

**INDITEX**

**TAX POLICY**

**INDITEX GROUP**

**APPROVED BY THE BOARD OF DIRECTORS ON 9 DECEMBER 2015**

## 1. Introduction

Inditex Group Tax Policy (hereinafter, “the Policy”) is part of the Group’s governance and regulatory compliance Policies. The main objective of this Policy is the development and effective implementation of the tax guiding principles stated in the Tax Strategy of the Inditex Group (hereinafter, “the Tax Strategy”).

This Policy states the guidelines based upon which the Group develops all the tax processes included in the tax function. In addition, the Policy defines the competences, which are assigned to the Group’s Governing Bodies and Departments, in relation to these processes.

This Tax Policy must be read and construed jointly with the Tax Strategy paper, which was approved by the Board of Directors in the meeting held on 9 December 2015. Additionally, within the Group’s internal regulation there are several documents which are, directly or indirectly, related to this document. A list of such documents is attached hereto as an Annex.

## 2. Authorship and approval of the Tax Policy

This Tax Policy has been written by the Tax Department, which forms part of the Group’s Financial Division, and approved by the Board of Directors of Inditex in the meeting held on 9 December, 2015. At least once a year this Tax Policy will be reviewed by the Group’s Financial Division.

## 3. Scope of application of the Tax Policy

### 3.1 Objective scope of application.

This Tax Policy will apply to all custom taxes and duties accrued in all the countries where the companies defined in point 3.2 below carry out their business or are present.

### 3.2 Subjective scope of application

This Tax Policy is mandatory for Industria de Diseño Textil, S.A. (Inditex S.A.)(hereinafter, “Inditex”) and all the companies which are part of its Group (hereinafter, “the Group” or “the Inditex Group”), as well as Tempe S.A. and its subsidiaries.

The Group’s Senior Management and all the employees of the Group companies, who are directly or indirectly involved in the exercise of the tax processes related with the tax function which are described below.

## 4. Responsibilities of the Board of Directors and of Senior Management of the Inditex Group in the scope of the Tax Policy.

### 4.1. Senior Management

#### 4.1.1 Board of Directors

The Board of Directors has the following responsibilities related to the Tax Policy:

1. Determining the Tax Strategy of the company, based upon which this Tax Policy is established.
2. Determining the tax risks control and management policy and overseeing the internal systems of information and control, within the framework of the Group's Risk Management and Control Policy.
3. The approval, by itself or by delegation to the Executive Committee, of the investments and operations of any manner which, due to their significant amount or special features, are considered as strategic or bearing special tax risk, unless the approval thereof is incumbent on the General Meeting of Shareholders.
4. The approval of the setup or acquisition of shares in Special Purpose Entities, or in entities located in territories which are considered as tax havens by the Spanish tax legislation.
5. The establishment of the Group's structure and functions, within which the tax function is included.

#### 4.1.2. Financial Division

The Financial Division has the following responsibilities related to the Tax Policy:

1. The monitoring of the application of the guiding principles and guidelines of the Tax Strategy and Policy.
2. Acting through the Risk Management Department, which is part of the Group's Financial Division, it has certain powers assigned related to the coordination and management of the information reported by the Tax Department in relation to the group's tax risks, in order to include such risks in the Group's Risk Map.
3. The promotion of appropriate communication channels between the Head of Tax and the rest of the Management and Departments involved in the development of tax processes.

#### 4.1.3. Head of Tax Department

The Head of Tax Department has the following responsibilities within the scope of the Tax Policy:

1. Advising the Board of Directors and the Financial Division in relation to the functions assigned to them by the Tax Strategy and Policy.
2. Drafting the Group's Tax Policy, its regular review and update in order to be submitted to the Financial Division and subsequently approved by the Board of Directors.
3. The control on the effective implementation of the main aspects of the Tax Strategy and Policy in the tax processes developed by the Group.
4. The establishment of internal procedures and risk control measures able to ensure that the Group tax risks are considered and identified upon developing the tax processes.
5. To regularly monitor the evolution of tax risks within the Group's Risk Map and the effectiveness of the internal control procedures and measures established.
6. At least once a year, the Head of Tax will report to the Board of Directors, directly or through the Audit and Control Committee, on the main relevant tax issues which have occurred within the Group during the period.

#### 4.2 Departments involved in tax processes

## 4.2.1 Tax Department.

The Tax Department, which is part of the Group's Financial Division, has the following responsibilities within the scope of the Tax Policy

1. Compliance with tax obligations in Spain, excluding the obligations related to customs duties and without prejudice to the monitoring competences stated in points 4.2.5. and 4.2.6. below. These obligations are mainly the following ones:
  - a. Payment of tax debts.
  - b. Filing tax returns corresponding to the Spanish Group companies.
  - c. Reporting the tax information related to the Spanish Group companies.
  - d. Reporting the tax information related to third parties, either on account of periodic obligations or as a consequence of information requirements from Spanish tax authorities.
2. Tax advising in relation to all kind of operations made by the Group, either recurrent or strategic, with the purpose of contributing from a tax perspective, to achieving the Group's strategic business objectives and creating value for the shareholders in a sustainable way.
3. Permanent interaction with the tax authorities of all the countries where the Group operates.
4. Preparing the financial information of a tax nature. This assignment includes the information required by Commercial regulations, to be included in the Consolidated Financial Statements and in the Individual Financial Statements of the Spanish companies and which is related to the tax obligations of the Group's companies.

## 4.2.2 Administration Department

### 4.2.2.1 Administration Department in Spain:

The Administration Department in Spain is charged, in the scope of this Policy, with preparing the financial information of the Spanish companies which, from a general standpoint, is used as a basis for compliance with certain specific tax obligations in Spain. Notwithstanding the foregoing, the Administration Department will rely on the support of the Tax Department for the performance of the functions it has been entrusted with.

### 4.2.2.2 Administration Departments of Group's foreign companies.

The Administration Departments of the Group's foreign companies have the following main responsibilities related to the Tax Policy

1. Compliance with tax obligations in each country, except for obligations related to customs duties. These tax obligations are mainly the following ones:
  - a. Filing tax returns corresponding to the Group companies.
  - b. Payment of own taxes and of those levied on behalf of third parties
  - c. Reporting the tax information related to the Group companies.
  - d. Reporting the tax information related to third parties, either on account of periodic obligations or as a consequence of information requirements from Spanish tax authorities.

2. The preparation of the financial information of a tax nature of foreign companies. This assignment includes the information required by Commercial regulations, to be included in the Consolidated Financial Statements and in the Individual Financial Statements of the Group's foreign companies and which is related to the tax obligations of the Group's companies.
3. Permanent interaction with the tax authorities of all the foreign countries where the Group operates.

Notwithstanding the foregoing, the performance of the tax functions made by the Administration Departments of Foreign Companies within the scope of this Policy shall be carried out under the guidance of the Tax Department and according to the internal control procedures and measures established by such Department.

#### 4.2.3 Financial Management Department

The Financial Management Department, which is part of the Financial Division, shall be responsible for achieving an appropriate structure of bank services to ensure compliance with the payment obligations in respect of taxes, pursuant to the terms from time to time laid down in the Corporate Payment Policy.

This obligation shall be effective, once the tax debt has been duly quantified by each of the responsible Departments.

Notwithstanding the foregoing, the Financial Management Department shall rely on the support of the Tax Department for the performance of the functions it has been entrusted with.

#### 4.2.4 Planning and Management Control Department

The main tax responsibility of the Planning and Management Control Department, which is part of the Group Financial Division, is to provide the Tax Department with the financial information which is necessary to prepare the tax information included in the Group's Consolidated Financial Statements.

Notwithstanding the foregoing, the Planning and Management Control Department shall rely on the support of the Tax Department for the performance of the functions it has been entrusted with.

#### 4.2.5 Customs Department

The Customs Department, which is part of the Group Financial Division, has the responsibility of compliance with the customs obligations accrued within the EU customs area, excluding the customs obligations accrued by dispatches sent to the Canary Islands. Notwithstanding the foregoing, the performance of the tax functions made by this Department will be carried out under the monitoring of the Tax Department and according to the internal control procedures and measures stated by such Department.

#### 4.2.6 Import-Export-Transport Department

Within the framework of the Tax Policy, the Import-Export-Transport Department shall be responsible for compliance with the customs obligations accrued outside the EU customs area and the customs obligations accrued by dispatches sent to the Canary Islands. Notwithstanding the foregoing, the performance of the tax functions made by this Department will be carried out under the monitoring of the Tax Department and according to the internal control procedures and measures stated by such Department.

#### 4.2.7. Human Resources Department

The main tax responsibility of the Human Resources Department, which is carried out through the Labor Department, is to provide the Tax Department with the remuneration information of the employees which is necessary to comply with the tax obligations associated to the labor relationships existing in the Group companies.

#### 4.2.8 IT Department

The main tax responsibility of the IT Department is to provide the Tax Department with the appropriate software tax tools able to guarantee the accuracy and integrity of the information which is necessary for complying with the tax obligations in all the countries where the Group makes business.

### 4.3. Supervision

#### 4.3.1. External Auditors

The external auditors of the Group have the responsibility of regularly evaluating and reviewing the tax processes, always provided that such tax processes have significant impact on the consolidated/individual financial information to be reported by the Group.

#### 4.3.2. Internal Audit Department

The Internal Audit Department reviews the tax processes representing an independent monitoring mechanism of the own internal control mechanisms established by the Tax Department. In this regard the Internal Audit Charter, which was approved by the Board of Directors of Inditex S.A., states that the Internal Audit Department will contribute, through recommendations and conclusions included in its reports, to the establishment of appropriate internal control and risk management systems, among them the tax control and risk management systems, which help reduce to reasonable levels the potential impact of the risks that hinder the achievements of the Group's objectives.

## **5. Guidelines of the Tax Policy.**

Within the framework of the guiding principles stated in the Group's Tax Strategy, the Group Tax Policy takes the form of the following guidelines:

1. The Group undertakes to comply with the tax obligations existing in the countries where it develops its business according to the current interpretative criteria which have been made public by the tax authorities. In the case that a tax position is taken by the Group and such tax position is discrepant with the existing interpretative criteria held by tax authorities, the Group undertakes to justify and document its position which, in any event, will be supported by a reasonable interpretation of the applicable rule and/or by rulings or decisions of administrative/jurisdictional bodies in relation to the tax position.
2. The management of the Group Departments and Retail Companies will inform to the Tax Department, prior to giving their approval, about new activities, operations or business lines which are expected to be developed in the future in such a way the Tax Department may analyze the tax consequences thereof in advance.

Notwithstanding the foregoing the Tax Department will always issue an opinion about the tax implications of all the operations that, due to their significant amount or special features, must be approved by the Board of

Directors or by the General Meeting of Shareholders, in accordance with commercial laws and the Group's corporate policies.

3. The Group undertakes not to use structures of shady nature for tax purposes, putting shell companies located in territories considered as tax havens or uncooperative territories by the Spanish tax authorities. In this regard, the incorporation of companies located in territories considered as tax havens will be limited to situations where it is absolutely indispensable for the development of the Group's typical business.
4. The Group undertakes to cooperate with the local tax authorities on detecting and searching solutions in relation to fraudulent tax practices which can be carried out by third parties in the markets where it operates, with the purpose of eliminating them and preventing the extent thereof. In this regard, the Group has a Whistle Blowing Channel where the Group's employees, suppliers, manufacturers or third parties, irrespective of their hierarchical level or geographical/functional position, can inform the Committee of Ethics about the existence of tax irregularities which can affect, directly or indirectly, the Group's interests. The proceedings and composition of such Committee, which is under the direct supervision of the Board of Directors, is ruled in the Code of Conduct and Responsible Practices.
5. Due to the fact that the Group's business model has a significant level of integration between all the activities related to the design, manufacture and distribution of fashion products, the Group undertakes to assess and fix the price of the operations carried out between the Group companies using arm's length criteria, in accordance with the tax legislation of the countries involved in each operation and the existing international transfer pricing rules ("OECD Transfer Pricing Guidelines" and "Recommendations of the EU Joint Forum on Transfer Pricing").
6. Within the framework of the Risk Management and Control Policy, the Group relies on internal control systems related to its tax processes; these control systems ensure compliance with the tax obligations according to the guiding principles stated in the Tax Policy. In this regard, at least once a year the Group will review the controls associated to the tax processes and update, where appropriate, the relevant Tax Risk Map.
7. The Group will promote the establishment of relationships with the tax authorities of the countries where it carries out its business activities based on the principles of transparency, good faith and mutual trust. For the purposes of ensuring respect of the principle of legal certainty, the Group undertakes to collaborate with the tax authorities in solving all the tax matters which may arise as a consequence of the compliance with its tax obligations.
8. The Group will ensure that the Departments involved in the tax processes have the necessary human and material resources in order to guarantee compliance with the tax obligations in all the countries where the Group conducts its business. Additionally, if it is deemed necessary, the Group will work with external recognized tax advisors for the purpose of ensuring compliance with tax obligations in accordance with the guiding principles and guidelines stated in the Tax Strategy and Policy.

## ANNEX

List of documents included in the scope of the Group's corporate internal regulation which may, directly or indirectly, affect this Tax Policy:

- Articles of Association of Inditex and of the remaining Group companies, including Tempe and its subsidiaries.
- Board of Directors' Regulations of Inditex.
- Audit and Control Committee's Regulations of Inditex.
- Code of Conduct and Responsible Practices.
- Manual on Criminal Risks Prevention.
- Corporate Social Responsibility Policy.
- Investment Policy.
- Financial Risk Management Policy.
- Risk Management Policy.
- Internal Audit Charter.