</td>
<td>28.2</td>
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<td>323</td>
<td>235</td>
<td>179</td>
<td>37.4</td>
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<td>Sweden</td>
<td>298</td>
<td>139</td>
<td>101</td>
<td>114.4</td>
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<tr>
<td>Czech Rep.</td>
<td>192</td>
<td>107</td>
<td>55</td>
<td>79.4</td>
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<td>Denmark</td>
<td>144</td>
<td>133</td>
<td>121</td>
<td>8.3</td>
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<tr>
<td>Hungary</td>
<td>126</td>
<td>95</td>
<td>-</td>
<td>27.3</td>
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<tr>
<td>Uruguay</td>
<td>122</td>
<td>112</td>
<td>110</td>
<td>8.9</td>
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<tr>
<td>Luxembourg</td>
<td>75</td>
<td>73</td>
<td>70</td>
<td>2.7</td>
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<tr>
<td>Puerto Rico</td>
<td>63</td>
<td>59</td>
<td>47</td>
<td>6.8</td>
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<tr>
<td>Monaco</td>
<td>36</td>
<td>0</td>
<td>0</td>
<td>n.a.</td>
</tr>
<tr>
<td>Norway</td>
<td>33</td>
<td>30</td>
<td>12</td>
<td>10.0</td>
</tr>
</tbody>
</table>

**TOTAL** 58,190 employees worldwide. A 23.68% increase in comparison with 2004

*This list shows exclusively those countries where the organisation employs its own staff. Those countries where the Group operates through a franchise system are excluded.*
Zara is still the largest chain in terms of number of employees. Within Zara, Zara España is the company with the largest number of employees: 10,993.

EMPLOYEES PER COMMERCIAL FORMAT

- Bershka 5,795
- Pull & Bear 3,935
- Massimo Dutti 3,102
- Stradivarius 2,827
- Zara Home 907
- Kiddy’s Class 1,237
- Oysho 1,071
- Zara 34,471

EMPLOYEES PER GEOGRAPHIC AREA

- Spain 28,894
- Rest of the World 29,296

STAFF COST PER GEOGRAPHIC AREA

- Spain 56.8%
- Rest of Europe 35.7%
- America 6.2%
- Rest of World 1.3%

The personnel costs have increased by 23% during the year, in the same proportion related to the growth of the workforce.

STAFF COST (Million euros)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>Var% 05/04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed and variable salaries</td>
<td>842.5</td>
<td>683.4</td>
<td>23</td>
</tr>
<tr>
<td>Contributions of Inditex to the Social Security</td>
<td>194.1</td>
<td>156.1</td>
<td>24</td>
</tr>
<tr>
<td>Total personnel costs</td>
<td>1,036.6</td>
<td>839.5</td>
<td>23</td>
</tr>
</tbody>
</table>

2.2 CORPORATE POLICIES WITH A GLOBAL DIMENSION

The corporate values and our way of handling people are decisive factors in developing the organisation and ensuring that it goes from strength to strength.

Based on the global corporate directives, we can adapt to the local reality of other markets in which the Group operates as well as adapting to the expectations of the different groups within our organisation. This flexibility turns into an efficient method of work, and the commitment of employees, who assume the business as their own, are a guarantee for the growth of the Group.
### 2.2.1 MANAGEMENT MODEL: SHARED RESPONSIBILITIES

The Group has a young and highly professional staff, who is capable of assuming the challenges derived from growth. Most of our employees are women (86%) and the mean age is 26. Their availability for internal promotion and their mobility contribute to the sustained development of our Group.

The assumption of responsibilities at all levels and in all positions is a key factor to meet the requirements of our customers at all times. This philosophy is also shared by our team of managers. Remuneration is associated to the attainment of results and performance in our Human Resource management model.

#### EMPLOYEES BY AGE GROUP

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 22</td>
<td></td>
<td></td>
<td></td>
<td>5,417</td>
</tr>
<tr>
<td>23-27</td>
<td></td>
<td></td>
<td>7,797</td>
<td>9,273</td>
</tr>
<tr>
<td>28-32</td>
<td>7,317</td>
<td>7,797</td>
<td>9,273</td>
<td></td>
</tr>
<tr>
<td>33-37</td>
<td>6,084</td>
<td>7,317</td>
<td>9,273</td>
<td></td>
</tr>
<tr>
<td>38-42</td>
<td>11,871</td>
<td>11,171</td>
<td>10,315</td>
<td></td>
</tr>
<tr>
<td>Over 42</td>
<td>22,171</td>
<td>22,171</td>
<td>22,171</td>
<td></td>
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</table>

#### EMPLOYEES PER GENDER

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total Employees</th>
</tr>
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<tbody>
<tr>
<td>2002</td>
<td>11,684</td>
<td>9,273</td>
<td>20,957</td>
</tr>
<tr>
<td>2003</td>
<td>11,871</td>
<td>7,797</td>
<td>19,668</td>
</tr>
<tr>
<td>2004</td>
<td>11,171</td>
<td>7,317</td>
<td>18,488</td>
</tr>
<tr>
<td>2005</td>
<td>11,315</td>
<td>6,084</td>
<td>17,400</td>
</tr>
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</table>

#### TYPES OF WORK DAY, 2005

<table>
<thead>
<tr>
<th>Work Day</th>
<th>Full time</th>
<th>Part time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>11,684</td>
<td>10,673</td>
</tr>
<tr>
<td>2003</td>
<td>11,871</td>
<td>9,784</td>
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<tr>
<td>2004</td>
<td>11,171</td>
<td>8,894</td>
</tr>
<tr>
<td>2005</td>
<td>11,315</td>
<td>8,784</td>
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#### REPRESENTATIVES IN HEALTH COMMITTEES, SPAIN

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<th>Year</th>
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<th>UGT</th>
<th>UGT</th>
<th>CIG</th>
<th>CIG</th>
<th>ELA</th>
<th>ELA</th>
<th>CUT</th>
<th>CUT</th>
<th>CSI</th>
<th>CSI</th>
<th>LAB</th>
<th>LAB</th>
<th>Independent</th>
<th>Independent</th>
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</thead>
<tbody>
<tr>
<td>2002</td>
<td>58,190</td>
<td>2,155</td>
<td>12,798</td>
<td>19,246</td>
<td>8,149</td>
<td>457</td>
<td>1,131</td>
<td>576</td>
<td>2,512</td>
<td>1,574</td>
<td>2,317</td>
<td>388</td>
<td>172</td>
<td>73</td>
<td>2,211</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>56,073</td>
<td>1,761</td>
<td>12,284</td>
<td>18,728</td>
<td>8,317</td>
<td>479</td>
<td>1,126</td>
<td>571</td>
<td>2,507</td>
<td>1,564</td>
<td>2,316</td>
<td>388</td>
<td>172</td>
<td>73</td>
<td>2,206</td>
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<tr>
<td>2004</td>
<td>54,260</td>
<td>1,625</td>
<td>12,142</td>
<td>18,460</td>
<td>8,273</td>
<td>476</td>
<td>1,125</td>
<td>570</td>
<td>2,506</td>
<td>1,564</td>
<td>2,397</td>
<td>379</td>
<td>172</td>
<td>73</td>
<td>2,191</td>
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</tr>
<tr>
<td>2005</td>
<td>52,678</td>
<td>1,517</td>
<td>12,033</td>
<td>18,277</td>
<td>8,204</td>
<td>474</td>
<td>1,124</td>
<td>569</td>
<td>2,498</td>
<td>1,577</td>
<td>2,316</td>
<td>388</td>
<td>172</td>
<td>73</td>
<td>2,187</td>
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#### UNION REPRESENTATION

<table>
<thead>
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<th>Year</th>
<th>CCOO</th>
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<th>UGT</th>
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<th>ELA</th>
<th>CUT</th>
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<th>CSI</th>
<th>LAB</th>
<th>LAB</th>
<th>Independent</th>
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</thead>
<tbody>
<tr>
<td>2002</td>
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<td>172</td>
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#### UNION REPRESENTATION

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<th>CSI</th>
<th>LAB</th>
<th>LAB</th>
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<td>1,574</td>
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<td>479</td>
<td>1,126</td>
<td>571</td>
<td>2,507</td>
<td>1,564</td>
<td>2,316</td>
<td>388</td>
<td>172</td>
<td>73</td>
<td>2,206</td>
</tr>
<tr>
<td>2004</td>
<td>54,260</td>
<td>1,625</td>
<td>12,142</td>
<td>18,460</td>
<td>8,273</td>
<td>476</td>
<td>1,125</td>
<td>570</td>
<td>2,506</td>
<td>1,564</td>
<td>2,397</td>
<td>379</td>
<td>172</td>
<td>73</td>
<td>2,191</td>
</tr>
<tr>
<td>2005</td>
<td>52,678</td>
<td>1,517</td>
<td>12,033</td>
<td>18,277</td>
<td>8,204</td>
<td>474</td>
<td>1,124</td>
<td>569</td>
<td>2,498</td>
<td>1,577</td>
<td>2,316</td>
<td>388</td>
<td>172</td>
<td>73</td>
<td>2,187</td>
</tr>
</tbody>
</table>
To advance in the consolidation of the organisation and its business model, a series of common directives are set forth, which govern the Human Resource policies:

**Respect for Human Rights**
Promotion of equality policies, diversity and respect for Fundamental Human and Labour Rights, with measures that prevent any kind of discrimination. No Human Resource policies, including those that affect the retribution of workers, establish a difference between employees, neither as regards their personal circumstances nor in relation to their type of contract. Thus, for example, the social benefits of part-time and full-time employees are the same.

**Worthy and fair treatment**
This is one of the values of our management model. The non-hierarchical structure and the focus on the people guarantees direct and almost daily contact with employees and the constant exchange of opinions. Any employee can contact the higher management levels in case he does not share the decisions adopted by his manager.

**Stable hiring process and flexible formulae**
One of our aims is to offer diverse jobs with different working hours and provide as stable work shifts as possible. The promotion of part-time work is one of these practices. More and more employees fit this profile, trying to combine a job with studying, leisure activities or family life. During the year 2005, the part-time hiring process represented 56% of the total, while in 2004 it was 48% of the total. The choice of a schedule is a very important factor for the candidates who wish to work in a shop, taking into account that 79% of the new posts offered by Inditex during the year 2005 were part-time jobs.

**Social dialogue**
The right to freedom of association is respected, with employees encouraged to participate in accordance with the legislation of each country. In this sense, we work towards the signature of a collaboration agreement between the World Trade Unions UNION NETWORK and the International Textile, Garment and Leather Worker’s Federation (ITGLWF).

**A safe and healthy environment**
Looking after the health and safety of employees is our priority. At the end of the year 2004, a strategic plan was approved, which would be implemented during 2005-2006, as required to train all of our employees in Spain on occupational risk prevention and environmental issues. During the year 2005, more than 4,000 employees were trained at the shops of Zara in Spain, with 130 training sessions that dealt with different issues, such as emergency plans, first aid, occupational risks and good environmental practices. Between 2005 and 2006, a total of 35,000 learning hours were taught. These practices are also forecasted for other groups throughout the year 2006.

In Spain we have a Joint Prevention Service, which meets legal regulations. The organisation establishes the relationships with the workers’ representatives in accordance with the frequency and requirements set by Spanish Law. 37.50 % of the employees in Spain are represented by Health Committees.
Talent management and internal promotion

The Group identifies and tries to keep employees with a potential for becoming a manager through different training and compensation policies. The internal promotion process guarantees maximum coverage in key Group positions.

Corporate training

Completes the local plans developed by each country and centre manager. Said training process allows the integration of our employees in the organisational culture, building a group vision, from a plurinational dimension, respecting diversity. Employees are reached at their job or home through a multichannel strategy and medium-term programs. The agreement of Inditex with the Cervantes Institute is included in this policy.

Open and direct communication

The main communication channels of Inditex Group with its employees are: the internal magazine (IN) and the Intranet (can be accessed by the employees of the large working centres in Spain, operating with special computer equipment: approximately 2,000 persons), in addition to the physical support mediums in different formats used to inform the employee at his job, either via fax, direct notifications on the computer’s screen or through internal mail.

The “IN” magazine. This is the main communication channel of the Management area of Inditex, used by all companies with employees worldwide. A personalised distribution is implemented at the different work centres. Four numbers have been published during the year. Since the 1st of December 2005, a new Italian edition was added to the five existing versions (Spanish, English, French, Portuguese and German). 59,000 copies of the last edition were published. It is viewed as an open channel for opinions and suggestions of employees in specific sections used for these purposes.

In addition to this channel, the company has carried out internal communications and participation campaigns on different issues related to the business.

During the year 2005, there have been two occasions when the top management has talked to its employees: the Christmas greeting from the President, which was included in the magazine’s Christmas edition, as well as the presentation from the Vice-President and Board Member, Pablo Isla, in the June edition.

LEARNING SPANISH FROM ANY HOME IN THE WORLD

In lieu of the collaboration agreement signed on the 2nd of January, 2006 with the Cervantes Institute, Inditex has become a strategic ally for the distribution and learning of Spanish amongst its employees throughout the world.

All employees will have access to language methods and tools developed by the Institute, such as the On-Line Spanish Course (Virtual Spanish Classroom-AVE). The student can follow the course from home with his own computer.

Learning Spanish will help the integration and professional development of individuals, facilitating their access to a higher number of positions through internal promotion. For the year 2006, the training department of Inditex will finance a total of 2,000 licenses for the launch of this corporate project, between the different non-Spanish speaking branches of the Group.
International notification of job offers

Obtaining the best candidates while respecting the principles of non-discrimination and equal opportunities is one of our main objectives. The commitment with the candidate is to offer complete information on the location of work centres, functions of each position, professional development possibilities and the maximum variety of options in accordance with their availability and interests. The centralisation of recruitment processes allows potential candidates to select an offer from the chain of stores, benefiting from our internal management activities. The employment portal of Inditex has been developed and consolidated as the main vehicle for the communication and management of recruitment activities.

The international employment site www.inditexjobs.com

This is the main corporate recruitment tool, where job offers are published and managed. It is available in 16 languages.

All Human Resource managers use this application to manage candidates in recruitment processes. This tool is shared by 25 countries.

On the 31st of January 2006, the employment portal of Inditex gathered 443,068 professional references. During the year 2005, 1,352 recruitment processes were managed through the portal, for all chains and countries.

New users registered: 11,000 a month
Registrations (the candidate selects a job offer): 20,912 a month
Visits: 141,690 a month.

CANDIDATES PER AREA OF ACTIVITY.

‘INDITEXJOBS’ DATA

- Stores 56%
- Headquarters 24%
- Design and product 18%
- Logistics and manufacturing 2%
Confidentiality in recruitment processes
The Group has carried out a study of the current legislation in the different countries, both as regards the protection of personal data and non-discrimination policies, adopting specific measures for the fulfillment of the said issues.

Development of new network information platforms
In order to anticipate the requirements derived from the growth of the organisation—higher number of shops, geographical dispersion and fast decisions—, the Group works in the development of new computer and telecommunications systems. Currently, the Intranet (Inditextnet) is the main communications channel for the employees of Inditex in Spain. During the year 2005, the number of visits has increased by 18%. Addressed to the teams working in shops, the largest project for 2006 is the implementation of a service portal for all shops, starting in Spain. Said platform will be implemented in all countries and will allow the connection with other areas of the Group by means of a touch-screen terminal located at the central cash register of the shop.

Throughout the year 2005, the development of the functionalities of this system has undergone a trial period. The program is open and two-directional, and will be a major contribution to the improvement of the communications between shops which will allow them to have permanently updated information, considerably reducing the documentation delivery and reception cycles.

Collaboration with organisations and institutions
The Human Resources Management area is in contact with prestigious international business schools and it recruits young individuals with a management profile, which join different development programs in international projects. The collaboration is quite important in two areas:

- Projects oriented towards the participation in job offer bulletins that are offered by business schools, to form a nucleus of specialised professionals in different areas.
- Agreements with business schools with a higher global protection to train international managers. The training program is established during a continuous period, for both branches and corporate areas of the company.

2.3 2005 ACTIONS

The shop is the central element of the model of Inditex, the meeting point with the customer (see Book I, Economic Performance, chapter 2). 89% of the Group’s employees are linked to the commercial activity, either working directly in a shop, or supervising and providing support to managers from the Commercial Management area.

TOTAL EMPLOYEES PER ACTIVITY

The rest of the organisation is oriented towards covering the shop’s requirements. This is the working scenario for the logistics and manufacturing areas, as well as the central services of Inditex and chains, where the Human Resource Management area is included. In addition to the promotion of global corporate policies, the Human Resource area is responsible for actions that are focused on each group of employees, depending on their activity. Some of the initiatives developed during the year are detailed in this section, classified by group.
2.3.1 THE STORE’S TEAM

Inditex can count on its own team of professionals when opening new shops, as required for the growth of the company. Internal promotion is the main expansion resource.

Identification of potential and internal promotion

The professionals of the Human Resources Management area are involved in the assessment of the capabilities of the shop’s teams in their everyday activities, as required to identify those individuals who can be promoted. Said objective is channelled through corporate potential identification programs. Throughout the year 2005, more than 1,200 individuals participated in the shop Development Program with the purpose of obtaining a position of responsibility (coordination, area manager, assistant manager or shop manager). We can highlight Italy’s example, which incorporated more than 130 persons to the Program during the year 2005, in order to cater for the growth requirements, or the example in France, with more than 210 employees participating in the said program, i.e., France is one of the countries with the highest percentage of participation in the Development Program over the total staff (6%). The availability of trained resources, especially shop managers, allows the organisation to maintain its agility and effectiveness in the opening of new shops.

In addition to the potential identification program, the internal promotion of the Group is supported by a shop vacancy publication system, for spontaneous candidates. The said mixed system has allowed Zara España to cover 98% of the new shop positions through internal promotion.

The shop is also a breeding ground for other departments, especially for the Central Service areas of partners and in Spain. In 2005, 39% of the new positions created in Zara’s product design department have been occupied by the personnel of shops in Spain and other countries.
The first job
For most of the shop assistants who start working in our shops, this is their first job. In Spain, where the Group has half of its total number of employees, Inditex incorporates interns from the Vocational Education Cycle or from organisations related to Social Guarantee Plans and minority group placement actions every year. In 2005, 738 students were trained, out of which 15% joined the company at the end of their studies. All in all, 200 educational centres have participated in this project.

In Spain, the shop recruitment processes have contacted 43,366 persons, carrying out 17,966 interviews to candidates with or without prior professional experience.

Practical and continuous training
The training of shop managers for the management of personnel is one of the objectives for the year 2006, as a consequence of the fast promotion of most of them. The program has practical contents which will be developed throughout the next two years in order to guide shop managers in their function as persons who are responsible for a human team.

The challenge in 2006 involves adapting the company’s management practices through all shop managers as a unique and differential model for the management of individuals.

In the case of shop assistants, most of their training is developed at the shop, with a support tutor in charge of their training and follow-up activities. Both shop managers and tutors have support materials at the shop to help them carry out the training activities, which include information on working procedures, products, customer service and attitude at the job.

The periodic communication campaigns addressed at the commercial network have a double objective: firstly, to provide all information about new products or services developed by our brands to facilitate sales, and secondly, to improve the customer service with sales arguments and an in-depth knowledge of the product. In this sense, we can highlight two initiatives carried out during the year 2005: creation of trend catalogues, prepared for each season and used by shop managers —which is valid for all Zara and Massimo Dutti shops—, and the new commercial concept campaign launched for Zara Man, focused on an in-depth knowledge of the product and fabrics in order to improve the customer service, which triggered a series of training activities in all of Zara’s shops.
2.3.2 THE TEAM AT THE DISTRIBUTION CENTRES AND FACTORIES

Each of the seven employees works in a distribution centre or factory in Spain. The logistics and distribution areas will undergo an unprecedented growth during the next five years with the creation of new centres. In order to track the growth of the business—new shops, new models, a greater number of units—and work processes are continuously assessed. One of the objectives of the Human Resources area is to introduce improvements in the labour conditions of these groups, especially as regards the conciliation of family and professional life and occupational health.

Occupational risk prevention
In addition to the actions required by current regulations, Inditex promotes the improvement of the installations and working conditions in parallel to the promotion of health campaigns. This year, an ergonomic study of the logistics centres of the Group has been carried out for all positions, including the implementation of health campaigns addressed to factory employees and the logistics centres, in order to make the said employees participate in medical exams or to help them quit smoking.

Conciliation of labour and family life
Special social measures have been implemented for the factory and logistics groups of workers, which include the possibility of accumulating lactation period hours, accumulating holidays after the maternity leave period and economic aid for nursery expenses, school materials, disabled children or new born children.

Internal promotion training
In addition to the specific training on skills related to the current position of workers, special courses are offered to employees to improve their skills and experience and apply for promotions. All centres offer IT skills and English language training courses.
2.3.3 CENTRAL SERVICES

The Central Services of Inditex, including chains and partners, employ professionals (most have achieved a higher education degree) who are responsible for commercial functions (in the Design and Product areas) or business support functions (Finance, Works, Buildings, Human Resources, etc.).

An international team
The headquarters of the chains in Spain employ more than 2,600 professionals from 30 different countries. In order to develop the activity in new markets, we have a team of local experts, who work in the offices of each country or special teams travel to Spain.

Designers and purchasers, key profiles
The Commercial and Design team in charge of our collections and the purchase of material is a key group in order to maintain our competitive fashion design differential. During the search for young new talents, special collaboration projects have been carried out with higher education institutions in different countries, including the supervision of end-of-year projects.

Management by objectives
At the international level, almost 2,000 professional from the Central Services are included in an annual performance and professional development revision plan which is based on the Management by Objectives.
Social Report
Inditex promotes multinational projects devoted to improving the socio-economic reality of the communities with which it interacts. It looks for respect for Human Rights and the improvement of working conditions in any sphere of its performance. It collaborates with institutions and not-for-profit bodies which act with an independent judgement to contribute their rigour and experience in the validation of projects.
3.1 PROGRAMMES OF SOCIAL INVESTMENT

Inditex collaborates in programmes of social investment managed by non-governmental organisations, participating actively in the definition and monitoring of the projects. These programmes are orientated to promoting education as a driving force for social change so as to construct societies based on respect and equality, and to the creation of corporate capital by means of the training of persons committed to their environment who act as generators of change so as to improve their rights and opportunities.

Through the emergency programmes, the Group participates in the attention to victims of catastrophes, offering help from the outset and carrying out sustainability projects in the medium and long term. Our corporate investment is completed with participation in disseminatory and research activities in a variety of spheres such as culture, health and education, always from an international dimension.

Social investment has doubled over the last few years

<table>
<thead>
<tr>
<th>TYPE OF PROJECT (in euros)</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entreculturias Foundation</td>
<td>Argentina</td>
<td>221,112</td>
<td>212,629</td>
</tr>
<tr>
<td>Brazil</td>
<td>431,704</td>
<td>347,441</td>
<td>145,135</td>
</tr>
<tr>
<td>Peru</td>
<td>1,120,421</td>
<td>1,020,361</td>
<td>934,075</td>
</tr>
<tr>
<td>Venezuela</td>
<td>780,269</td>
<td>721,449</td>
<td>760,860</td>
</tr>
<tr>
<td>Central America</td>
<td>-</td>
<td>136,609</td>
<td></td>
</tr>
<tr>
<td><strong>SUBTOTAL</strong></td>
<td>2,535,506</td>
<td>2,301,880</td>
<td>2,139,363</td>
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<tr>
<td>Carolina Foundation</td>
<td>180,030</td>
<td>180,212</td>
<td>120,020</td>
</tr>
<tr>
<td>Uninisco</td>
<td>100,000</td>
<td>500,000</td>
<td>-</td>
</tr>
<tr>
<td>El Moli d’en Puigvert Private Foundation</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL COMMUNITY DEVELOPMENT</strong></td>
<td>2,833,536</td>
<td>2,982,092</td>
<td>2,259,383</td>
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<tr>
<td>Emergencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Red Cross</td>
<td>1,000,000</td>
<td>600,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Cáritas</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Spectrum</td>
<td>72,542</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>TOTAL EMERGENCIES</strong></td>
<td>2,072,542</td>
<td>1,600,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Corporate capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru, Morocco and Bangladesh</td>
<td>178,345</td>
<td>341,142</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CORPORATE CAPITAL</strong></td>
<td>178,345</td>
<td>341,142</td>
<td>-</td>
</tr>
<tr>
<td>Sponsorship and patronage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Art collections</td>
<td>50,279</td>
<td>57,070</td>
<td>57,071</td>
</tr>
<tr>
<td>Culture and sport</td>
<td>359,970</td>
<td>669,726</td>
<td>398,473</td>
</tr>
<tr>
<td>Training</td>
<td>167,864</td>
<td>75,000</td>
<td>-</td>
</tr>
<tr>
<td>Business promotion</td>
<td>153,855</td>
<td>8,000</td>
<td>-</td>
</tr>
<tr>
<td>Health-Medical Research</td>
<td>873,004</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Social aid</td>
<td>116,310</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SPONSORSHIP</strong></td>
<td>1,721,282</td>
<td>809,796</td>
<td>455,544</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>6,805,705</td>
<td>5,733,030</td>
<td>3,114,927</td>
</tr>
</tbody>
</table>
PROGRAMMES OF COMMUNITY DEVELOPMENT

These programmes promote education and learning as formulas to favour development in those communities in which Inditex carries out its activity. They are channelled through four great institutional routes: the Entreculturas Fe y Alegría Foundation, the Carolina Foundation, the Unirisco venture capital company and the Molí d’en Puigvert Foundation.

A. ENTRECULTURAS FE Y ALEGRÍA FOUNDATION
(www.entreculturas.org/www.feyalegria.org)

Inditex collaborates with a range of educational and social projects of the Entreculturas Fe y Alegría organisation. The campaigns that are detailed below (three projects in Argentina, two in Brazil, one in Venezuela and six in Peru) have as a reference the six objectives of the text approved by the World Forum on Education that UNESCO presented to the international community in Dakar from 26th to 28th April, 2000. Each project must support at least one of the points.

The six objectives of the International Forum on Education of UNESCO

First
To extend and improve integral education in infancy, especially of the most vulnerable and disadvantaged boys and girls.

Second
To take care that, in 2015, all boys and girls, and especially those who belong to vulnerable ethnic minorities, have access to quality, free and obligatory primary education.

Third
To take care that the needs of learning of all young persons and adults are attended to through training programmes which make it possible for them to have a properly active life.

Fourth
To increase by 50% the number of literate adults, by means of equitative access to basic education, before 2015.

Fifth
To eliminate the gender disparity in the years of primary and secondary education, in 2005. To achieve an equal educational situation, guaranteeing to girls full and fair access to basic quality education, before 2015.

Sixth
To improve qualitative aspects of education, such as reading, writing, arithmetic and basic life skills.
ARGENTINA

Inditex has supported three educational projects aimed at regions in the north of the country and oriented towards the younger population which suffers in great part lack of employment and opportunities. Primarily, an effect has been had on the second and third objectives of the Dakar framework of action.

Duration of the project: 12 months.
Beneficiaries: 702 children and young people.
Contribution of Inditex over the year: € 221,112
Budget consumed: € 85,788
Periodised budget 2005-06: € 135,324

Project I.
Extension of the educational coverage in the training centre of the district of Alberdi ( Resistencia) for 140 boys and girls from marginal areas.

The district of Alberdi is one of the most depressed areas in Argentina. Almost 60% of the people residing there live in a situation of poverty. The majority of them come from rural areas of Argentina and Paraguay. Although primary education is practically guaranteed in the area, there are high rates of abandonment and academic failure. What is more, less than 10% of the school-age population goes on to secondary education. It is the objective of this project to improve this situation. In order to achieve this, the educational centre of Fe y Alegria was enlarged in the years of secondary training. This initiative has directly benefited 140 boys, girls and young people, aged between 13 and 17, who will have access to better employment and economic opportunities.

Fe y Alegria has specialised in training programmes in the educational cycles corresponding to the “bachillerato agropecuario”. In this context, Inditex has financed two of its projects in the location of Taco Pozo, in the west of the province of Chaco.

Project II.
Technical and agricultural training for young people in Taco Pozo (Chaco).

Taco Pozo is currently one of the areas which shows a greater rate of poverty in the northwest of Argentina. Inditex has supported the creation of a secondary school with agricultural orientation to capacitate young persons and to give the area an economic boost. Throughout 2005 the education of 459 pupils has been completed in horticultural training and management of goats.

Project III.
Provision of educational spaces for technical and agricultural training for young people in Taco Pozo (Chaco).

The work of Fe y Alegria in this province was completed in 2005 with the construction of two classrooms and four educational spaces. Thanks to the economic contribution of Inditex, over one hundred boy and girl pupils, aged between 15 and 17 years, received technical and agricultural training.
BRAZIL

Inditex collaborates in a variety of educational projects to improve the social inclusion of the population that lives in disadvantaged and rural areas of the country. The programmes are directly related with the first and third objectives of the Dakar framework of action.

Duration of the project: 12 months.
Beneficiaries: 640 boys, girls and young people.
Contribution of Inditex over the year: € 431,704
Budget consumed: € 227,044
Periodised budget: € 204,660

Project I.
Educational proposal for the social insertion in the settlement of Nova Esperança (Vitoria).

The district of Nova Esperança is one of the poorest in the peripheral area of the city of Vitoria, in the state of Espíritu Santo. Fe y Alegría has been working in this area since 2001. This educational project will give the opportunity to receive a basic education to 120 boys and girls under six years old with families with scarce resources. It will also carry out training, sports and cultural activities for over 160 adolescents.

For this purpose, a number of facilities will be constructed:
- A children’s education centre, which will receive boys and girls of between four and six years of age.
- A sports court, two rooms for cultural activities and a library.
- A professional training and income generating centre.

Project II.
Professional agricultural training for young people in Laranja da Terra (Espíritu Santo).

The agricultural municipality of Laranja da Terra, in the state of Espíritu Santo, is frequently exposed to periods of drought and has one of the lowest rates of Human Development in the region. The project has been designed to improve, through the training of young people, the agricultural possibilities of the town. It plans programmes of technical agricultural capacitation and the coordination of activities related with the improvement of the production of small producers in the area. About 260 young people will benefit from these initiatives.
VENEZUELA
Throughout 2005, Inditex has participated in an educational project with populations of rural and marginal urban areas in Venezuela. The activities are directly related with the first and third objectives of the Dakar framework of action.

**Duration of the project:** 12 months.
**Beneficiaries:** 635 boys, girls, teachers, mothers and fathers.
**Contribution of Inditex over the year:** € 780,269
**Budget consumed:** € 394,663
**Periodised budget:** € 385,605

**Project 1.**
Training for work in two schools in marginal districts of Valencia and Maracay.

The marginal districts of Valencia and Maracay are a clear example of the situation of poverty that some areas of Venezuela experience. For this reason, Inditex has supported the construction of workshops, the provision of equipment in marginal districts and the development of updated programmes for the secondary training cycle. Through this project, 635 young people will have access to training which will permit them to have access to a decent life.

*Picture of the Catia neighbourhood, one of the marginal areas in Caracas, where an action programme of the CSR team of Inditex, was set in train.*
PERU

The educational investments in Peru in many cases do not reach the marginal areas. Inditex collaborates with Fe y Alegría to change this reality and to offer opportunities for access to quality education to those most in need. In this way, it fulfills the first, second, third and sixth objectives of the Dakar framework of action.

**Duration of the project:** 12 months.
**Beneficiaries:** 29,031 boys, girls, teachers, mothers and fathers.
**Contribution of Inditex over the year:** €1,120,421
**Budget consumed:** €587,121
**Periodised budget:** €533,300

**Project I.**
Extension of the educational coverage in marginal areas of Lima and Tacna.

On the outskirts of Lima and in the marginal settlements in areas such as Tacna, there are some of the gravest cases of poverty and illiteracy in the entire country. For a large number of boys and girls of school age, the Fe y Alegría centres are their only option. In these circumstances, the project plans the refurbishment of three schools in Lima and one in Tacna. The centres will have the capacity to take in over 1,030 pupils a year.

**Project II.**
Strengthening of the educational offer in vocational training in Iquitos, Arequipa and Piura.

This project includes the construction of two technical workshops, in Piura and Iquitos, and two laboratories in Ica and Arequipa, so that 481 young people can have access to professional studies. Through this initiative a contribution will be made to the insertion into employment of these pupils from some of the most depressed areas in Peru.

**Project III.**
Programme of attention to children, teenagers and young people at social risk in a variety of departments.

Thanks to this project, a boost will be given to the activity of nine socio-educational institutions, with educational, health and psychological programmes in the departments of Piura, Chiclayo, Lima, Ayacucho, Tuscoc, Tacna and Ilo. Through these centres, attention will be given to 2,300 children and young people in situations of risk.
Project IV.
**Strengthening of the educational network in the Vicariato de Jaén.**

The Vicariato de Jaén, in north-east Peru, covers three areas: the peasant area, which includes the provinces of Jaen and San Ignacio, in the department of Cajamarca; the area of the forest, in the department of Amazonas; and the districts of Armango and Imaza (province of Bagua). The total extent of the area is 32,572 square kilometres and its population is of around half a million inhabitants. Many of them live in communities with a very low poverty threshold. The project includes the creation of programmes of training for parents, Awajun and Wampi natives, and training programmes in 25 schools and 8 vocational educational centres of the educational network of the Vicariato de Jaén. The beneficiaries are 480 persons, including teachers, headmasters and headmistresses and parents.

![Peasant houses in Vicariato de Jaén, where one of the training programmes for parents has taken place](image)

Project V.
**Attention and improvement of special education in 15 institutions integrated in Fe y Alegria.**

For the last three years, the network of schools of Fe y Alegria in Peru has been committed to the educational development of the boys and girls with cognitive, motor and sensorial limitations. This project aims to create a school for pupils with educational difficulties which will facilitate their educational, employment and family integration. Inditex has funded the start up of 15 institutions for the training of teachers and has assisted in the creation of 13 sensorial classrooms and 13 libraries. The installations will take 4,308 pupils with special educational needs.

Project VI.
**University training of young people and teachers.**

Inditex has collaborated with the Antonio Ruiz de Montoya University (Lima) through a programme of university grants, devoted to 15 pupils of Fe y Alegria and to 80 male and female working teachers.
B. CAROLINA FOUNDATION
(www.fundacioncarolina.es)

Contribution of Inditex 2005: €180,030

The Carolina Foundation, set up in the year 2000, has as its fundamental objective the promotion of cultural relations and international cooperation in the educational and scientific spheres between Spain and the countries of the Ibero-American Community of Nations as well as with those others with which there are special historical, cultural or geographical links.

The principles of organisation are quality, excellence, impartiality and rigour in the selection of beneficiaries, academic solvency of institutions with which collaboration is undertaken and decisive support for cooperation.

I. Training programme
It facilitates the continuation of studies in Spain for university graduates, teachers, researchers and professionals from Latin America. Every year, it awards over 1,300 grants and other forms of help in three kinds of grant:

- Postgraduate.
- Doctorate and funding of training trips of less than one year.
- Programmes of ongoing training.

II. Research programmes
This help for research and development is granted annually and it is managed by the Centre of Studies for Latin America and International Cooperation (CeALCI). It covers four lines of research:

- Studies on Latin America.
- International economic relations.
- Public policies.
- Quality of support for development.

III. International visitors programme
It is aimed at relevant groups and persons, with future prospects in their respective countries. The objective is that they should get to know the Spanish reality and should establish contacts with Spanish persons and institutions in their sphere of interest. It is articulated through the following initiatives:

- Lider Grants.
- Hispanic leaders in the United States.
- Young Latin American politicians.
- Latin American leading women.

IV. Programme of social responsibility of companies
Its objective is to raise awareness of the importance of establishing mechanisms of agreement in the models of management of companies and to incorporate perspectives of justice, equality and solidarity so as to contribute to a sustainable development from the economic, social and environmental point of view.

C. UNIRISCO
(www.unirisco.org)

Contribution of Inditex: €100,000
Unirisco’s own funds: €2,635,769

UNIRISCO is a venture capital company authorised by the National Commission of the Securities Market and promoted by the three Galician universities (A Coruña, Santiago de Compostela and Vigo) with the support of the main Galician institutions (Caixanova, Banco Pastor,
D. THE EL MOLÍ D’EN PUIGVERT FOUNDATION
(www.fundaciomoli.org)

The Fundació Privada El Molí d´en Puigvert is a not-for-profit body created in 2002 by the Palafolls Local Authority, the Comunitat Terapèutica del Maresme and the Cooperativa Agrícola de Palafolls (Barcelona). This foundation was created with the objective of boosting, creating and managing social business projects, of an innovative nature and with autonomy of management to facilitate workplace and social integration of persons with mental health problems. It currently treats over one hundred persons, of whom seventy have remunerated employment contracts and the rest are in a situation of pre-employment insertion.

“For & From Special People” Project

Massimo Dutti and the Fundación El Molí d´en Puigvert set up, in April 2002, the collaboration project “For & From Special People” to open a commercial establishment of the chain in Palafolls.

The Foundation runs this shop as a workplace for persons with severe mental problems. Its aim is to provide employment and professional training for this collective, with difficulties of insertion. The shop sells out-of-season Massimo Dutti garments at very competitive prices - it is for all purposes an outlet.

The workforce consists of a team of five people, three of whom have a diagnosis of Severe Mental Problems. Direct and permanent contact with customers and the marketing of products in special conditions is an important step towards their social and employment integration. Massimo Dutti has supported the team of the Fora de Serie shop by means of individualised programmes of training and by carrying out the usual training courses for shop employees.

The Foundation also carries out practical training courses for persons in the phase of insertion into employment outside the commercial timetable of the shop.

This project has contributed to improving the conditions of life of these persons with mental problems, while it has shown its economic viability as it is the main source of income for the Foundation and it enables them to sustain financially other projects without depending on donations.

THE “FÒRA DE SERIE” SHOP OF MASSIMO DUTTI IN PALAFOLLS:

- Opened up to the public in April 2002.
- In 2006 it will double its sales area up to 140 m² and it will be refurbished to incorporate the new decorative elements of the Massimo Dutti shops.
- It sells approximately half a million euros a year and the project is economically viable with no need for extraordinary contributions.
- The sales of this shop are 40% of the income of the Fundación El Molí.

Through UNIRISCO we continue to boost and fund newly-created business projects so as, among other objectives:

- To facilitate the transfer of the knowledge generated in the University to Society.
- To favour the creation and consolidation of employment for researchers and university graduates.
- To help to create an entrepreneurial culture in the university environment.
- UNIRISCO acts through temporary minority investment in capital (between 30,000 and 300,000 euros, although there is no minimum fixed) in business initiatives.
3.1.2 EMERGENCY PROGRAMMES

A. SINGRA PROJECT
(www.singra.org)

SPANISH RED CROSS

Duration of the Project: 24 months.
Beneficiaries: children, young people, unemployed men and women and older persons.
Inditex contribution in 2004/2005: €2,000,000
Budget 2005: €1,000,000

The Singra project is a social intervention plan that the Red Cross started up in October 2003, thanks to the economic support of Inditex, so as to mitigate the effects of the sinking of the Prestige petrol tanker off the coast of Galicia. Its mission consists of reinforcing the existing resources, the employment opportunities and the training of the inhabitants of the districts of Bergantiños, Fisterra, Terra de Soneira and O Barbanza, in A Coruña, and O Morrazo, in Pontevedra.

Singra’s priority collectives are:
- Children and young people.
- Unemployed women and men.
- Older persons.
- Development of associative fabric.

Summary of the activities of the ‘Singra’ project in 2005

Support of initiatives for entrepreneurs

Over 800 persons have participated in projects of employment experience, business tutorials and opening of businesses. The objective is to provide those affected with tools which will permit them to improve their social and economic life environment. This year’s most outstanding initiatives were:

- Project Crear en femenino: support for the opening of businesses in the rural environment for women.

- Cooperativa Mar de Lira, in the Concejo de Carnota.

- Business activities in schools in Laxe, Carballo and Ponteceso.

- Courses and projects of entrepreneurial culture and development and strengthening of the guilds.

EMPLOYMENT INSERTION PROGRAM SUPPORT

Job placement programmes for vulnerable groups in the areas in the vicinity of that where the Prestige catastrophe occurred.

Insertion in employment

PISI: Personal Itineraries of agreed Social Investment
Social intervention

The Red Cross has given help to 3,018 young people and to 3,474 children of between 6 and 18 years. Furthermore, encouragement has been given to the participation of 1,311 persons from other collectives such as fathers and mothers, through the Ampas, and older persons, who have benefited from the projects of technical assistance. In 2005 a number of programmes of social animation and functional adaptation of homes have been started up.

Participants 2005: 7,803
Participants 2004: 2,580

Associationism

The prime objective of the associative development section is to boost and strengthen the associative fabric of the area, and its management capacities. In 2005, this objective has been materialised in a long list of projects:

- First competition for social intervention projects.
- Training programmes and meetings for associations.
- A definitive boost to the development centres for associations and to the projects linked to the guilds and to the sea with the Asociación de Mariscadoras de Baldaio.
- Asociación de Rederas (Porto do Son).
- Projects: Mar de Lira (Cofradía de Lira), Memoria Na Escola (Cofradía de Ribeira) and the Old People’s Home (Cofradía de Rianxo).
- Obradorio occupational help for young persons with social difficulties (Cubania and Bergantinos).

### NUMBER OF SOCIAL INVESTMENTS PROJECTS IN FIVE REGIONS WITHIN THE SINGRA PROGRAMME

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ribeira</td>
<td>21</td>
<td>17</td>
</tr>
<tr>
<td>Cangas</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Vigo</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Cee</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Carballo</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>80</td>
</tr>
</tbody>
</table>

Inditex’s economic support has contributed to mitigating the consequences of the fuel spill in the districts of Bergantiños, Fisterra, Terra de Soneira and O Barbanza, in A Coruña, and O Morrazo, in Pontevedra.
B. ‘TSUNAMI’ IN SOUTH-EAST ASIA

CÁRITAS

Duration of the Project: 24 months.
Beneficiaries: inhabitants of the area affected by the tsunami
Inditex contribution in 2004/2005: €1,000,000*
Budget 2005: €1,000,000*'

On 26th December 2004 there was an earthquake of 8.9 degrees on the Richter scale, on the island of Sumatra (Indonesia), which caused over 30,000 deaths and great destruction, mainly in Indonesia, Sri Lanka, India and Thailand.

From the very day of the tragedy, the Cáritas Network (162 national Cáritas organisations) mobilised to attend to those who were the victims. Inditex has collaborated economically with the organisation to give support to its activities giving help in the area.

Today, the reconstruction work continues.

Summary of the activities of the ‘tsunami’ project in 2004

Sri Lanka
- 1,000 community support groups in the region.
- Implementation of the two phases of reconstruction.
- Dwellings, drinking water, schools and health for 33,000 families.

India
- Attention to 125 people.
- 100 reception camps: medical attention, water and cleaning up.
- Personal attention.
- Distribution of school materials to over 35,000 families.

Summary of activities 2005

The reconstruction of communities, the reestablishment of living conditions and the renewal of hope after the tsunami were the three central parts of the activity in 2005.

* Periodised in 2004, spent in 2005 and 2006
SRI LANKA

Caritas Sri Lanka managed the consequences deriving from the catastrophe on the northern and eastern coasts of the country through the support of an emergency team sent by Caritas Internationals.

The effects of the tsunami:

- Over 30,000 deaths.
- Over 4,000 orphans.
- Over 270,000 persons harmed by the loss of their principal means of earning a living.
- Over 50,000 hectares of crops made useless.
- Over 73,000 head of livestock disappeared.
- Over 17,000 fishing boats were lost as a result of the tsunami.

Actions in Sri Lanka

A. Emergency plan

The main objective was to help those affected by the tsunami to satisfy their basic needs and to reconstruct their means of making a living. It was a matter of making it possible for them to take up again their daily activity with dignity.

---

**INDITEX**' Contribution:

**€41,470**

**PHASE** | **PROJECT** | **ACHIEVEMENTS**
---|---|---
**First emergency** | Family packages of domestic equipment | 22,582 packages handed out
| Tents | 2,452 units
| Generators | 20 units
| Water and drainage | 911 latrines built
| 73 water pumps
| 32 wells and springs

**PHASE** | **PROJECT** | **ACHIEVEMENTS**
---|---|---
**Post-emergency and rehabilitation** | Temporary accommodation | 6,755 temporary dwellings.
| Public lighting | 350 points of light installed.
| Recuperation of means of making a living: fishing, agriculture and microprojects, among others | 1,009 fishing boats.
| 202 motors.
| 3,245 pieces of tackle.
| 68,439 days work in the “Salario por trabajo” programme.
| 450 packets of seeds.
| 170 water pumps.
| 96 sets of fencing equipment.
| 2,748 sets of tools.
| 425 micro-credits.
| 118 pupils registered on courses of training.
| Psycho-social support | 3,490 cases attended to.
| 329 consultants trained.
| **Reconstruction** | Dwellings | 664 houses built.
| 1,434 dwellings under construction.
| Rehabilitation of community buildings | 41 schools.
| 9 orphanages.
| 11 public centres.

**INDITEX**' Contribution:

**€271,227**
INDIA

Caritas India is currently working in all the areas affected by the tsunami, even the most remote. Its humanitarian work is part of the Emergency and Reconstruction Plan, which has been worked out by Caritas India, approved by the organisations of Caritas Internationalis and it has the support of Caritas Española.

Actions

A. Emergency and reconstruction plan to systematise the help to the victims

The main objective of this plan is to contribute to helping those affected to satisfy their basic needs and to progressively recover their means of making a living.

<table>
<thead>
<tr>
<th>PHASE</th>
<th>PROJECT</th>
<th>ACHIEVEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>First emergency</td>
<td>Food assistance</td>
<td>502,372 beneficiaries</td>
</tr>
<tr>
<td></td>
<td>Medical assistance</td>
<td>207,736 beneficiaries</td>
</tr>
</tbody>
</table>

B. The post-emergency, rehabilitation and reconstruction programmes

<table>
<thead>
<tr>
<th>PHASE</th>
<th>PROJECT</th>
<th>ACHIEVEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-emergency</td>
<td>Supply of drinking water</td>
<td>1,300 water tanks installed.</td>
</tr>
<tr>
<td></td>
<td>Education</td>
<td>44 school buildings constructed.</td>
</tr>
<tr>
<td>School support</td>
<td></td>
<td>66,855 children.</td>
</tr>
<tr>
<td></td>
<td>Recovery of activity</td>
<td>Handed over 1,451 fishing boats.</td>
</tr>
<tr>
<td></td>
<td>fishing grounds and other</td>
<td>1,133 outboard motors.</td>
</tr>
<tr>
<td></td>
<td>resources of living.</td>
<td>1,797 boats repaired.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>32,402 nets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>209,823 beneficiaries.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,521 self-help groups created.</td>
</tr>
<tr>
<td>Reconstruction</td>
<td>Dwellings.</td>
<td>3,000 temporary accommodation places constructed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,600 permanent dwellings constructed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8,000 permanent dwellings under construction.</td>
</tr>
</tbody>
</table>

Inditex’ Contribution: (A+B) €681,121
C. SPECTRUM TRUST

Duration of the Project: 12 months.
Beneficiaries: Spectrum employees and their families
Inditex’ Contribution 2005: €72,542

- Date: 11th April, 2005.
- Accident: collapse of the Spectrum Sweater Industries, Ltd. factory (Savar, Bangladesh).
- Cause: structural fault in one of the pillars of the building of the factory.
- Victims: 64 dead and 84 injured.

Actions 2005:
The gravity of the accident and its consequences reflected the need to start up preventive measures devoted to avoiding similar accidents in the future.

Inditex has joined this cause, participating actively in the following programmes:

Programme of review of the structural conditions of factories in Bangladesh
Bangladesh Garment Manufacturers Association (BGMEA) has started up a process of inspection of the structural conditions of the factories. In 2005, over 170 were checked.

Creation of the ‘National Social Compliance Forum’
The National Social Compliance Forum is a working group in which international buyers, NGOs, ministries of the economy and commerce, BGMEA and local trade union associations (Bangladesh Free Trade Union Congress and the Bangladesh National Council of Textile, Garment and Leather Workers) take part. Its mission consists of approving, encouraging and implementing a Code of Conduct on matters of social responsibility for all those companies and institutions which participate in the textile sector industry in Bangladesh.
The Trusts. ‘Emergency’

Inditex has also collaborated in the design and funding of two trusts (funds), Emergency and Solidarity devoted to mitigating the consequences of the catastrophe.

‘Emergency trust’:
This is a fund contributed to by Inditex and by the International Textile Goverment Leather Workers Federation and managed by Oxfam Internacional and INCIDIN Bangladesh (www.incidin.org). It was devoted to covering the urgent, medical and financial needs immediately after the catastrophe of the injured and/or their families.

The fund contemplated three lines of work:

Medical assistance for the injured workers

- 22 gravely injured workers received traumatological and orthopaedic treatment in the Trauma Center Hospital (Dhaka, Bangladesh).

Financial assistance for the families of the injured workers

- After the catastrophe, 38 injured workers’ families received between one and two months’ salary.
- Two seriously injured workers received the equivalent of two years’ salary.

Immediate aid for the victims of the Spectrum Sweater Industries, Ltd. factory accident.

- Finally, between June and July 2005, 500 workers received a month’s salary.
3.1.3 SOCIAL CAPITAL PROGRAMMES

Inditex’ Contribution 2005: €178,345

The programmes of creation of external and internal social capital have been designed to help to train committed persons, within and outside the factories of our suppliers, who are capable of feeling that their destiny is linked to both the evolution of the reality around them and to the improvement of social and labour conditions among their neighbours.

At Inditex, we are convinced that wealth resides in the leadership of persons.

Since 2004, we have been conducting programmes of leadership training —for factories and communities— with different trade union institutions —and those from the Third Sector— with the aim of identifying and training persons who feel that the commitment to working for the common good is a key element to guaranteeing the reciprocal respect among workers and managers in the factories, in complex social and employment settings, such as Morocco, Bangladesh and Peru.

For this reason, since 2004, we have been developing Programmes for the creation of social capital. In other words, projects which permit other agents external to the reality of the factories, and experts in the field of encouragement and the protection of Human Rights and Fundamental Workers’ Rights (trade unions and NGOs):

- To identify the networks of existing relationships based on trust and friendship among their members.
- To identify potential leaders in these informal networks.
- To develop curricula and training processes on rights and citizenship for potential leaders.
- To generate networks of associative fabric capable of foreseeing and professionally managing conflicts within a factory.

![Image of people in a factory setting](image-url)
A. PROGRAMMES DESIGNED FOR THE CREATION AND ENCOURAGEMENT OF THE ASSOCIATIVE FABRIC IN BANGLADESH

Labour crises in two factories in Bangladesh

1. 1st Factory (*): 15 members of the works committee and over 650 workers were fired for conflicts which arose as a result of the lack of response to the demands of the Workers Representative Welfare Committee.

2. 2nd Factory (*): Four members of the works committee were fired and over 300 workers, members of the trade union, received threats of dismissal because of a conflict which arose between a trade union member and the management.

(*) Reserved Information for the purpose of protecting the privacy of companies.

Inditex action plan and the parties involved

With the aim of resolving the crisis in the above-mentioned factories and fulfilling the commitments made, and after the adhesion to the ETI and the FMA Forum platforms, Inditex organised a working group made up of representatives of:

- ETI, Ethical Trading Initiative (www.ethicaltrading.org)
- ITGLWF, International
- Local trade unions: Bangladesh Free Trade Union Congress (BFTUC), National Federation of Garments Workers (NFGW) and Bangladesh Independent Garment Workers Federation (BIGUF).
- Non-Governmental Organisations: Solidarity Center (www.solidaritycenter.org).

Objectives

- To facilitate the dialogue between the parties: the management of the factory and the trade union representatives.
- In the short term: the search for joint solutions, the main objective of which is to gain the readmittance of the dismissed workers.
- In the long term: to develop a professional and competent trade union fabric, capable of looking after the rights of workers and to establish mature relations of collaboration between the workers and the management of the factories.
- To train the management of the factories in the promotion and protection of Human Rights and Fundamental Employment Rights, through:
  
  (1) The creation of Departments of Human Resources capable of understanding and attending to both the demands of workers and those of the international purchasers, in matters related with the promotion and protection of Human Rights.

  (2) The joint approval —of employers and the members of the Workers Representative Welfare Committee (WRWC)— of frameworks of action to manage crises and conflicts within the reality of the factories in complex social and employment settings establishing a protocol of mature relations between the management of the factory and the workers.

  (3) Finally, the training of members of the WRWC by external trade union agents for the putting into practice of the agreements signed in the documents: Procedure for handling of complaints, grievances and disputes and Disciplinary Procedure.
B. PROGRAMMES DESIGNED FOR THE CREATION AND ENCOURAGEMENT OF THE ASSOCIATIVE FABRIC IN MOROCCO

Participants
With the objective of boosting the commitments taken on, after adhesion to ETI and MFA Forum, Inditex carried on in Tangier (Morocco), between 18th and 21st October, 2005, a working group made up of:

- The management of the Spanish trade union FITEQA-CC.OO.
- The most representative Moroccan trade unions: Union Marrocaine du Travail (UMT) and the Confederation Democratique du Travail (FDT).
- The presence of over 70 managers from the factories of the suppliers of Inditex in Morocco.
- A representation of the purchasing teams of the Zara, Bershka and Stradivarius chains.
- Finally, the corporate social responsibility team of Inditex.

Objectives
A detailed list of the objectives and the conclusions achieved is as is shown below:

- To discuss through working groups the reasons for the main breaches of the Code of Conduct for Manufacturers and External Workshops in the reality of Moroccan textiles.
- To put forward a Corrective Plan of Action with the consensus of all parties involved.
- To create a calendar of action for each one of the parties involved in the process.
- To establish the basis for developing in May 2006 the MFA Forum platform in this country with the above-mentioned objectives.
PROGRAMMES OF STRENGTHENING THE PRODUCTION CHAIN

These are projects of social investment that are designed to implant the Inditex Code of Conduct for Manufacturers and External Workshops among our manufacturers and, subsequently, to verify the degree of fulfilment by independent third parties in accordance with international standards.

STRATEGY FOR THE IMPLANTATION OF THE CODE OF CONDUCT FOR MANUFACTURERS AND EXTERNAL WORKSHOPS

Methodology

Inditex approved the Code for Manufacturers and External Workshops in February 2001. Since then, it has demanded its fulfilment from all its suppliers and sub-contractors in their factories.

The process of verification of the implantation of this code has been developed through social audits. These have been carried out by independent local experts who perfectly know the social and employment conditions of the country in which they carry out their professional activities.

For the preparation of the audits over the last two years Inditex has used the methodology of the Business Social Compliance Initiative (www.bsci-eu.org).

BSCI sets down that all suppliers will comply with, as far as possible, the local, regional and international legislation currently in force and, especially, the following Agreements and Declarations:

National laws and regulations

Inditex undertakes to fulfil the local legislation currently in force in the countries in which its manufacturers operate and, especially, the regulations concerning:

- Working hours
- Remuneration
- Contributions to Social Security
- Minimum age of employees
- Prohibition of forced working
- Cautionary and disciplinary measures
- Freedom of association and collective negotiation
- Non-discrimination
- Working conditions of health and safety in the employment position
- Dormitories
- Basic environmental requirements

International regulations

Inditex undertakes to fulfil the international regulations contemplated in the main Conventions of the International Labour Organisation (ILO www.ilo.org).

Other regulations

Furthermore, BSCI takes into account among others Directive 62 of ISO/IEC, the SAI Methodology and Social Accountability 8000 (known as SA 8000)
The BSCI Code of Conduct

We list below the main sectors of the Code and the reference legislation:

1. Fulfilment of the local and international legislation in effect. With special attention, principally, to the enforcement of the prevailing local and sectorial regulations in force and of the ILO and UN Conventions.
2. Freedom of association and the right to collective negotiation. With special attention to the Conventions 87, 98 and 135 of the ILO.
3. Prohibition of discrimination for reasons of sex, age, religion, race, social profile, incapacity, country, trade union and political affiliation, and sexual orientation. With special attention to Conventions 100 and 111 of the ILO.
4. Right to receive fair remuneration for the work carried out. With special attention to Conventions 26 and 131 of the ILO.
5. Working hours with special attention to Conventions 1 and 14 of the ILO.
6. Health and safety at work. With special attention to Convention 155 and recommendation 164 of the ILO.
7. Prohibition of children working. With special attention to the Conventions 79, 138, 142 and 182 of the ILO.
8. Prohibition of forced working. With special attention to Conventions 29 and 105 of the ILO.
9. Fulfilment of the local legislation and, in the absence of local legislation, of the international legislation in force related to environmental aspects and those concerning safety at work.

The objectives and the BSCI system of work

Phase 1. Raising awareness among suppliers.

Phase 2. Self-evaluation.

The purpose of the social audit is to help the management of the suppliers of Inditex to improve their fulfilment of the employment, social and environmental regulations in force.

This is the most important part of the process of verification and standardisation of BSCI. It involves, in the first place, the realisation of a first diagnosis of the degree of fulfilment of the Code; in the second place, it details the catalogue of improvements which must be implemented through the Plans of Corrective Action; and, in the third place, it sets down the calendar for the start up and correction.

Phase 4. Plan of corrective action.
The application of the BSCI methodology in the processes of review makes it possible to compare in a coherent manner the conclusions which are derived from the different processes of review and to carry out monitoring through the Plans of Corrective Action.

Six months after the audit is carried out, the implantation of the plans of corrective action is verified.

Phase 5. Second social audit.
### Table summarising production by geographical area

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>North of Africa</th>
<th>America</th>
<th>Asia</th>
<th>Non-EU Europe Community</th>
<th>EU</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCTION 2004</strong></td>
<td>3%</td>
<td>3%</td>
<td>23%</td>
<td>12%</td>
<td>59%</td>
<td>1,761</td>
</tr>
<tr>
<td>Number of workshops audited 2002-2004*</td>
<td>148</td>
<td>77</td>
<td>487</td>
<td>189</td>
<td>1,344</td>
<td></td>
</tr>
<tr>
<td>Number of workshops rejected for breach 2004</td>
<td>81</td>
<td>34</td>
<td>239</td>
<td>89</td>
<td>1,060</td>
<td></td>
</tr>
<tr>
<td><strong>PRODUCTION 2005</strong></td>
<td>4%</td>
<td>4%</td>
<td>33%</td>
<td>13%</td>
<td>46%</td>
<td>1,686</td>
</tr>
<tr>
<td>Number of workshops active at the beginning of the accounting year 31-01-05</td>
<td>91</td>
<td>61</td>
<td>464</td>
<td>138</td>
<td>1,347</td>
<td></td>
</tr>
<tr>
<td>Number of workshops audited 2005</td>
<td>61</td>
<td>60</td>
<td>427</td>
<td>106</td>
<td>1,060</td>
<td></td>
</tr>
<tr>
<td>Number of workshops rejected for breach 2005</td>
<td>22</td>
<td>14</td>
<td>120</td>
<td>13</td>
<td>339</td>
<td></td>
</tr>
<tr>
<td>Number of workshops active on 31/01/2006</td>
<td>69</td>
<td>47</td>
<td>344</td>
<td>125</td>
<td>1,347</td>
<td></td>
</tr>
<tr>
<td>Number of second audits planned 2006</td>
<td>44</td>
<td>7</td>
<td>182</td>
<td>24</td>
<td>412</td>
<td></td>
</tr>
</tbody>
</table>

* 1st. level of the production line.

### Detailed list of social audits by geographical area

The following table reflects the social audits which took place during the period 2005-2006, in the different countries where the Inditex group works.

<table>
<thead>
<tr>
<th>Social auditors</th>
<th>North of Africa</th>
<th>America</th>
<th>Asia</th>
<th>Non-EU Europe Community</th>
<th>European Union</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>InterTek2</td>
<td>InterTek2</td>
<td>InterTek2</td>
<td>InterTek2</td>
<td>InterTek2</td>
<td>PwC</td>
<td>KPMG</td>
</tr>
</tbody>
</table>

| Factories and external workshops audited | 60 | 60 | 427 | 105 | 427 | 1,060 |

2 As is set down by the BSCI methodology, these social auditors were accredited by Social Accountability International (www.sa-intl.org).
Number of workshops abandoned
In 2005, Inditex cancelled its contractual relations for manufacture with a certain number of suppliers due, among other factors, to breach of the Code of Conduct for Manufacturers and External Workshops.

<table>
<thead>
<tr>
<th>Factories and external workshops abandoned</th>
<th>North of Africa</th>
<th>America</th>
<th>Asia</th>
<th>Non-EU Europe Community</th>
<th>European Union</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22</td>
<td>14</td>
<td>120</td>
<td>13</td>
<td>170</td>
<td>339</td>
</tr>
</tbody>
</table>

Plans of corrective action
Second audits
The BSCI methodology sets down that six months after a social audit it must be verified that the company has corrected the breaches which were detected.

Therefore, during the year 2006, Inditex will carry out second audits with the aim of verifying the putting into practice of the plans for corrective action, as the BSCI methodology sets down, in the following geographical scenarios:

<table>
<thead>
<tr>
<th>Foreseen audits 2006</th>
<th>North of Africa</th>
<th>America</th>
<th>Asia</th>
<th>Non-EU Europe Community</th>
<th>European Union</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>44</td>
<td>7</td>
<td>182</td>
<td>24</td>
<td>155</td>
<td>412</td>
</tr>
</tbody>
</table>

Awareness raising and dissemination campaigns
Throughout 2005, the Inditex Corporate Social Responsibility team organised a number of working groups to disseminate the Code of Conduct for Manufacturers and External Workshops. The meetings also served to share the best practices in the matter of promotion and protection of Fundamental Human and Employment Rights, with the suppliers of the company.

These are the meetings that took place in 2005:

- Hong Kong (China): 30th and 31st May 2005.
- Shanghai (China): 28th, 29th and 30th November 2005.
ANALYSIS BY GEOGRAPHICAL AREAS OF THE BREACHES OF THE CODE OF CONDUCT FOR MANUFACTURERS AND EXTERNAL WORKSHOPS

The table shows the frequency of breaches of the Code of Conduct for External Manufacturers and Workshops of Inditex and it is a key element for understanding and improving the working conditions in the textile and footwear industry globally.

The reviews have as their object to obtain a snapshot of the factory from the point of view of fulfilment of the Code which Inditex approved in February 2001.

As stated in section 3.2.1 above, the BSCI method provides a period of six months maximum to correct the serious breaches detected upon carrying out the social audits. After that six-month period, if the breach continues, the CSR Department proposes to terminate the agreement entered into with the supplier.

These are the criteria which have been taken into account in each of the sections that is analysed in the report:

- **Children’s work:** The existence of children’s work or the impossibility of verifying the age of the workers.

- **Salary below the legal minimum:** The salary received is lower than the minimum set down by the employment legislation in force.

- **Undeclared retribution:** The employee receives remuneration undeclared to the corresponding tax agencies and the social security.

- **Salary not in agreement:** The salary received corresponding to the collective agreement is below the guaranteed minimum wage.

- **Overtime is not remunerated:** The overtime carried out is not remunerated or is paid below the ratio set by law or by the corresponding collective agreement.

- **No identity papers:** There are workers who do not have their corresponding residence documents in order.

- **No contract:** There are workers who do not have a formal employment contract.

- **No holidays:** There are workers who have not enjoyed the period of holidays set down in the legislation in force.

- **No evacuation:** Non-existence of or insufficient routes of evacuation and emergency.

- **No reviews:** The medical checks set down in the local legislation in force are not carried out.

- **No information supplied:** No information supplied relating to the social audit, in accordance with the standards of the Business Social Compliance Initiative.

- **No training:** The workers are not trained in matters related with health and safety in the workplace.

- **No protection:** The proper protection equipment is not supplied nor owned.

- **No extinguishers:** There are no extinguishers, they are inaccessible, and/or they are not operative.

- **No plan for wastes:** There is no plan to collect and treat wastes.

- **No environmental policy:** No environmental policy has been implanted in the facilities of the factory.

- **No association:** The rights of association and of collective negotiation are not respected for the factory workers.

- **Subcontracting not authorised:** Subcontracting is carried out of certain stages of the production process to third party workshops, without the express authorisation of Inditex.

- **Abuse:** Apparent situations of harassment and abuse have been detected concerning the employees in the course of a social audit.

- **Discrimination:** Apparent situations of discrimination have been detected concerning certain employees in the course of a social audit.
<table>
<thead>
<tr>
<th>Degree of compliance with the Code of Conduct for External Manufacturers and Workshops</th>
<th>North of Africa</th>
<th>America</th>
<th>Asia</th>
<th>Europe Non-UE</th>
<th>European Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children’s work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary below the legal minimum</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undeclared retribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary not in agreement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unremunerated overtime</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No identity papers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No holidays</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No evacuation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No checks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No information supplied</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No extinguishers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No plan for wastes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No environmental policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No association</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subcontracting not authorised</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abuse</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discrimination</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fewer than 10% of the audited workshops are in breach
Between 10% and 29% of the audited workshops are in breach
Between 30% and 59% of the audited workshops are in breach
Over 60% of the audited workshops are in breach
3.2.3 THE CORPORATE DNA OF INDITEX

Knowing the structure of DNA and how it works is in all probability the most powerful concept in modern biology.

For some scientists, the molecular approach of the “science of life”, being the DNA the reference molecule, allows a global understanding of living nature. That is why at Inditex, we have developed the DNA Project with the aim of understanding, starting from its very first roots, the complex procedure that the manufacture of our garments, footwear and accessories entails.

This Project has been organized in the following stages:

- **Stage I: Determining the elements that comprise the molecular structure of the production line of Inditex.** In other words, assessing the breaches of the Code of Conduct for External Manufacturers and Workshops, through the allocation of a given number of marks in accordance with the seriousness of the breach.

- **Stage II: Understanding its molecular structure.** The factories of the production line of Inditex are divided into four categories in accordance with the marks accumulated, arising out of the conclusions of the social audit, as shown below:

  - Category “A”: Between 0 and 24 marks
  - Category “B”: Between 25 and 49 marks
  - Category “C”: Between 50 and 74 marks
  - Category “D”: Upwards of 75 marks

- **Stage III: Breaking the DNA molecule and examining the different groups of atoms they contain.** Allocating to each garment, shoe or accessory a category of individual risk in accordance with the breaches of the Code of Conduct for External Manufacturers and Workshops of the factory where they were manufactured.

Thus, as at 31 January 2006, through the DNA Programme, a risk - rating- has been associated to over 400 million garments, shoes and accessories, in accordance with the social and labour conditions of the factories where they were manufactured.
**Stage IV:** X-ray crystallography. The DNA Programme has developed a powerful computer tool that can incorporate the information on the purchases made by each of the eight commercial formats of Inditex with the audits carried out by independent consultants at the workplace of the suppliers.

**Stage V:** Identifying the genes that are responsible for specific disorders and behaviours, allocating to each buyer a global risk arising out of the degree of compliance with the Code of Conduct for External Manufacturers and Suppliers of each garment, shoe and accessory that they have brought to the production line of Inditex.

Starting from the understanding and improvement of the purchasers’ behaviour – if they are understood as genes – we may be able to give an answer to the key question: how can we, starting with a garment, shoe and/or accessory, develop a complex organism in a sustainable way?

This analysis method may be exponentially applied to new realities that might arise in the future.
3.3 PLATFORMS OF DIALOGUE

We promote the active participation in the form of debate on the processes of implantation of models of social corporate responsibility with the aim of sharing reflections with other companies and institutions in the service sector.

‘GLOBAL REPORTING INITIATIVE’
(www.globalreporting.org)

Global Reporting Initiative (GRI) is an independent multilateral platform. Its aim consists of developing and disseminating directives which regulate the information processes in three key areas of sustainability: social, environmental and economic.

The participation of Inditex in G3
During 2005, Inditex participated actively with the G3 Apparel and Footwear Working Group in the preparation of a report devoted to the fashion and footwear sector.

‘ETHICAL TRADING INITIATIVE’ (ETI)
(www.ethicaltrading.org)

Ethical Trading Initiative is a platform of dialogue which promotes the implementation of codes of conduct in the chains of production of its members (multinational companies). Its purpose is to improve the social and employment conditions of workers.

Its members
- Multinational companies from the sectors of clothing, footwear and distribution.
- Trade Union Organisations such as ITGLWF (www.itglwf.org).

Objectives
Among the main objectives the most important are:
- Developing and promoting best practices among its members.
- Searching for formulas of association among its members to promote respect for Fundamental Human and Employment Rights in the countries where they carry out their business models: production, distribution and/or marketing.
Activities carried out

- Projects of awareness raising and promotion of fundamental human and employment rights, by means of the joint projects with Clean Clothes Campaign (www.cleanclothes.org) (Holland), Fair Wear Foundation (www.fairwear.nl) (Holland), Fair Wear Association (www.fairwear.org) (USA), Social Accountability (www.sa-intl.org) (United Kingdom) and International and Worker Rights Consortium (www.workersrights.org) (USA).
- Supervision of the processes of implantation of the code of ETI in the members of the association. By means of this control, they manage to verify the individual corporate progress regarding implantation of fundamental human and employment rights, putting forward joint solutions to companies, trade unions and NGOs for the promotion and respect for fundamental human and employment rights and assistance and training for members.

‘MULTI-FIBER AGREEMENT FORUM’ (www.mfa-forum.net)

The Multi-Fiber Agreement Forum (MFA) is a dialogue platform, created in 2004, and made up of:

1. Manufacturers and distributors of clothing.
2. Trade union organisations.
3. Non-governmental organisations.
4. Platforms of dialogue to put into practice business measures which help to accept the immediate challenges which this industry is facing in three particular geographical settings: Bangladesh, Lesotho and Morocco

The executive committee is made up of:

- Maquila Solidarity Network (www.maquilasolidarity.org).
- Oxfam (www.oxfam.org).
- ETI (www.ethicaltrading.org).
- The Gap Inc. (www.gapinc.com).
- Inditex (www.inditex.com).

Working areas

The main areas of work are:

- The design of actions to strengthen the chains of production of its members in complex social and employment settings (Bangladesh, Lesotho and Morocco). The encouragement and protection of human and employment rights as a source for the generation of competitive advantages.
- The execution of actions devoted to increasing productivity in the textile and footwear industry in Bangladesh, Lesotho and Morocco, with the aim of facing up to the challenges of the 21st century.
- To improve the current climate existing in industrial relations between the principal agents, businesspeople, trade unions and workers.
3.4 OPEN TO SOCIETY

**Sponsorship and patronage**

Inditex sponsors different projects and initiatives each year of a social nature which contribute to the promotion and the diffusion of culture, innovation and business values. These projects are carried out by institutions, charitable organisations and private companies with plenty of experience.

The Commission of Sponsorship and Patronage evaluates each one of the projects, makes the assignment of funds and programmes actions for monitoring the results. This commission is made up of the Secretary General and Secretary of the Board, the Director General of Communication and Institutional Relations and the Director of Corporate Social Responsibility.

In 2005, the company devoted 1.7 million euros to the different programmes, doubling the investment made in 2004.

**SPONSORSHIP AND PATRONAGE BY AREA OF INTERVENTION**

<table>
<thead>
<tr>
<th>Area of Intervention</th>
<th>Amount (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>873,004</td>
</tr>
<tr>
<td>Culture and sport</td>
<td>359,970</td>
</tr>
<tr>
<td>Training</td>
<td>167,864</td>
</tr>
<tr>
<td>Business promotion</td>
<td>153,855</td>
</tr>
<tr>
<td>Art collections</td>
<td>50,279</td>
</tr>
<tr>
<td>Social Aid</td>
<td>116,310</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL</strong></td>
<td><strong>1,721,282</strong></td>
</tr>
</tbody>
</table>

**Support for medical research**

Inditex has given in this year over half of the global budget (873,004 euros) to the Fundación Pro CNIC. This foundation was created in December 2005, as the result of an agreement between the Spanish Ministry of Health and Consumption and thirteen companies, one of which was Inditex. The companies undertake to contribute up to the year 2012 one hundred million euros, which will be added to the 166 million euros that the Administration will provide to finance the research activities of the National Centre for Cardio-Vascular Research (CINC). The aim of this centre is to become a leading institution in cardio-vascular research in the international sphere, to connect basic research with applied research and to promote interaction among researchers, hospitals and patients to have the results of their projects translated into improvements in the treatment of patients and in patents for the country.

The CINC also works to bring biomedical research closer to young people and create a base with the best specialists. It has programmes of training and research grants aimed at students and experienced graduates.

The companies that are part, together with Inditex, of the Fundación Pro CINC are Acciona, Banco Santander, BBVA, Endesa, Fadesa, Fundación Abertis, Fundación Ramón Areces, Gas Natural, Grupo Prisa, La Caixa, Repsol YPF and Telefónica. [www.cnic.es](http://www.cnic.es)

**Programmes of social and cultural action**

In this sphere, investment is oriented principally towards three disciplines: sport, funding sports teams from Galicia, art, participating in the sponsorship of the Fundación Sarralves and in the Contemporary Art Collection of the Museo Patio Herreriano in Valladolid, and music, through donations to the Symphony Orchestra of Galicia and the Fundación Albéniz.
**Business promotion**

Inditex forms part of the board of a number of professional associations and non-governmental organisations with which it shares objectives of social, economic and environmental development.

**Programmes of education and a dissemination**

One of the main projects in 2005 was the start up of the teaching activities of the Inditex Professorship at the University of A Coruña. Its aim is to promote and disseminate the study and development of Corporate Social Responsibility, understood as the commitment of companies to apply criteria of good governance, sustainable social development and protection of the environment. The professorship promotes the academic analysis of Social Responsibility so as to be able to contribute to all the agents involved - companies, workers’ representatives, the administration and the civil society - long term approaches which include the points of view of the different interest groups.

From the 3rd November to the end of January 2006, the installations of the UDC housed a series of conferences, in which experts of recognised international prestige contributed their vision on Corporate Social Responsibility from a number of disciplines: the academic, business, legal and ethical, among others. The professorship has become the meeting point to analyse and debate the reality around us, promoting the principles of sustainable social development.

<table>
<thead>
<tr>
<th>List of conferences by the INDITEX Professorship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eudald Carbonell</td>
</tr>
<tr>
<td>Neil Kearney</td>
</tr>
<tr>
<td>Ezequiel Refico</td>
</tr>
<tr>
<td>Adela Cortina</td>
</tr>
<tr>
<td>Javier Chércoles</td>
</tr>
<tr>
<td>Elisabeth Mora</td>
</tr>
</tbody>
</table>

The Vice-Chairman and Managing Director of Inditex, Pablo Isla, presided over the ceremony for the inauguration of the professorship.
3.4.1 TRANSPARENCY OF INFORMATION

The commitment of Inditex to transparency aims not only to fulfil the obligations derived from the regulation of the market, but also to respond properly to the needs and logical demands of the different stakeholders regarding knowledge of the company and its activity.

The media

The media are now the main channel of transmission of information between companies and the public. Inditex manages its relationship with them from this viewpoint, accepting their position as independent, critical and committed intermediaries with transparency too. The relations of the Inditex Group with the media are managed by the General Directorate of Communications and Institutional Relations, which maintains a permanent and fluid contact with journalists in over 60 countries.

Inditex distributed throughout 2005 a total of 46 press releases and other news on the group. Over 5,000 applications for information made by the communications media from all over the world were attended to in this same period. A little fewer than 30% were from Spanish media, while the remainder were from international media, with a strong predominance of European countries. The monitoring carried out on the written press of the 32 countries with the greatest implantation of the Group gathered over 19,000 pieces of information published throughout 2005.

PRESS RELEASES AND NEWS DISTRIBUTED IN 2005

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Information</td>
<td>17</td>
</tr>
<tr>
<td>Financial Information</td>
<td>8</td>
</tr>
<tr>
<td>Business Expansion and Development</td>
<td>21</td>
</tr>
</tbody>
</table>

INFORMATION OF INDITEX PUBLISHED IN THE PRESS

<table>
<thead>
<tr>
<th>Country</th>
<th>Spain</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>41%</td>
<td>59%</td>
</tr>
</tbody>
</table>

DISTRIBUTION OF INFORMATION IN INTERNATIONAL PRESS

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>25.5%</td>
</tr>
<tr>
<td>Portugal</td>
<td>9.4%</td>
</tr>
<tr>
<td>France</td>
<td>7.4%</td>
</tr>
<tr>
<td>Holland</td>
<td>6.4%</td>
</tr>
<tr>
<td>Turkey</td>
<td>4.5%</td>
</tr>
<tr>
<td>Greece</td>
<td>4.4%</td>
</tr>
<tr>
<td>Italy</td>
<td>4%</td>
</tr>
<tr>
<td>Germany</td>
<td>4%</td>
</tr>
<tr>
<td>Denmark</td>
<td>3.3%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3.2%</td>
</tr>
<tr>
<td>Ireland</td>
<td>3.1%</td>
</tr>
<tr>
<td>Sweden</td>
<td>3%</td>
</tr>
<tr>
<td>Australia</td>
<td>2.9%</td>
</tr>
<tr>
<td>Poland</td>
<td>2.8%</td>
</tr>
<tr>
<td>Japan</td>
<td>2.4%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.2%</td>
</tr>
<tr>
<td>Other</td>
<td>11.5%</td>
</tr>
</tbody>
</table>
Institutional relations

It is not only the mass media that require an effort at transparency. The policy of approaching and opening up to different target audiences took off in 2005 with more than 170 visits to the Group’s sites. Spanish and foreign educational institutions, companies, organisations and institutions of all kinds had the opportunity to run through the different areas of work and to receive detailed explanations on the internal organisation and the functioning of our business model.

NUMBER OF VISITS TO INDITEX

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>55</td>
</tr>
<tr>
<td>Media</td>
<td>30</td>
</tr>
<tr>
<td>Educational Centres</td>
<td>45</td>
</tr>
<tr>
<td>Organisations and Institutions</td>
<td>41</td>
</tr>
</tbody>
</table>

VISITS FROM THE MEDIA

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>65%</td>
</tr>
<tr>
<td>France</td>
<td>9%</td>
</tr>
<tr>
<td>Germany</td>
<td>6%</td>
</tr>
<tr>
<td>UK</td>
<td>3%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3%</td>
</tr>
<tr>
<td>El Salvador</td>
<td>3%</td>
</tr>
<tr>
<td>Japan</td>
<td>3%</td>
</tr>
<tr>
<td>USA</td>
<td>3%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3%</td>
</tr>
</tbody>
</table>

VISITS FROM EDUCATIONAL CENTRES

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Education</td>
<td>40%</td>
</tr>
<tr>
<td>Higher Education/Spain</td>
<td>38%</td>
</tr>
<tr>
<td>Higher Education/International</td>
<td>16%</td>
</tr>
<tr>
<td>Vocational Training</td>
<td>13%</td>
</tr>
</tbody>
</table>

VISITS TO INDITEX

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational centres</td>
<td>26.32%</td>
</tr>
<tr>
<td>Organisations and Institutions</td>
<td>23.98%</td>
</tr>
<tr>
<td>Companies</td>
<td>32.16%</td>
</tr>
<tr>
<td>Media</td>
<td>17.54%</td>
</tr>
</tbody>
</table>
One of the organisation’s main objectives is the reduction of the environmental impact derived from its activities. The guidelines of our environmental policy include the optimisation of resources, control of the generation of waste and development of innovative initiatives.
4.1 NEW STRATEGIC BET: INNOVATE IN TERMS OF SUSTAINABILITY

An important period for Inditex has culminated in 2005, which has been marked by the development of a sustainable business model. Throughout the year, we have completed our first Strategic Environmental Plan (PEMA 2002-2005) and its lines of action. Without a doubt, this effort has been worthwhile, since we currently have a global environmental system, which is solid, efficient and capable of adapting itself to the needs of our rate of growth and the new requirements and advances in environmental issues. Our main objectives have been attained: guaranteeing the full integration of the environmental variable in all of our operations, evolving homogeneous efficiency criteria in a global market.

The structure of this management system is the result of the environmental actions developed during the last few years. We have various complementary management tools available that allow us to guarantee the environmental control of our operations. With the said tools, we have adapted the offices of our chains, logistics centres and factories to the ISO 14001 standard. We have also been able to achieve, update and assess the environmental regulations of the company globally, as well as the sustainable management system of our shops, the activity protocols followed in emergency scenarios, the waste manager control protocols, the environmental commitments of our suppliers, the Environmental Training Plan, the in new industrial projects (logistics centres, offices, etc.), the environmental control of products (Oeko-Tex), the Package and Packaging Minimisation Plan and the Environmental Indicator System.

We are aware of the current success of the environmental management system and the actions of the PEMA 2002-2005 which would not have been possible without the dedication of all the company’s personnel. The implication of all workers of Inditex, as well as our suppliers, with the environmental commitment of the company has been vital to achieve this.

We would like to thank the maintenance operators of our installations, shop and logistics centre personnel, office workers and management teams for their effort. All have managed to obtain some time during their intense working hours for the environmental training sessions and, in addition, they have adopted more sustainable habits in their jobs. With this multiple effort and the cooperation with the Human Resources teams of the different chains and the Corporate Communications area, we have managed to move closer to the keys of our environmental policy, hand in hand with the personnel of Inditex.

The learning process and results obtained during these years have also helped us establish the base to define the priorities of the new Strategic Environmental Plan for 2006-2010:

- The continuous training of staff as a vital element to guarantee the efficient operation and improvement of our environmental management system.
- The efficiency of processes as the key for the improvement of our sustainable business model.

By putting into practice this plan, we have been able to develop a Sustainability Innovation strategy applied to the business model of Inditex, which is our PEMA 2006-2010, presented in the following pages.
The aerogenerator installed in Arteixo produces one million kilowatts a year, which is enough to supply the electrical energy required for the production processes of the two textile factories of Inditex.
4.2 OUR ENVIRONMENTAL MANAGEMENT MODEL

**HEAD OFFICE**
- Managing Director
- Environmental Manager
  - Awareness and Training on Environmental Issues
  - Human Resources, Corporate Communications

**FACTORIES**
- Factory Managers
  - Environmental Representative
- Environmental Management Report
  - Conformity certificates UNE-EN-ISO 14001
  - Legislation control
  - Operational Control (waste, atmosphere, water)
  - Control of Responsibilities
  - Cost Control

**SHOPS**
- Chain Managers
  - Environmental Management Model in Shops
- Suppliers
  - Environmental Management Report
  - Conformity certificates UNE-EN-ISO 14001
  - Legislation control
  - Operational Control (waste, atmosphere, water)
  - Control of Responsibilities
  - Cost Control

**CHAIN OFFICES AND LOGISTICS CENTRES**
- Chain Managers
  - Environmental Representatives
- Suppliers

**ENVIRONMENTAL INDICATOR SYSTEM**
- Action and Improvement Plans
Environmental policy

The pillar of our environmental management system, which is the source for our strategic lines, is the environmental policy of our company. In this sense, we consider that the development of Inditex’s activity should integrate a set of sustainable development criteria, which guarantee the proper management of resources and environmental protection, as well as meeting society’s needs.

Our objective is to satisfy and meet the following principles, which are the main elements of our environmental policy and affect all of our companies and work centres:

- We undertake to consider the environment factor when planning and developing our activities and those of our business partners, encouraging the environmental awareness of our staff, suppliers and society in general.
- We undertake to fulfil the environmental regulations that apply to our activities, as well as any other obligations laid down. We will endeavour to prevent pollution and reduce the environmental impact of our activities to the minimum.
- We work towards continuously improving our Management System, thereby increasing its efficiency and ensuring a more efficient consumption of resources.
- We undertake to inform all of our employees and society about this policy, establishing a fluid communication with the authorities, local communities and agencies.

* The head office, logistics centre and factories of Arteixo. The factories of Narón and Ferrol. The head offices and logistics centres of the chains of Zara España, Zara Home and Kiddy’s Class, in Arteixo; Pull & Bear, in Narón; Massimo Dutti, Bershka, Oysho and Kettering, in Tordera; Stradivarius, in Villa de Sallent, and in the European Platform in Saragossa.

Part of the energy consumed by the heaters and air conditioning systems at the building of Inditex comes from a trigeneration plant and the solar panels installed on the roof of the building.
4.3 STRATEGIC PLAN 2006-2010: INNOVATE IN TERMS OF SUSTAINABILITY

The innovation of the sustainability involves the revision of all processes of our business model, including key processes, such as support processes, assessing them with an ecoefficiency analysis that helps us determine where and how they can be improved. The Strategic Environmental Plan of Inditex will be put into practice during the next few years with the development of the following projects:

**IEMA Project (Energy and Environmental Integration)**

The purpose of this project involves the integration of the efficient energy consumption variables, renewable energy sources, atmospheric emissions and climate change within a sole management model that will allow the control and coordinated implementation of decision making processes. Thus, the following tasks will be developed:

- The assessment of all energy flows required for the development of our operations in the group’s industrial and logistics installations.
- Assessment and definition of alternatives and energy supply projects, with special emphasis on solutions based on renewable energies.
- The execution and start-up of supply projects with renewable energies.
- The execution and start-up of projects for the efficient use of energy.
- Awareness and training programs for the personnel on the efficient use of energy and their consequences on the climate change.

**Project 3S (Store Sustainability System)**

Our current environmental management model covers the operational needs of all of our shops worldwide and it can adapt to the special characteristics of our chain. However, we consider that the special characteristics of our development dynamics require the application of sustainability and ecoefficiency criteria in both the definition of a shop model and in the operation and management criteria. The development of this project will involve the following actions:

- Definition of ecocinicient construction criteria, especially in the selection of materials.
- Definition of specific practices for the management of shop personnel.
- Specific training for shop personnel, for both current and new employees.

The façade of Zara’s store in Cologne has installed photovoltaic cells to help reduce the consumption of non-renewable energy.
ACVTEX Project

In 2004, we started an R+D project to analyse the environmental life cycle (ACV) of some types of garment produced in our factories. The purpose was to define the main variables to be studied and design a simplified analysis tool that would allow us to homogeneously assess our production with sustainability criteria. The project will be analysed with the development of a software that helps us apply our simplified ACV methodology to our production. Said analysis will include the efficiency of the consumption of production resources, use of harmful substances in fabric and optimisation of production processes, among others. The proposed completion date is 2006.

IPK Project (Inditex Pro Kyoto)

The logistics operations are one of our main values in the business in Inditex. In addition, this is a strategic area on which we must work to implement our sustainability focus. The most important objectives are:

- Control and reduce the indirect greenhouse effect gas emissions (GEI) generated by transport.
- Reduce the level of GEI emissions associated to the movement of personnel.
- Develop compensation mechanisms for the emissions of GEI.

From its creation, in 2005 Inditex is also part of the work group in which various representatives from other Spanish logistics operators and the Spanish Ministry for the Environment work. Its activity will allow us to develop specific strategies and actions that reduce the impact of our logistics operations in the climate change.
Inditex has 4 cogeneration plants that supply light and heat to the main work centres.
4.3 2002-2005 STRATEGIC PLAN: OBJECTIVES ATTAINED

The balance of the execution of our lines of action at the end of the year 2005 is the following:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Lines of action</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>Development of a control plan for environmental parameters and follow-up indicators</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Evaluation, control and guarantee of the compliance with environmental legislations in all work centres</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Auditing plan for the compliance with environmental legislation in all work centres</td>
</tr>
<tr>
<td></td>
<td></td>
<td>An assessment system is implemented to measure the update and compliance with international legislations, as well as an Environmental Indicator system with coverage for all of our works centres.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Every year, a systematic combination of independent internal and external audits is carried out for all industrial centres and chain head offices. In the shops in Spain, an environmental criteria process is carried out with a random sampling process, which will be taken to all shops in the world during the year 2006.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>1</td>
<td>Evaluation of raw material and energy replacement alternatives. Renewable energies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implementation of management practices that allow the improvement of the environmental behaviour and energy efficiency</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Ecoefficiency studies of the processes and work centres</td>
</tr>
<tr>
<td></td>
<td></td>
<td>We have our own electrical energy generation installations, with renewable sources for our own supply (wind and solar energy). The Waste Minimisation Plan and Package and Packaging Reduction Plan are still in force, marking new annual objectives.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A certificate has been implemented by external independent entities, with an environmental management system compliant with the ISO 14001:2004 standard that reaches 100% of the industrial work centres (factories and logistics centres) and head offices. Its implementation helped us analyse and revise our work processes in many different areas, improving the ecoefficiency in some of them. In 2006, its application will be applied to the new head office of the Otten chain.</td>
</tr>
</tbody>
</table>
Internal and external transmission of the environmental commitment and effort of INDITEX, involving all personnel with the said commitment.

**Strategy C**

**1. Promote and facilitate the internal awareness and training programs in terms of sustainability**

The Environmental Awareness and Training Plan has ended, reaching 100% of the personnel in all of our shops worldwide, either with presence, on-line or corporate magazine courses. During the next few years, said plan will be strengthened by the training of personnel at the shop (applied to almost 3000 individuals during the year 2005), including refreshing actions and training plans for new additions.

**2. Promote external communications with parties involved**

Different external environmental communication actions have been developed (congresses, seminars, etc.) and all demands have been addressed for the environmental information received, highlighting the high number of representatives in local, regional and national public administrations.

**Strategy D**

**1. Implement a global sustainability indicator system**

A global Sustainability Indicator System was developed for the operations of the company and Software for the on-line management from all work centres. Its implementation ended in 2005.

**2. Integrate economic, environmental and social variables, developing environmental and sustainability reports**

All industrial development projects incorporate the environmental and ecoefficiency variable during the design phase. The development of a Simplified Life Cycle Analysis (ACV) tool is in progress, which will be applied to our productions.
4.4 INDICATOR SYSTEM

The data included in this report is presented in relative (the number of items put on the market) and absolute terms, since we believe that this gives a better picture of the real situation. Given the huge growth in our production, the relative indicators allow us to assess our environmental efficiency, showing how we reduce our environmental impact for each item put on the market.

The different graphs show data that reflect our overall activity (manufacture, distribution and in-store marketing), except where waste is concerned, in which data is only given on waste generation in head offices, logistics centres and factories (what we call industrial centres). As regards the waste generation and management indicators of our shops, the pilot project for 2005 on 1,349 shops in Spain has helped us obtain reliable and solid data, which will be presented during the year. This is due to the difficulty in obtaining real municipal management collection and management data in many of the cities where the company operates. With the change in the methodology forecasted for 2006, we expect to solve these problems.

NUMBER OF GARMENTS COMMERCIALIZED

4.4.1 ENERGY CONSUMPTION AND ATMOSPHERIC EMISSIONS

The energy supply system of Inditex has an important supply from our own sources (cogeneration plants and boilers for our factories and logistics centres). The company carries out a comprehensive control of its emissions and has an energy minimisation and efficiency program. In this sense, we can highlight the adoption of renewable energy sources and natural gas, which allows us to reduce a major part of our levels of emission.

On the other hand, the electrical system does not allow us to control the source of external generation (electrical network) used for the shop’s supply. Therefore, the emission data are obtained in accordance with a series of estimates.

With the creation of skylights on shop walls or ceilings, we can guarantee the entry of natural light during many hours of the day.
ENERGY CONSUMPTION INDICATORS

The sources of own renewable energy do not generate enough resources to supply the whole company with energy. Therefore, Inditex has to use alternative energy sources. The highest consumption of the public network is motivated by the increase in the number of shops at the global level.

ENERGY CONSUMPTION AND ATMOSPHERIC EMISSIONS

**RENEWABLE ENERGIES (kwh)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,883,000</td>
<td>2,878,489</td>
<td>3,040,201</td>
<td>2,689,000</td>
<td>2,678,000</td>
</tr>
</tbody>
</table>

**PUBLIC NETWORK LIGHTING (kwh)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>295,574,280</td>
<td>233,007,223</td>
<td>295,574,280</td>
<td>447,385,263</td>
<td>444,653,542</td>
</tr>
</tbody>
</table>

**NATURAL GAS CONSUMPTION (Tep)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>5,137</td>
<td>4,329</td>
<td>5,511</td>
<td>5,684</td>
<td>5,936</td>
</tr>
</tbody>
</table>

**DIESEL OIL CONSUMPTION (Tep)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,589</td>
<td>1,911</td>
<td>3,728</td>
<td>5,936</td>
<td>7,650</td>
</tr>
</tbody>
</table>

1 KWh = 3.6 x 10^6 jul

1 Tep = 41.84 x 10^9 jul

* Includes industries and stores throughout the world.
Consumption and use of water

In the case of factories and logistics centres, the water consumption data are taken from direct consumption measurements and from supplier bills (public supply networks). In the case of shops, the data is obtained from a sampling process of the supplier bills. Thus, a series of representative shops have been selected and the results have been projected to the total number of shops.

Waste water from all of our sites is dumped into sewage systems, with the relevant administrative authorisation in all cases. Frequent analyses are conducted to guarantee fulfilment of legislation in force, not requiring specific treatment processes in any case due to the low level of pollution.

### Atmospheric Emission Indicators

Annual evolution of atmospheric emissions in manufacturing and logistics centres

#### Absolute data of emissions in T/year

<table>
<thead>
<tr>
<th>Year</th>
<th>CO</th>
<th>NOx</th>
<th>SO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>132,569</td>
<td>208,895</td>
<td>115,884</td>
</tr>
<tr>
<td>2003</td>
<td>123,725</td>
<td>147,196</td>
<td>82,794</td>
</tr>
<tr>
<td>2004</td>
<td>132,149</td>
<td>152,046</td>
<td>99,324</td>
</tr>
<tr>
<td>2005</td>
<td>140,187</td>
<td>161,790</td>
<td>107,189</td>
</tr>
</tbody>
</table>

#### Relative data in terms of nº of items manufactured (T/thousand garments)

<table>
<thead>
<tr>
<th>Year</th>
<th>CO</th>
<th>NOx</th>
<th>SO2</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>0.00034</td>
<td>0.00187</td>
<td>0.00041</td>
</tr>
<tr>
<td>2003</td>
<td>0.00035</td>
<td>0.00190</td>
<td>0.00044</td>
</tr>
<tr>
<td>2004</td>
<td>0.00036</td>
<td>0.00193</td>
<td>0.00045</td>
</tr>
<tr>
<td>2005</td>
<td>0.00037</td>
<td>0.00194</td>
<td>0.00046</td>
</tr>
</tbody>
</table>

Include the head office, and all of its factories: (Chooilet, Denilo, Fios, Glencare, Goa, Hampton, Indipunt, Jema, Nikole, Samlor, Sirco, Inrko, Zintura, Inditex Cogeneración) and the head offices and logistics centres of Zara, Zara Home, Kiddy’s Class, pull and Bear, Bershka, Oysho, Massimo Dutti and Stradivarius. All emissions sources undergo strict and frequent controls by an authorised inspection company, each in accordance with the parameters established by legislation in force. The data shown here has been taken from the analysis of these reports.
The data related to the emissions of industrial centres and shops are obtained from the emissions equivalent to the electricity consumption. On the other hand, the data related to the emissions associated to the transport of our distribution operations are calculated in accordance with the number of kilometres travelled (either in short, medium and long distance airplane routes, or truck routes), estimating the values with the criteria accepted by the international community (IPPC).

**EMISSIONS OF CO₂ (T/ year)**

**INDUSTRIAL CENTRES:**
- Per Natural Gas Consumption: 15,179
- Per Propane Consumption: 25
- Per Diesel Oil Consumption: 4,881
- Per Electricity Consumption: 14,448
- Total for Industrial Centres: 34,533

**TRANSPORT:**
- Emissions caused by transport: 15,993
- Total for Transport: 15,993

**STORES:**
- Per Shop Electrical Consumption: 282,092
- Total for Stores: 282,092

**TOTAL:** 332,618

*We optimize the load capacity of our trucks and organize the routes to reduce the environmental impact.*

**SOCIAL AND ENVIRONMENTAL PERFORMANCE INDITEX 2005**
4.4.2 WASTE INDICATORS

The generation of industrial waste by Inditex has decreased its growth trends thanks to the effort of the Waste Minimisation Plan, which was started in 2003.

**EVOlUTION OF THE GENERATION OF INDUSTRIAL WASTE (kg)**

**COMPARISON OF ITEMS PUT ON THE MARKET WITH TOTAL INDUSTRIAL WASTE GENERATED (%)**

**Comparison of annual hazardous waste generation**

- **Batteries**
  - 2005: 2,359
  - 2004: 1,970
  - 2003: 1,250

- **Office material**
  - 2005: 250
  - 2004: 1,515
  - 2003: 1,615

- **Fluorescents**
  - 2005: 1,307
  - 2004: 1,307
  - 2003: 1,307

- **Oil filters**
  - 2005: 950
  - 2004: 416
  - 2003: 1,956

- **Contam.met. pack**
  - 2005: 766
  - 2004: 437
  - 2003: 503

- **Min.oil.used**
  - 2005: 1,515
  - 2004: 5,758
  - 2003: 5,758

- **Contam.abs**
  - 2005: 416
  - 2004: 1,956
  - 2003: 1,956

- **Paints**
  - 2005: 104
  - 2004: 379
  - 2003: 379

- **Cont.plas pack**
  - 2005: 235
  - 2004: 235
  - 2003: 235
Comparison of the annual generation of urban or similar waste

**Absolute data (kg)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile Waste</td>
<td>2,063,764</td>
<td>1,973,205</td>
<td>1,819,171</td>
<td>1,519,171</td>
<td>1,401,171</td>
</tr>
<tr>
<td>Carton and paper</td>
<td>2,224,782</td>
<td>2,197,590</td>
<td>2,025,872</td>
<td>1,666,672</td>
<td>1,598,240</td>
</tr>
<tr>
<td>Plastic</td>
<td>339,040</td>
<td>323,347</td>
<td>303,705</td>
<td>294,347</td>
<td>289,645</td>
</tr>
<tr>
<td>Wood</td>
<td>265,012</td>
<td>259,645</td>
<td>224,782</td>
<td>197,590</td>
<td>181,917</td>
</tr>
<tr>
<td>Other urban waste</td>
<td>3,334,751</td>
<td>3,195,640</td>
<td>3,075,690</td>
<td>2,720,690</td>
<td>2,511,690</td>
</tr>
</tbody>
</table>

**Relative data (in terms of no. of items manufactured) kg/thousand items**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile Waste</td>
<td>3.67</td>
<td>3.64</td>
<td>3.61</td>
<td>3.58</td>
<td>3.57</td>
</tr>
<tr>
<td>Carton and paper</td>
<td>7.97</td>
<td>7.76</td>
<td>7.56</td>
<td>7.39</td>
<td>7.25</td>
</tr>
<tr>
<td>Wood</td>
<td>1.77</td>
<td>1.73</td>
<td>1.71</td>
<td>1.69</td>
<td>1.68</td>
</tr>
<tr>
<td>Other urban waste</td>
<td>4.78</td>
<td>4.74</td>
<td>4.70</td>
<td>4.68</td>
<td>4.66</td>
</tr>
</tbody>
</table>

**DESTINATION OF WASTE ACCORDING TO TYPE AND TREATMENT TYPE**

One of the main objectives of our Waste Plan is recycling, as shown in the following graph.
5

Verification of the GRI Indicators Audit
VERIFICATION REPORT

SCOPE

SGS ICS Iberica (hereinafter SGS) has carried out, commissioned by Industria de Diseño Textil, S.A. (hereinafter INDITEX), an independent verification of the document MEMORIA 2005.

The scope of the verification includes the text and data contained in the reference document, not including the information and/or data referenced and not introduced in the document.

INDEPENDENCE

The information contained in the verified document and its elaboration is the sole responsibility of REE.

SGS has not participated nor advised in the elaboration of the verified document, only participating as independent verifier, checking the adequacy of the document contents.

The content of this Verification Report and the opinions contained in it is the unique responsibility of SGS.

VERIFICATION

Methodology and verifier team

The methodology used was the one developed by SGS for the Verification of Sustainability Reports, this consists of audit procedures according to ISO 19011 and verification mechanisms according to GRI Guidelines (2002) and AA1000 Assurance Standard (2003), these include:

- Interviews with the personnel responsible for data obtaining and preparation.
- Documents and records review (internal and public ones)
- Verification of data and its validation with the source.

Specifically, for this verification the data of the economic area were assessed against the Notification of Consolidated Results 2005 of INDITEX according to the Annual Report 2005 audited by KPMG.

SGS personnel formed the verification team and it was assembled based on their knowledge, experience and qualifications for the accomplishment of this task.

CONCLUSIONS

Based on the verification carried out, the SGS verification team considers that the MEMORIA:

- Contains reliable information and data and these are a coherent representation of the activities and its results for the period reflected in the document.
- Has been elaborated according to the requirements of Sustainability Reporting Guidelines 2002 from Global Reporting Initiative (GRI).

Madrid, June 23, 2008

Signed: J. Moya
SGS ICS Iberica, S.A.