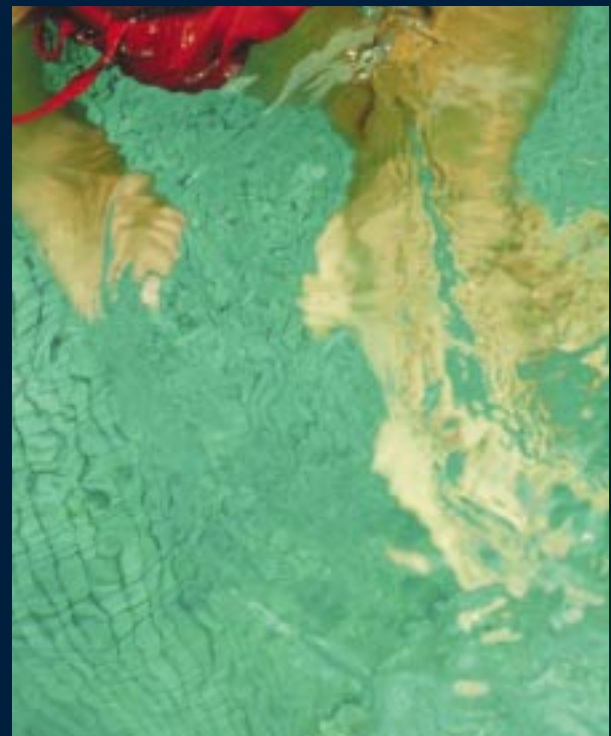


**SUSTAINABILITY REPORT
INDITEX 2003**

INDITEX

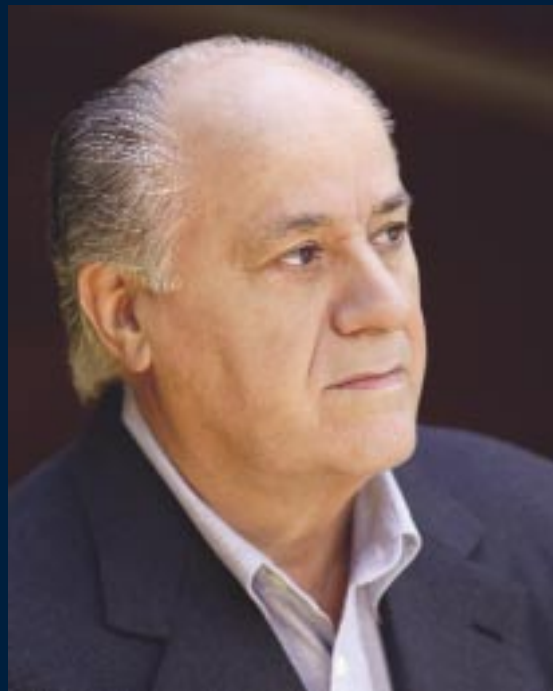
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LETTER FROM THE CHAIRMAN



The social demands on companies as regards the consequences their operations have on their different surroundings have been structured in the past few years along ever-more clearly defined lines. Contributing to this have been, on the one hand, the regulatory demands in areas such as that of corporate governance and, on the other, the development of recommendations and guides such as the Global Reporting Initiative (GRI). This Sustainability Report 2003 has been drawn up in accordance with the 2002 guide for the drafting of Sustainability Reports of the GRI, and constitutes a balanced and reasonable presentation of the social, environmental and economic performance of our organisation.

We, the companies, are responding to these requirements with a double perspective, based both on taking on a responsibility that goes beyond the pure requirement of legality in our actions and profitability in our results and on the commitment implicit in the transparency of the information we provide on a periodic basis.

However, the commitment undertaken by companies, which must without any doubt continue to develop in the future, cannot be considered to be fully valid in all senses if it is not accompanied by frank and open dialogue with our principal stakeholders. In this respect, Inditex is making a considerable effort in its establishment of relations with some of the most significant Third Sector organisations.

Our collaboration with non-governmental organisations has occurred at various levels. As regards the management bodies of Inditex, the setting up of the Social Advisory Board has been a very significant step in this respect. The Board of Directors of Inditex now has at its disposal the advice of a group of independent experts of repute. At other levels, relations have gone from the simple exchange of opinions or information to collaboration in the design, development and implementation of projects.

These relations cannot under any circumstances come to be a transfer to third parties of the company's responsibility and that is not the spirit in which Inditex has entered in them. On the contrary, it seeks to objectify the various actions of the company through the participation of groups that are unconnected to the legitimate economic objectives that are common to all business groups. It is essential for Inditex to be able to depend on a critical contribution, which helps both to detect unidentified areas for improvement and to design and carry out specific actions. We aim at fostering the concept of sustainability, which Inditex has undertaken and which affects the very attitude of the company and of each of the people who are part of it.

Progressing in sustainability will require by definition an improvement in the ability of companies to understand what society's demands are and their order of priority. This all depends largely on this effort being socially shared and the business environment itself valuing it appropriately. The role played by dialogue between companies and society in this process is vital, through the Third Sector organisations or through any other formal or informal channel. This is how Inditex has understood it and I can state with satisfaction that it has also been understood this way by our counterparts, who are collaborating actively and critically in our initiatives.

Amancio Ortega Gaona

Chairman

SCOPE



The Sustainability Reports for 2002 and 2003 have been drawn up in accordance with guidelines of the Sustainability Reporting Guidelines 2002 of the Global Reporting Initiative (GRI) (www.globalreporting.org).

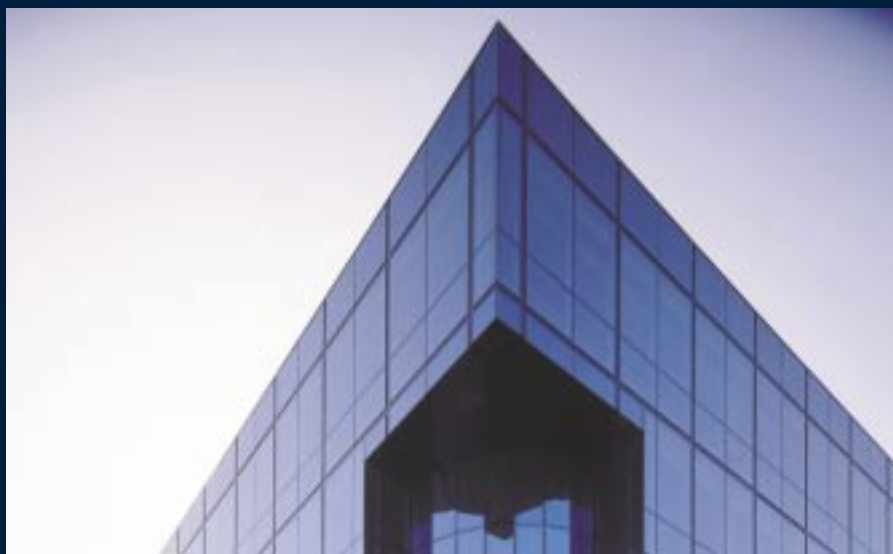
The independent verification report prepared by SGS can be found on page 160 of this Sustainability Report (the validation of the Sustainability Report for 2002 was carried out by AENOR). Below is a list of the scope of the data contained in this Report:



Section	Fiscal Year	Coverage
Who we are		
Our group	2003	Consolidated group
	2002	Consolidated group
Our people	2003	Consolidated group
	2002	Consolidated group
Our customers		
Commitment to customers	2003	Consolidated group
	2002	—
Customer service	2003	Zara España
	2002	—
Open to society		
Information	2003	Consolidated group
	2002	—
Coexistence with the environment	2003	Central Headquarters
	2002	—
Good Governance		
	2003 ⁽¹⁾	Consolidated group
	2002 ⁽²⁾	Consolidated group
Social Dimension		
Transmission of the Code of Conduct for External Manufacturers and Workshops	2003	80% suppliers
	2002	80% suppliers
Auditoría Social de Fabricantes y Talleres Externos	2003	Spain, Portugal, France, UK, Romania, Turkey, Morocco, Tunisia, Peru, Brazil, Pakistan, India, Bangladesh, China
	2002	Spain, Portugal, Turkey, Morocco
Social Action Programmes	2003	Spain, Morocco, Peru, Brazil, Argentina, Venezuela, Nicaragua, India, China, Indonesia, Thailand
	2002	Spain, Morocco, Peru, Venezuela, India, Thailand
Environmental Dimension		
	2003	Consolidated group
	2002	Central Headquarters, factories and logistics centre for Zara in Arteixo
Economic Dimension		
	2003	Consolidated group
	2002	Consolidated group

(1) In accordance with the Circular from the Spanish stock exchange commission (CNMV) on Annual Corporate Governance Reports of Listed Companies, dated March 2004.

(2) In accordance with the Recommendations of the Aldama Commission.



OUR SUSTAINABILITY MODEL

At Inditex we understand that adopting criteria of sustainability in our operations entails:

- a) the formalization and implementation of new management policies and systems in the three fields where the company is present: the social, environmental and economic fields;
- b) transparency with regard to the results achieved;
- c) external scrutiny of those.



OUR PRINCIPLES

The principles which govern our commitment are:

Good faith: We understand that establishing co-operative, non-opportunist relations of equality with each of our stakeholders, will have positive effects for Society and, consequently, for the development of our operations as an organisation that is immersed in it.

Dialogue: We are aware that the development of new formulas for dialogue with each of our stakeholders will be a continually improving process. It is Society who best knows what is expected of us. Therefore, through the governing bodies of Inditex, with its different channels such as the Social Advisory Board and the other mechanisms designed to the same end, we will maintain a constant dialogue with the main stakeholders and organisations of Civil Society.

Transparency: We understand that the development of an environment of transparent information, as regards the evolution of the activities of our organisation and the measuring of challenges and the goals achieved, will permit relations to be developed based on equality and cooperation with the aforementioned stakeholders.

OUR PRACTICES

Although the commitments assumed as regards sustainability are dynamic and the expectations of Society are changing, our internal Code of Conduct establishes the foundations on which our relations with each one of the stakeholders are organised.

The commitment is and shall be a global commitment; the Code affects and will affect all our practices in those countries where we carry on manufacturing, distribution and marketing activities.

OUR STAKEHOLDERS

We believe that our responsibility as a committed corporation must be measured by our ability to respond to the different demands of our principal stakeholders.

One share, one vote: At Inditex, we have made the most advanced recommendations on corporate governance our own. Under the principle of “one share, one vote” we are recognised as a modern and committed corporation as regards good corporate governance and those other matters related to the transparency of information.

One employee, one reality: At Inditex we are committed to jobs that are decent, stable, quality, safe and oriented towards continuous training and internal promotion, as can be seen in the basic lines of the development of our relations with our employees as reflected in the Internal Code of Conduct.

A supplier, a partner. A customer, a friend: Our customers are not only concerned about the design, quality and prices of our garments; they are also concerned about the labour conditions of the workers of our external manufacturers and workshops around the world. If they are concerned, then we are too. Therefore, our Code of Conduct for External Manufacturers and Workshops establishes the obligation of our suppliers to respect the Human Rights conventions and the International Labour Organisation (ILO) conventions, amongst others.

Thus, just as last year, teams of external, independent consultants regularly check the degree of compliance with our Code at our suppliers’ workplaces.

Society, our universe: In the past three years, we have been developing formulas for collaboration and innovative programmes for development in the field of Social Action in both the North and South.

From the beginning of these programmes we have understood that our role in the societies where we carry on our operations must be understood in relation to Human Development in a triple dimension: the promotion of respect of Human Rights in our suppliers’ factories, improvement in the working conditions of their employees and improvement in the socio-economic environment of their families and of their communities.

The environment, our commitment: At Inditex, we understand that the protection of and respect for the environment is one of our fundamental responsibilities; for this reason, since 2001 we have been putting into practice an environmental policy and numerous management systems to monitor it.

Our environmental policy is global, affecting all our activities, and applies in all the geographic scenarios where we are present.



OUR COMMITMENT TO TRANSPARENCY

Transparency of information is another of the pillars on which our conception of responsibility —and, in consequence, the responsibility that we have as a company making up part of Society— is based. We want Society to know both what our business activity is and the quality of our relations with the stakeholders and what its role must be in the development of a shared business model.

The strategy for introducing the responsibility model covers, amongst other things, our commitment to preparing the Sustainability Report on an annual basis. Thus it was that in 2002 we became one of the first Spanish companies to adopt as its own the GRI 2002 standard for the preparation of sustainability reports, promoted by the Global Reporting Initiative (www.globalreporting.org).

The taking on of this commitment, the quality of the economic-financial information and the policy of opening our doors to society has made us one of the most transparent corporations in the world.

OUR MARKETS

In this new decade, markets are beginning to carry out their own scrutiny of the social and environmental practices of companies. This is probably the best thermometer to determine if our commitment to sustainability is the correct one. The result of this process is our inclusion for the second consecutive year in the selective FTSE400 Good index and in the Dow Jones Sustainability Indexes.

WHO WE ARE

- 16 OUR GROUP
- 24 OUR PEOPLE
- 38 OUR CUSTOMERS
- 46 OPEN TO SOCIETY





COMPANY PROFILE

Industria de Diseño Textil, S.A., (Inditex), is a quoted company heading a group whose main activity is fashion distribution on an international scale. It brings together eight commercial formats - Zara, Kiddy's Class, Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Zara Home – which at the closing of fiscal 2003 had 1,922 stores in 48 countries. The group is also made up of other companies linked to the various activities that make up the business of textile design, manufacture and distribution.

Around 70% of Inditex's net sales are generated by Zara, the oldest and most internationally established format, with 626 stores in 46 countries. Europe is Inditex's principal area of activity, with more than 80% of its sales and 1,650 stores.

The majority of Inditex's stores are directly operated. It resorts to franchises for just 12 percent of its points of sale and these make up 10% of the total sales of the formats' stores.

Inditex has experienced considerable growth in the last few years, achieving consolidated net sales in 2003 of 4,599 million euros and net income of 447 million euros. As at 31 January 2004 the group had 39,760 employees. The following chart shows the evolution of the most significant figures of the group in the last few fiscal years*:

	2003	2002	2001	2000	1999	1998	1997
Net sales **	4,599	3,974	3,250	2,615	2,035	1,615	1,217
Net income **	447	438	340	259	205	153	117
No. of Stores	1,922	1,558	1,284	1,080	922	748	622
No. of Countries	48	44	39	33	30	21	14
International sales	54%	54%	54%	52%	48%	46%	36%
Employees	39,760	32,535	26,724	24,004	18,200	15,576	10,891

*from 1 February to 31 January of the following calendar year.

** in millions of euros

In order to segment its approach to the market, Inditex has eight fashion distribution formats. All of these share one common commercial and management focus: to be the leaders in their segment through a flexible business model, in addition to their mission of an international presence. However, each of the formats has great autonomy in the management of its business. Their management teams are independent in the taking of commercial decisions and in the way that they administrate their resources.

THE FORMATS

ZARA

Zara (www.zara.com), whose first store opened in 1975 in A Coruña (Spain), is present in 46 countries with a network of more than 600 stores located at prime sites in principal cities. At Zara, design is conceived as a process that is very closely linked to the public. The information continuously being received from the stores allows a creative team made up of more than 200 professionals to transfer the concerns and demands of its customers to the commercial offer.

KIDDY'S CLASS

This format, with more than 100 outlets in Spain and Portugal, is the result of Inditex's decision to strengthen its presence in the children's clothing segment. Its stores are present in towns where there are no Zara stores or in those areas of large towns or cities where the Zara stores lack sections dedicated to children's wear.

PULL AND BEAR

Pull and Bear (www.pullandbear.com) was created by Inditex in 1991. Its fashion concept focuses on a public of young urban people aged between 14 and 28. Pull and Bear attempts to be something more than just a simple point of sale. Its offer of clothing, accessories and cosmetics is completed with a range of additional services: music, video images, cafés, videogames areas, and so on. Pull and Bear has more than 350 stores in 18 countries.

MASSIMO DUTTI

Massimo Dutti (www.massimodutti.com) was born in 1985 and was acquired by Inditex in 1991. Today there are more than 300 Massimo Dutti stores in 23 countries. Massimo Dutti offers universal fashion design for men and women, with a variety of clothing lines ranging from the most urban and sophisticated trends to casual clothing.

BERSHKA

Bershka (www.bershka.com) was born in April 1998 as a new store and fashion concept, focussing on the younger female public —and also the male public as from 2002— and has more than 250 stores in thirteen countries. Bershka stores are large, spacious and aesthetically avant-garde and aim to be points where fashion, music and street art can connect.

STRADIVARIUS

Stradivarius (www.e-stradivarius.com), a format acquired by Inditex in 1999, brings to its young female customers the latest trends in design, fabrics and accessories. Its almost 200 stores in nine countries combine colour, light, large spaces and young music with the most up-to-date fashion design.

OYSHO

Oysho (www.oysho.com) created in 2001, transfers Inditex's philosophy to the lingerie and female underwear sector, offering the latest fashion trends in good quality, reasonably-priced products. It has more than 75 stores in eight countries.

ZARA HOME

In fiscal 2003 Inditex opened the first stores of the Zara Home format (www.zarahome.com), making it the group's eighth format. Zara Home offers textile products for beds, tables and the bathroom, as well as household items, small decorative objects and cosmetic items. This new format follows the same philosophy that Zara applies to fashion, frequently renewing its range for the home and offering design products at attractive prices.

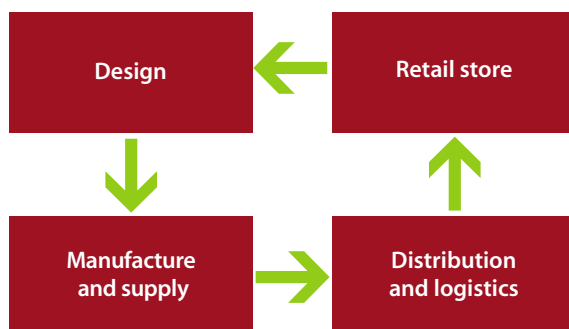
Zara Home had opened 26 stores as at 31 January 2004, in barely six months since its launch in August 2003. The format is present in Spain, Portugal, Greece and the United Kingdom.

THE BUSINESS MODEL

Inditex's business model is characterised by a high degree of vertical integration, compared to other models developed by international competitors, and a flexible structure with strong orientation towards the customer, in which all the stages of the process are carried out: design, manufacture, logistics and distribution to own stores.

The key element of this organization is the store, which is a very carefully designed space conceived to make the customers' discovery of our fashion offer a comfortable experience and is the place where we obtain the information needed to adapt the offer to their demands.

The key to this model is the ability to adapt the offer in the shortest possible time to the customers' wishes. For Inditex, the main factor to be considered is time, above and beyond production costs. Vertical integration allows lead times to be shortened and permits greater flexibility, by reducing stock to a minimum and diminishing fashion risk to the greatest possible extent.





GEOGRAPHIC DISTRIBUTION OF FACILITIES



The main facilities of Inditex (excluding the stores and the offices of the various subsidiary companies outside Spain) are located at six sites in Galicia, Catalonia, the Valencian Community and Aragon:



BUSINESS PERFORMANCE OF THE GROUP IN 2003

In fiscal 2003, Inditex increased its net sales by 16% and its net income by 2%. The number of net openings during the year was 364. The distribution of the stores by geographic area was as follows:

	OPENINGS 2003	NO. OF STORES A 31-01-04	NO. OF STORES A 31-01-03
Europe	325	1,650	1,325
Americas	27	172	145
Middle East	6	87	81
Asia-Pacific	6	13	7
Total	364	1,922	1,558

During fiscal 2003, a second logistics centre for the Zara format, *Plataforma Europa* in Zaragoza, began operating. In addition, in August 2003, a new format was launched called Zara Home, which became the eighth commercial format of Inditex. Net sales were distributed in the following manner among the different formats:

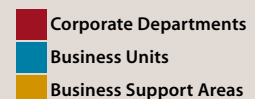
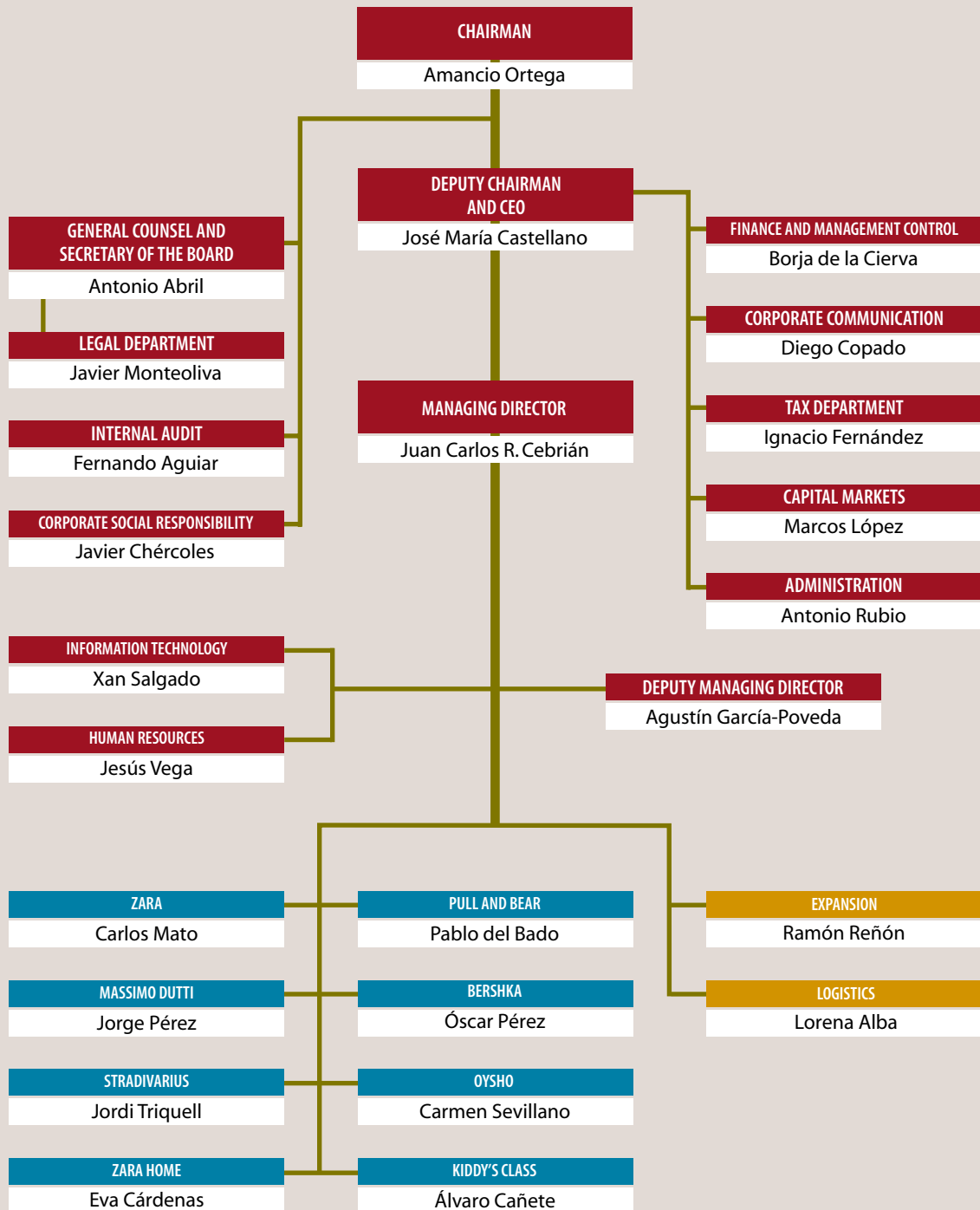
	SALES 2003*	% OF TOTAL 2003	% OF TOTAL 2002
Zara	3,219.6	70.0%	73.3%
Kiddy's Class	89.7	1.9%	1.5%
Pull and Bear	287.9	6.3%	6.7%
Massimo Dutti	388.9	8.5%	7.2%
Bershka	395.0	8.6%	7.5%
Stradivarius	162.0	3.5%	3.1%
Oysho	45.1	1.0%	0.6%
Zara Home	10.6	0.2%	n/a
Total	4,598.9	100%	100%

* millions of euros

INTERNATIONAL PRESENCE

	Zara	Kiddy's Class	Pull&Bear	M.Dutti	Bershka	Stradivarius	Oysho	Zara Home	Total
Spain	221	90	241	181	167	159	49	22	1,130
Portugal	40	13	47	40	26	20	10	2	198
Mexico	33		12	17	25		11		98
France	76			2	3	1			82
Greece	25		8	5	9		1	1	49
Belgium	16		1	16	4				37
United Kingdom	25			6				1	32
Germany	26			4					30
Venezuela	8		6	2	8		1		25
Israel	12		13						25
Saudi Arabia	12			4		3	1		20
United Arab Emirates	4		3	4	3	2			16
Italy	12				1		2		15
Brazil	13								13
United States	12								12
Turkey	10								10
Cyprus	3		2	1	2	2			10
Canada	10								10
Japan	9								9
Switzerland	3			3	2				8
Kuwait	3		2	1		1	1		8
Holland	4			1	2				7
Ireland	1		6						7
Poland	6								6
Lebanon	2		1	2	1				6
Argentina	5								5
Chile	5								5
Jordan	1		1	1		2			5
Austria	4								4
Malta	1		3						4
Qatar	1		1	1		1			4
Denmark	3								3
Sweden	1			2					3
Luxembourg	2			1					3
Finland	3								3
Andorra	1		1	1					3
Bahrain	1		1	1					3
Uruguay	2								2
Singapore	2								2
Malaysia	2								2
Czech Republic	1								1
Slovenia	1								1
Iceland	1								1
Russia	1								1
Slovakia			1						1
Norway				1					1
Dominican Rep	1								1
El Salvador	1								1
	626	103	350	297	253	191	76	26	1,922

MANAGEMENT TEAM



OUR TEAM

From the Human Resources Department, we work towards making possible the consolidation and growth of Inditex. We look for the stability of the workforce, we build suitable working conditions and we encourage the practice of the corporate values, always keeping in mind the current and future needs of our business.

It is not easy to sum up a whole year in just one sentence. However, if we were to try it, that sentence would surely contain many action verbs, because we like to do many things: **learn, do, create, change, correct**. We would like it to have a single subject, a 'we', that would make us all at the same time the protagonists of the same story, because ours is the work of a team, of many and of each individual. Our employees will add various adjectives to it, which would surely have to do with our size (big, sound), with our business (modern, different, surprising) and with our speed (quick, dynamic or changing).

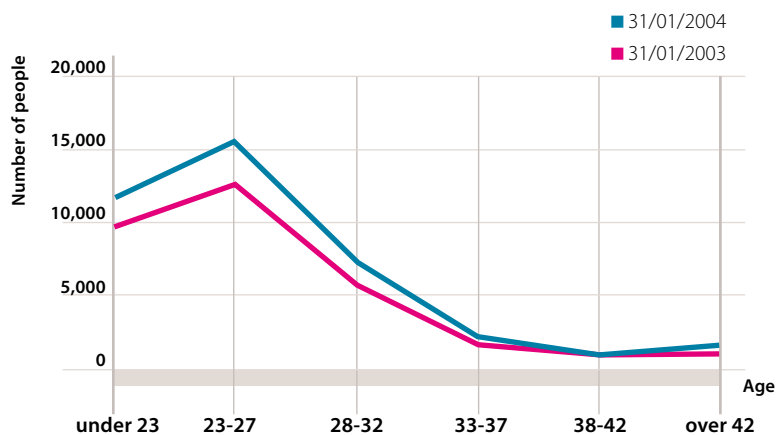
Although all these words do not in themselves make up a sentence, they help us in a certain way to identify ourselves and to introduce ourselves, to explain who we are and how we work.

WE ARE LIKE THIS

YOUNG

At 31 January 2004, there were 39,760 people working at Inditex, coming from around the world, to make possible the success of our eight commercial formats. We are young. Our average age is 26, and 88.3% of the workforce is under 33 years old.

EVOLUTION OF PEOPLE BY AGE





We engage in activities of design, production, distribution and management, but it is in the sales and product area, with 1,681 of our own points of sale, where the majority of us work, 84.9%.

FEMALE MAJORITY

Women are the majority at Inditex. They account for 87.5% of the total workforce and are present in all the areas of activity and all the posts and levels of responsibility. 60.2% of the people who perform executive, technical or management duties at Inditex around the world are women.

88% ARE EUROPEAN

88.1% of the workforce works in Europe, principally in Spain (56.2% of the total). The countries with the greatest number of employees, after Spain, are Portugal, France, Mexico, United Kingdom, Greece and Germany, in that order.

Main data about the workforce at Inditex around the world at 31/01/2004:

- Number of employees: 39,760
- Average age: 26.04 years old
- Average length of service with the company: 2.56 years old
- People directly involved in selling: 32,749
- Number of women in the workforce: 34,272
- Number of employees with indefinite term contracts: 26,471
- Number of training hours in Spain, fiscal 2003: 102,365

WE ARE GROWING

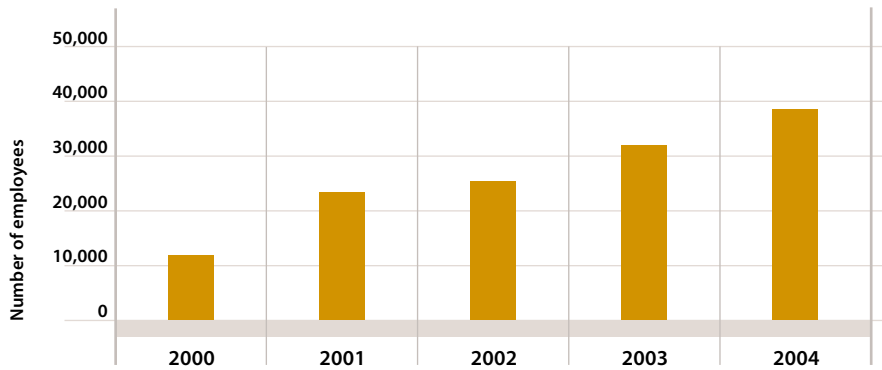
To grow and to change. This is our goal and the frame of reference for our work. Go further and as soon as possible, with people too. To this, we devote a large part of our resources.

In 2003, we have grown on several fronts: we have incorporated new countries (Russia, Malaysia, Slovenia and Slovakia); we have continued to grow in markets that we already knew; we have created new business lines, such as the Zara Home format; and we have had to prepare ourselves and adapt our organisational structure to the new service needs of the business, as is the case with the logistics centres. It has been a year of building and consolidation.

WE ARE MANY MORE

The workforce at Inditex around the world has gone from 32,535 people in 2002 to 39,760 in 2003 (meaning a net increase of 20.4%). In the last five years, the team has tripled in order to handle the global development of Inditex.

EVOLUTION OF THE WORKFORCE (at 31 January)

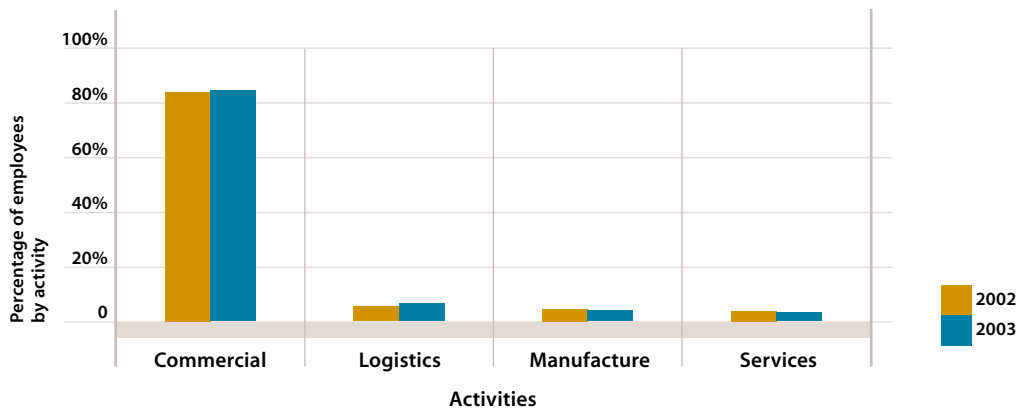


Regarding the countries, in this last year, the growth in workforce shown in UK, 41.7%, and in Mexico, 24.2%, is particularly outstanding. In Spain, the workplace has grown by 23.3%.

IN TWO ACTIVITIES: STORES AND LOGISTICS

Analysing the data we can see that in absolute figures the greatest increase in workforce in 2003 took place in the sales and product area (5,992 people), increasing in this way the weight of commercial activity with respect to the total of the workforce. However, the greatest percentage of growth can be seen in logistics activities (29.9% compared to 2002). The Inditex logistics centres have been developed and a new distribution centre has been created for Zara in Zaragoza (*Plataforma Europa*) which, as from this year, complements the activity of the distribution centre in Arteixo (A Coruña).

EVOLUTION OF THE WORKFORCE BY ACTIVITY



STABILITY OF THE WORKFORCE



Our responsibility does not consist solely of defining and executing strategies oriented towards growth. We have another challenge: to consolidate a professional, sound and stable fundamental team, on which we can sustain the continuous growth of Inditex in the mid- and long term. This is because we are convinced that this factor is an important competitive advantage.

This fundamental team also helps us through its experience to transmit our corporate values. In this manner, we ensure that Inditex keeps its identifying marks, overcoming the obstacles to growth, to diversification and to internationalization.

STABLE HIRING

We support stable hiring in a decided manner and we make this increase each year. The number of people with indefinite term contracts has increased by 22.3% in fiscal 2003 compared to the previous year. This percentage is greater than that of the total growth in workforce at Inditex.

In total, 66.6% of the Inditex workforce around the world has an indefinite term contract. This percentage has increased one point with respect to the previous year. We recur to temporary contracts only as a complement to deal with specific, temporary needs.

Out of all the contracts made around the world in 2003, 30.8% were indefinite term contracts.

POSITIVE ENVIRONMENT AND WORKING CONDITIONS

Having a good working environment and being satisfied with the conditions are among the main objectives of our employees. To encourage stability, we try to create and maintain a suitable environment and working conditions, which enable the personal and professional development of all the people who participate in the project.

WE ADAPT LOCALLY

The two tools are flexibility and ability to adapt to each environment and circumstance. We adapt not only to local legislation but also to the expectations and interests of our employees in each of the areas of influence, without losing sight of the needs of the business.

WE CHANGE WORKING PROCESSES

We revise and plan the working processes, taking advantage of the best technologies, to harmonize the timetables of our employees with service to customers.

THE OPTION OF PART-TIME EMPLOYMENT AND GEOGRAPHIC MOBILITY

We incorporate formulas for part-time employment. Increasing numbers of employees (47.1% of the total) choose this option, seeking to balance work with study, leisure or family.

As we grow in the area and we incorporate new activities we can answer the requests for mobility as regards both location and tasks within Inditex for personal reasons.

VARIABLE COMPENSATION

With the same criteria, the remuneration and benefits policies take into account the socio-economic conditions and the legal framework of each of the areas where the workplaces are located.

Each year, we incorporate more people into our programmes of variable compensation, to reflect the individual contribution of each of the employees towards the goals of the business through their performance. With this type of remuneration, we favour the identification of individuals with the global objectives and the results of Inditex.



CORPORATE VALUES

We are convinced that our corporate values have contributed to a large extent to our success in the market. This is why we want to make them known and to ensure that they survive in daily practice, both in the workplaces with our own employees and in the case of franchises.

INTERNAL PROMOTION

The growth of Inditex also favours the creation of continuous opportunities for professional development and permits internal promotion to be at the same time a value and a reality.



Our priority is the search for ideal candidates within Inditex by direct identification or at the request of the employee him- or herself, in response to the internal publication of job vacancies.

In this manner, the large majority of positions of responsibility or newly created positions are given to candidates promoted internally.

Thus, in 2003, half of the store managers of the new Zara Home format were promoted from other Inditex formats.

This is also the case with 90% of the people who lead working teams at the new distribution centre in Zaragoza.

Men and women have access to these opportunities under conditions of equality. In fact, 81.5% of the store manager positions are held by women. The average age of the store managers who have been promoted during 2003 in all the Inditex formats in Spain is 28 years old.

TRAINING AND DEVELOPMENT

We try to always make training practical and that all levels of responsibility are involved in the training processes and in those for transmitting values and experiences. We plan our activities with a triple objective: to identify and develop the potential of teams, to train new employees who join the company, and to offer on-going training for all the personnel.

Identification and development of potential

Identifying and developing potential is key in the internal promotion process. It is essential to establish a suitable programme to successfully identify the people who in the future can take on positions with greater responsibility. It is important to be prepared to be able to handle the needs of growth.

Initial training

The aim of the induction programme for new employees is to make our employees ingretrate rapidly into the organisation and to become familiar with the culture and working procedures.

These training plans are developed in all the formats and countries, both for employees of their own countries and for others. We have a wide team of internal trainers and an extensive international network of training stores.

In this year, we must make special mention of the training plan for the employees of the new distribution centre in Zaragoza (Plataforma Europa). The high technological development of this centre made necessary an extraordinary investment in training, and 137 trainers and tutors were involved in the more than 41,000 hours of training. The training took place in Zaragoza and in Arteixo (A Coruña).

Skills development

The third objective is that of developing skills that allow the workforce to adapt itself to the new challenges of internationalization, expansion and diversification of activities.

As an example of this line of work, during 2003, in Zara in Spain, we have carried out an intensive programme for improvement of customer service as a key aspect of our business, involving 100% of the store personnel. This project was developed internally and it is planned to introduce it internationally for 2004.

The effort made in training and development activities is reflected in the growth in evolution of the hours devoted to these tasks, above all for the stores. The training hours registered in Spain during fiscal 2003 was 102,365.

Work experience programmes

We collaborate with training and educational institutions that are close to our plants. We develop teaching activities in these centres and we accept students for work experience periods. Many of these students, after having received practical training and improving their employability, are offered the opportunity to join the organization at the end of their work experience periods. Just in Spain, during 2003, some 821 students have taken part in training programmes in different workplaces and 71 of these have been hired.

COMMUNICATION

Open communication is one of the principal values of Inditex and a key element in the direction and management of people within the group.

In our daily activity, the free and direct relations between all the levels of the organisation favours the exchange of ideas, of criteria and of opinions, enriching in this way the final result of the work.

Although the premise is communication and direct relations with people, there is also a platform within Inditex for relations with workers' representatives. These relations are established within the same framework of dialogue and transparency.



44% of our workforce around the world is represented through the different organisations for trade union representation from each country.

The magnitude and the fact that our operations are geographically widespread hampers the transmission of information. To overcome the difficulties of these distances, we publish an in-house magazine every three months for all the employees in all the countries.



This publication constitutes one of the key vehicles for transmitting our corporate values around the world. In addition, it includes two sections linked to corporate responsibility: "Solidarity" and "Environment", where the projects of Inditex in these areas can be known and shared.

HEALTH AND SAFETY

Ensuring the safety and looking out for the health of people in their jobs is also a priority at Inditex.

For this reason, and beyond the legal regulations in force, we promote continuous improvement in our facilities, means and working conditions and, lastly, we constantly coordinate training actions targeting awareness and use of protective measures.

A good example of the performance of Inditex as regards prevention is the set of measures that we carry out in Spain, involving 56.2% of our employees.

LEGAL OBLIGATIONS

In Spain we comply with the requirements of the legal regulations through our own Joint Prevention Service, which covers the areas of Safety at Work, Industrial Hygiene and Psycho-sociology and Ergonomics. The speciality of Medicine at Work has been agreed since the end of 2003 with the external Prevention Services of two Mutual Companies: La Fraternidad-Muprespa and Asepeyo.

Relations with the representatives of the workers in the sphere of health and safety at work are carried out through our own Joint Prevention Service with the regularity and the formalities laid down in the Spanish Law on the Prevention of Labour Risks.

As regards methods of registration and communication of industrial diseases and accidents, both the deadlines for communication to the authorities laid down in the General Law on Social Security and as regards confidentiality of data are complied with, regulated by the Spanish legislation on data protection.

Likewise, to comply with Royal Decree 39/97, of 17 January, regulating the Prevention Services, the compulsory five-yearly audit of the System for Management of Prevention of Labour Risks, with a satisfactory result. The same adaptation occurring in Spain to adapt to the legal requirements as regards organisation, management and the participation of the employees in prevention matters is reproduced in the rest of the countries where Inditex is present according to the requirements of their own legal systems.

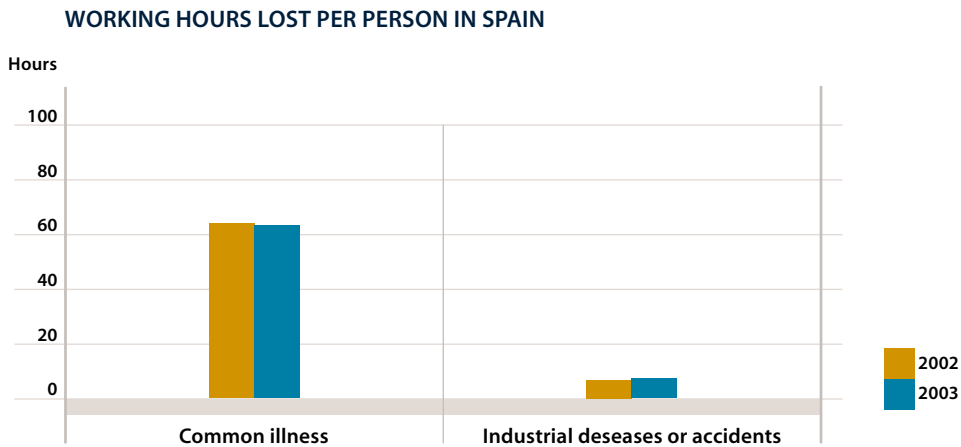
INDICATORS

We monitor two indicators on a continuous basis, which allows us to analyse the results of the measures adapted as regards health and safety: first, the absenteeism rate and second, the accident rate.

During 2003, the levels of absenteeism through common illnesses and industrial accidents in Spain remained constant despite the significant growth in the workforce.



The following graph shows the evolution of the hours lost per employee due to common illness and due to accidents in the last two years.



OTHER ACTIVITIES

The workforce participates actively in training programmes that aim to train and inform all our employees about the risks each of them has in their jobs, publishing for this purpose manuals for prevention of risks for each area of activity.

In the large workplaces and plants, and included in the measures for awareness about prevention, we have involved the workforce in the organisation of the emergency and evacuation plans, through activities such as training in first aid or handling of fire-extinguishing equipment.

Our employees also benefit from the management that the mutual insurance companies carry out in checking on health in three areas: making faster the carrying out of specific medical tests, rehabilitation and appointments with specialists.

PERMANENT CONNECTION WITH THE BUSINESS

To conclude, we would like to add just one idea: In order to be able to contribute to growth, we try to match our actions at all times to the real needs of the business.

It is only possible to achieve this objective if the work in our stores is known and understood. Only by taking into account the critical factors of the business, such as agility of response, dedication to the customer, flexibility, practical sense or the high demands made, can we develop useful policies, tools and procedures that will allow us to improve the competitive position of Inditex.

COMMITMENT TO OUR CUSTOMERS

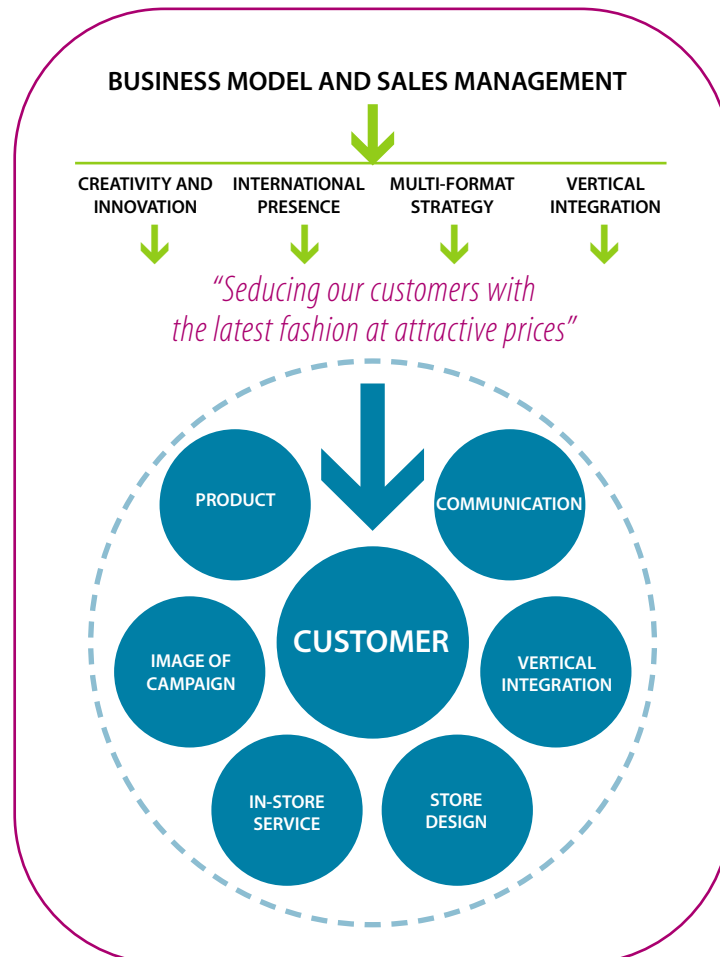
Inditex assumes an integral commitment towards its customers, which is developed in all areas of the relations between these and our organisation. This commitment is based on two great principles, which guide our actions:

- Fashion, despite being a global cultural expression, has an essential component - that of individual choice. Inditex proposes a diverse range of options so that the customer, according to his or her tastes and wishes, can make his or her own decisions. Therefore, above trends, currents or fashions, Inditex shapes its offer through being alert to its customers' demands.
- The commercial activity does not end with the simple exchange between the company and the customer of a product or service. A visit to our stores must be a satisfactory experience in itself. To make this so, Inditex acts on multiple factors, amongst which the human element —defined as customer care— is pre-eminent.

These principles are applied in practically the entire range of the company's areas of activity. The following stand out due to their greater relevance in customer relations:

- The design and manufacture of the products.
- After-sales management.
- Store design.
- The marketing and advertising policy.
- Customer care at the point of sale.

THE CUSTOMER AS THE FOCUS OF THE ACTIVITY





THE PRODUCT

The design of each of our collections is the result of a process of continuous feedback from the customers through the communication channels set up between the points of sale and the sales teams from each format. Inditex's business model, where the time factor is managed as a key element in the minimizing of 'fashion risk', aims to maximize our ability to adapt our offer to the public's desires.

All the formats making up part of the Inditex group guarantee strict compliance with the rules and regulations relating to the safety of our products, with special attention and sensitiveness towards those destined for children.

STORE DESIGN

Architecture, interior design, furniture and all the fixtures and fittings that make up the stores and the atmosphere of the same are another central point of interest for Inditex, to the extent that they affect the wellbeing of its customers during the time they spend in the stores.

Special mention must be made of the concern and effort made regarding the elimination of architectural barriers to the mobility of people with disabilities or children.

CUSTOMER CARE AT THE POINTS OF SALE

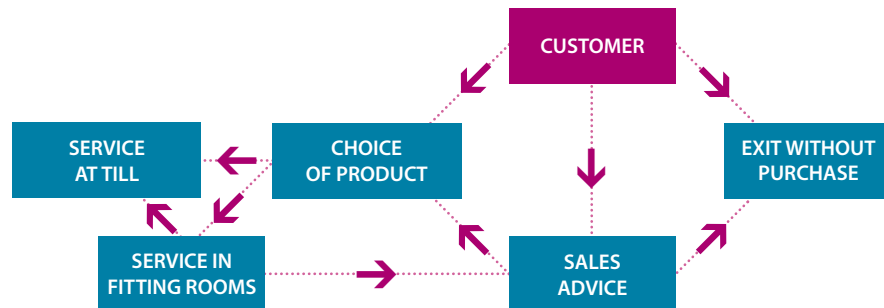
The model for customer service in the stores is based on a frank relationship with the customers. The customer has total freedom in his or her selection of the product; there are no barriers between public and product, which is displayed in surroundings filled with light. Those Inditex employees dedicated to service at the point of sale have as their main objective the satisfaction of our customers, regardless of whether they purchase any of our products.



The teams at our stores always display willingness to help, but they do not interfere in the shopping process if their help is not requested. The store managers, backed by their teams, are responsible for offering a swift and efficient response to customers' requests.

Any claims, suggestions or complaints are managed at the initial level by the store managers. The aim is to act with the greatest agility in order to offer an immediate solution. In all cases, the customer has access to a second level through the Customer Service Department.

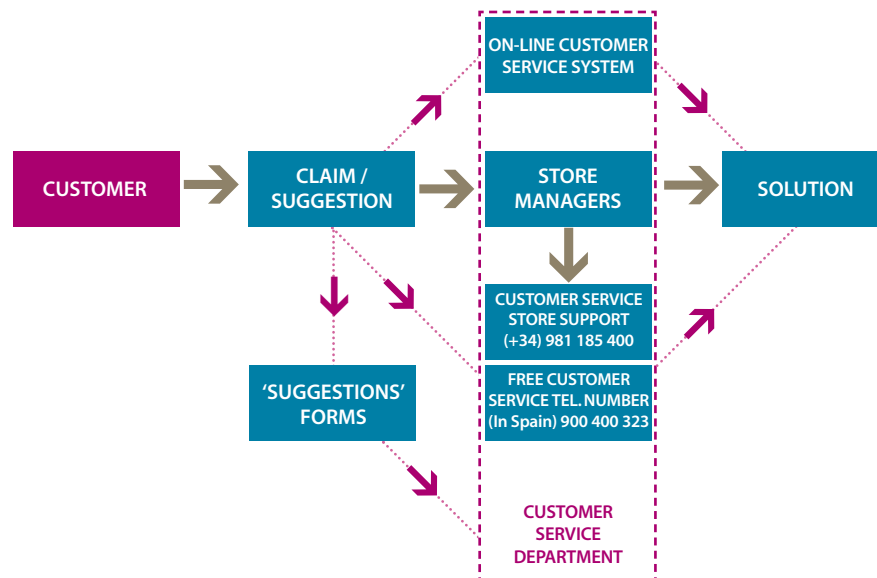
In-store customer care



AFTER-SALES SERVICE OR SERVICE INDEPENDENTLY OF SALE

The various formats of Inditex have made several channels available to the public in order to attend to any requests for information, suggestions, complaints or claims. In addition to personalised in-store customer service, the group has several different formats of suggestions forms in its stores. There are also customer service telephone lines and electronic mail addresses, the latter of which can be accessed via the websites of each format.

Processing of complaints



COMMUNICATION

Inditex carries out hardly any conventional advertising campaigns. In those that it does carry out, which are limited to announcing the beginning of the sales and the opening of certain stores in new markets, Inditex imposes a criterion of providing information, not a promotional one; above all, the customer lives with our proposals from a position of free personal choice.

Its minimal recourse to conventional advertising does not mean that Inditex gives up communicating with its potential customers: the principal tool in this area is the shop windows, to which we dedicate a great human and material effort. Moreover, Inditex uses other elements relating to image —always with the same philo-

sophy— such as catalogues or the websites of its various retail formats.

As regards other lines of communication, the management of our image is completed by dynamic relations with the leading fashion media in each of the countries where the group is present.

ZARA

In addition to commercial legislation in the countries where Zara, the main format of Inditex, is present, it assumes a commitment which is expressed in its Commercial Guarantee. The principles of this Guarantee are understood as an effort to obtain the trust of our customers and their complete satisfaction. The Commercial Guarantee is displayed in visible places in the stores and is printed on the back of the till receipts.

The customers' in-store experience, as the culmination of Zara's fashion offer, is considered by the group to be a central part of its business. The store personnel receive complete training in which customer care is a principal element. The store managers are in charge of leading their sales teams as representatives of the

values, reputation and image of the company. The fundamental principle is that of the customers' comfort and freedom of choice and thus he and she can remain as long as they like in the store so that they can discover our product offer and can try or try on all the items that interest them. This dynamic nature, in conjunction with our Commercial Guarantee, is designed so that customers can shop unworriedly, in the confidence of feeling supported by the transparent values of our commercial policy.



An addition to the complaint forms available in all the stores where the communities have made them compulsory, our *Sugieranos* (or "Suggestions") forms are also available to customers at our stores. These forms constitute an initiative in which in a simple manner — the stores themselves are in charge of making sure they get to the headquarters — customers can give us their

vision of our points of sale, in-store customer care and the fashion offer of the various formats. In 2003, the Zara stores in Spain sent 683 *Sugieranos* to the Customer Service department.

Inditex has a customer care service, the Servicio de Atención al Cliente, which is in charge of receiving, assessing and responding to the requests our customers want to send to us directly. This department can

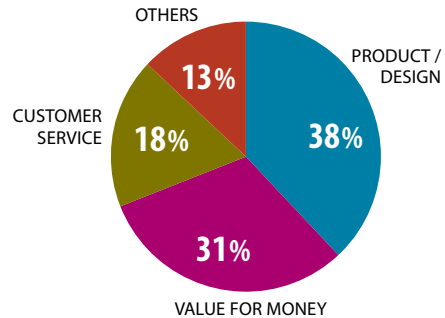
be contacted through a free Customer Service telephone number from within Spain (900 400 323); through the general number for the corporate headquarters (+34 981 185 400); via all our stores; and by post or by email through the email address available in the various corporate web pages.

Over fiscal 2003, the customer care service has dealt with a volume of calls estimated at more than 4,200, which have been given a direct personal response, which means a monthly average of over 350 calls. This volume of calls is particularly small if we take into account the number of units sold in Zara stores in Spain (more than 70 million). This low ratio is a consequence of the customer relations model, which focuses on the point of sale, with the human team as the main core of our customer care.

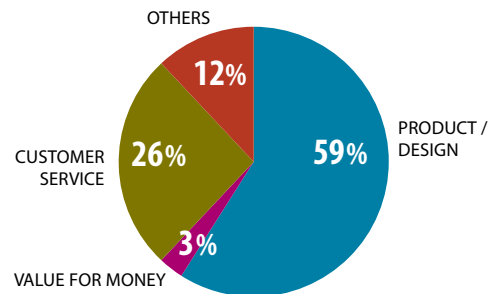


CUSTOMERS CHOOSE ZARA BASED ON...

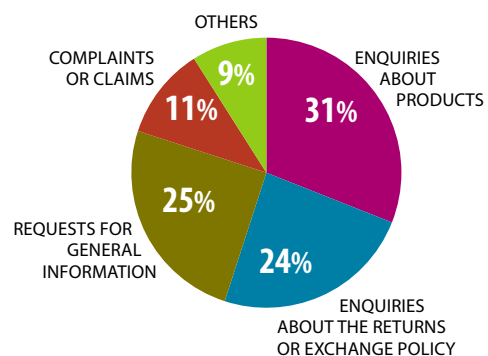
FIRST OPTION



SECOND OPTION



TELEPHONE ENQUIRIES: REASONS FOR CALLING

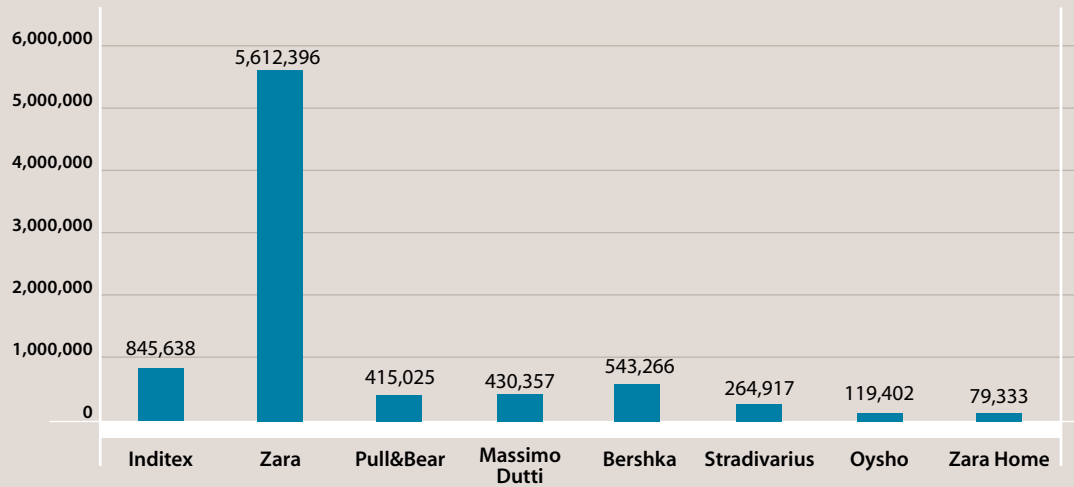




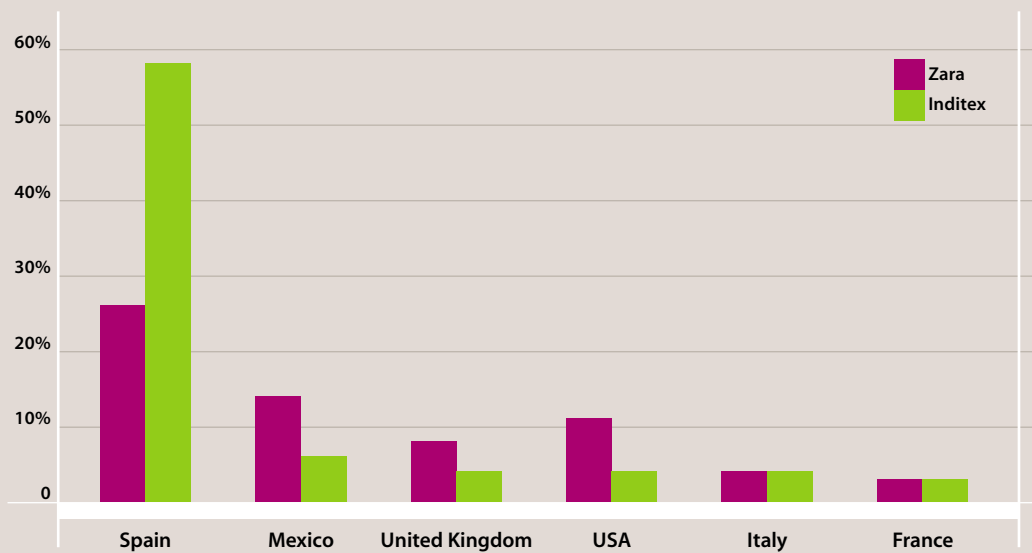
Both the corporate website, www.inditex.com, and those of the different formats (www.zara.com, www.pullandbear.com, www.massimodutti.com, www.berhka.com, www.e-stradivarius.com, www.oysho.com and www.zarahome.com) are useful tools for our customers to use to get information. Over 2003, the different websites received a total of 8,310,334 visits. All the websites permit the visitors to make contact with the formats or head-quarters by means of a form. In 2003, a total of 60,664 forms were received by this method, which were answered on an individual form-by-form basis. In the case of Zara, out of 25,420 forms received, 34.5% referred specifically to subjects related to customer care. Of these, 23.4% (5,948) referred to queries or circumstances directly related to in-store customer service, while the remaining 76.6% contained requests for information of a very varied type.

VISITS TO THE WEBSITES IN 2003

TOTAL NUMBER OF VISITS: 8,310,334

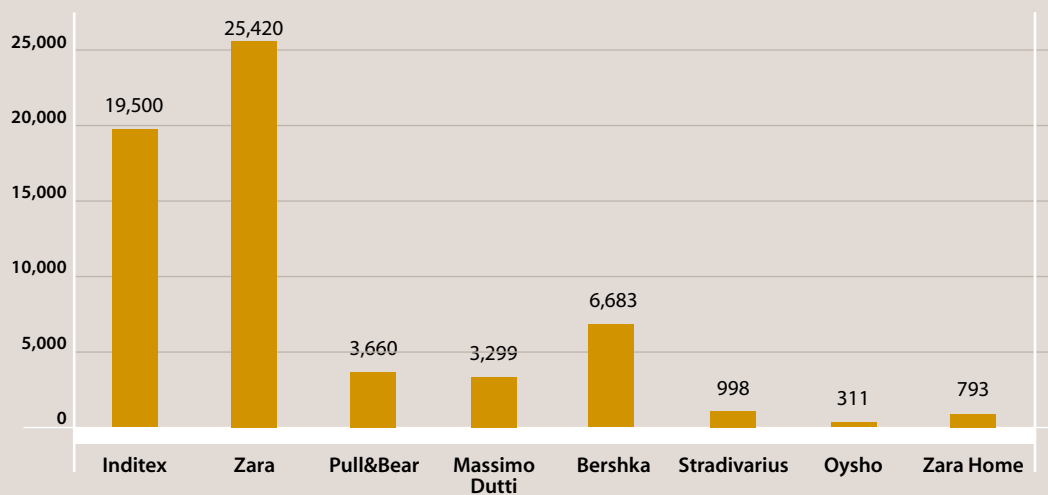


ORIGIN OF THE EMAILS RECEIVED IN 2003 (countries which make up more than 3% of the total)



EMAILS RECEIVED IN 2003

TOTAL EMAILS RECEIVED: 60,664

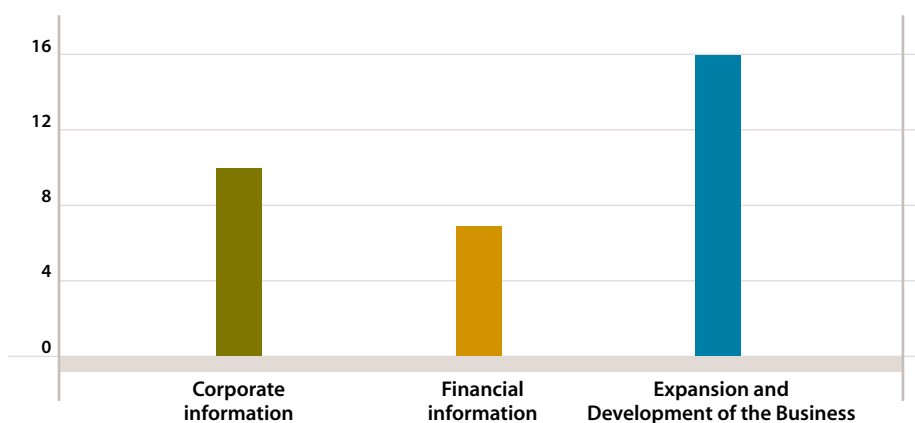


OPEN TO SOCIETY

Among the commitments that Inditex has taken on with regard to society, transparency occupies an important place. The group considers one of its priorities to be the provision of a true image, not only as a result of compliance with its obligations as regards market regulations, but also as a consequence of its sustainability policy.

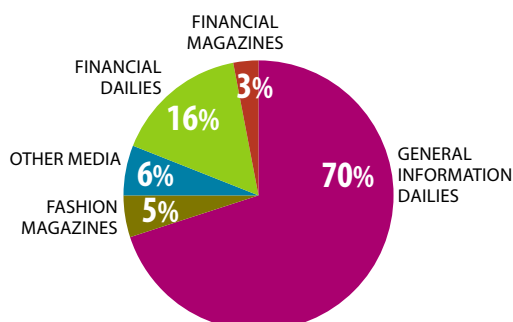
The media act in our society as the main channel for transmitting information between companies and the general public. Therefore, Inditex has taken on its responsibility towards the media as independent intermediaries that are also critical and committed to transparency. Inditex channels the relations with the media through its Corporate Communication and Image department, which has contact with journalists in more than 50 countries.

PRESS RELEASES AND NEWS ITEMS DISTRIBUTED IN 2003



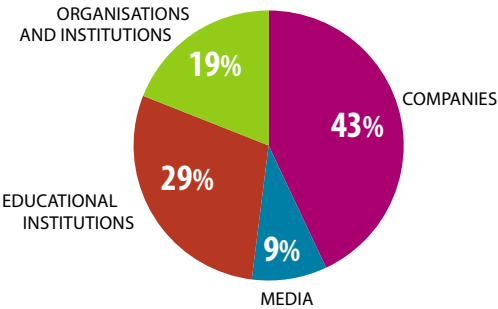
In 2003, this department distributed a total of 33 press releases and other news about the group and dealt with an estimated volume of more than 5,000 requests for information made by the media around the world, of which more than 70% came from the international press. The communication area on the Inditex website received 122,304 visits over 2003. The total number of news items about the group appearing in the press and on the radio and television in the countries where Inditex is principally established exceeded 20,000 in 2003.

INFORMATION ABOUT INDITEX PUBLISHED IN THE SPANISH PRESS



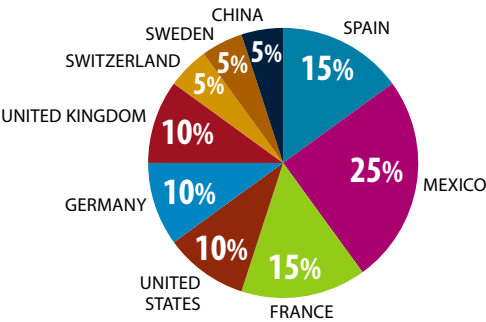
Inditex has also literally opened its doors to society. Our policy of getting closer and being open to different groups materialised in practice in 2003 in close to 200 organised visits to its facilities. In addition to the media, the sectors this policy addresses include national and foreign educational institutions, organisations and institutions of all types and the business world.

VISITS TO INDITEX

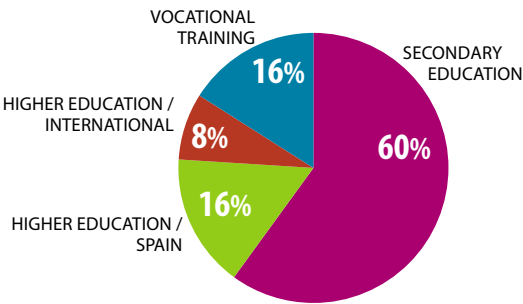


In relation to the world of education, Inditex has also favoured cooperation with numerous Spanish and foreign universities and business schools. The interest shown by this sphere in analysing our group's business model has been answered by Inditex, which has collaborated in the preparation of educational materials and case studies, in addition to participating in papers at conferences and seminars.

VISITS FROM THE MEDIA

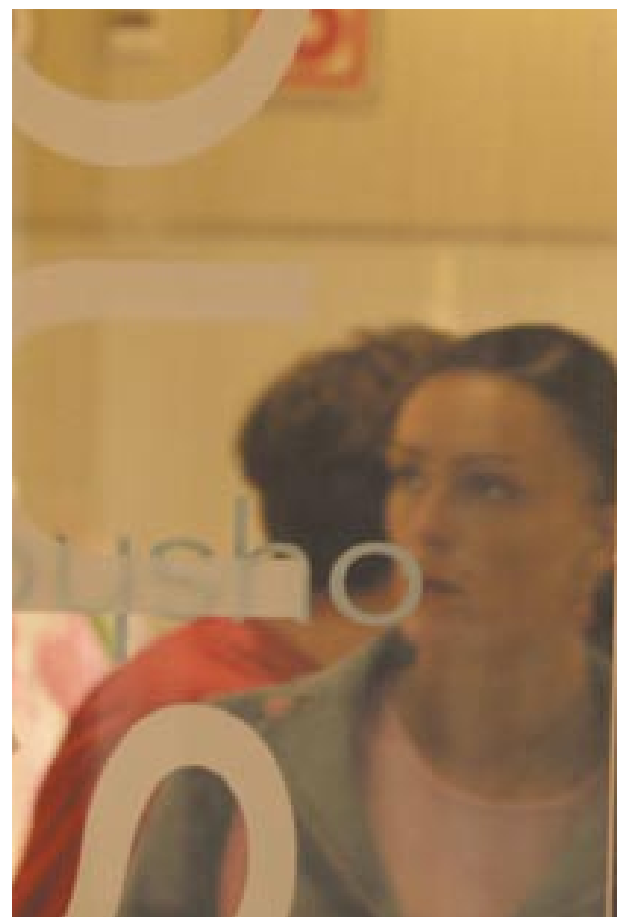


VISITS FROM SCHOOLS, COLLEGES AND UNIVERSITIES



GOOD GOVERNANCE

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INTRODUCTION

The Board of Directors of Industria de Diseño Textil, S.A. (Inditex) has included in this Sustainability Report 2003 a summary of the information published in the Annual Corporate Governance Report of Listed Companies, in accordance with the provisions of Circular 1/2004, of 17 March, of the Comisión Nacional del Mercado de Valores (CNMV) in order to comply with:

- The recommendations on transparency contained in the Guide for the drafting of Sustainability Reports of the Global Reporting Initiative (GRI).
- The demands for transparency deriving from Law 26/2003, of 17 July, which amended the Spanish Securities Exchange Act and the Revised Text of the Spanish Corporation Law.
- And, lastly, the recommendations of the Aldama Commission on compliance with the obligations of transparency in Good Governance structure and practices.

The Annual Corporate Governance Report is subject to publication as a relevant fact and may be consulted through the corporate web site. The aforementioned Report was approved by the Board of Directors in its meeting held on 10 June 2004.

The rules regulating the Corporate Governance of Inditex are contained in the following documents:

Articles of Association

These were approved by the General Meeting of Shareholders in July 2000. The General Meeting held in April 2001 introduced an additional amendment consisting of a reduction in the number of shares required to attend the General Meeting. The amendments approved by the General Meeting held on 18 July 2003 are subjected to detailed analysis throughout the Annual Corporate Governance Report.

Board of Directors' Regulations

These were approved by the Board of Directors in July 2000. Their purpose is to determine the principles of operation of the Board, the basic rules for its organisation and working and the rules governing the conduct of its members and includes, among other matters, rules relating to the appointment and removal of directors, their rights and duties and the relations of the Board with the shareholders, with the markets and with the external auditors, all this with the aim of achieving the highest possible degree of efficiency.

The Board of Directors, in its meeting on 20 March 2003, approved a new revised text of the Board of Directors' Regulations, in order to adapt them to the new obligations introduced by Spanish Law 44/2002, of 22 November, on Measures for Reform of the Financial System (hereinafter, the "Financial Law"), and to the recommendations contained in the Aldama Report.

Regulations of the General Meeting of Shareholders

This text was approved at the General Meeting held on 18 July 2003. Its aim is to regulate the working of the General Meeting as to calling of meetings, preparation, information, attendance, development and exercise of voting rights, and to inform the shareholders of their rights and duties relating to this.

Internal Regulations of Conduct regarding Transactions in Securities

Approved by the Board of Directors in July 2000, this document contains the rules governing the confidentiality of relevant information, transactions involving securities of Inditex by the persons included in its scope, its treasury stock policy and communication of relevant facts

In its meetings on 20 March and 11 December 2003, the Board of Directors approved revised texts of the Internal Regulations of Conduct, in order to adapt them firstly to the new obligations introduced by the Financial Law, and secondly to the recommendations contained in the Aldama Report, redefining several concepts and strengthening control over those transactions that could be carried out at some point in the future by Affected Persons with securities of Inditex, amongst other modifications.

Code of Conduct of the Inditex Group

Approved by the Board of Directors in February 2001, this Code is defined as an ethical commitment that includes key principles and standards for the appropriate development of the relations between Inditex and its principal stakeholders: shareholders, employees, partners, suppliers, customers and those societies in which Inditex develops its business model. It includes an Internal Code of Conduct and a Code of Conduct for External Manufacturers and Workshops to guarantee the suitable introduction and management of the Principles contained in the Human Rights Declarations and the Conventions of the United Nations and those of the International Labour Organisation, principally.

Regulations of the Social Advisory Board

These were approved by the Board of Directors in December 2002. The Social Advisory Board is the advisory body of Inditex with regard to Corporate Social Responsibility. Its Regulations determine the principles of action, the basic rules governing its organisation and working and the rules of conduct of its members.

OWNERSHIP STRUCTURE

SHARE CAPITAL

Inditex's share capital amounts to 93,499,560 euros, made up of 623,330,400 shares, all the shares being of the same class and series, each with a nominal value of 0.15 euros. They are represented by the book-entry method and are fully paid-up and subscribed.

Inditex has been listed on the Spanish Stock Markets since 23 May 2001 and is listed on the following selective indexes: IBEX35 (since July 2001), the Eurostock 600 (since September 2001), the Morgan Stanley Capital International index (since November 2001), the Dow Jones Sustainability Indexes (since September 2002) and FTSE4Good (since October 2002).

SIGNIFICANT HOLDINGS

At 31 January 2004 and 2003, the structure of the most significant stakes in the company was the following:

HOLDER	PERCENTAGE	TOTAL SHARES	DIRECT STAKE	INDIRECT STAKE
Amancio Ortega Gaona	59.29%	369,600,063	63	369,600,000*
Rosalía Mera Goyenechea	6.99%	43,590,000	0	43,590,000**

* Shares owned by Gartler, S.L.

** Shares owned by Rosp Corunna Participaciones Empresariales, S.L.

GENERAL MEETING OF SHAREHOLDERS

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

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

The Extraordinary General Meeting shall meet when the Board of Directors so resolves or when a number of shareholders which represent at least five percent of the share capital so request, expressing in the request the matters to be discussed.

In this latter case, the General Meeting of Shareholders must be convened to meet within the thirty days following the date in which the Board of Directors was required by means of a notary to convene the Meeting. The agenda of the meeting will necessarily include the matters that were the subject of the request.

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

Both the Ordinary and the Extraordinary General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Mercantile Registry and in one of the newspapers with the highest circulation in the province where Inditex has its registered office, and at least fifteen days before the day appointed for the meeting or the greatest period that is required by law, where appropriate, due to the resolutions submitted for deliberation. The notice must state the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call, and there must be at least a 24-hour period between one call and the other. The notice shall likewise state, clearly and precisely, all the matters to be discussed therein.

No later than the date of publication, or in any event the business day that immediately follows, the notice of the meeting shall be sent by Inditex to the CNMV, and to the Governing Organisations of the Securities Markets where Inditex's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be accessible through the company's web page.

THE RIGHTS OF THE SHAREHOLDERS

Right to information of the shareholder

The Investor Relations Department and the Shareholders' Office at Inditex are at the disposal of the shareholders to provide all the information on the General Meeting that they may need. Previously to the General Meeting, those shareholders who so request are sent a copy of the annual report and the relevant documentation relating to the items on the agenda.

In addition, the Regulations of the General Meeting of Shareholders lay down the information that Inditex shall make available to the shareholders, from the publication of the notice of the meeting, stating that the shareholders can receive such documents and information, for free and immediately, at the registered office, or can request that such documentation and information be delivered or sent free of charge. Furthermore, such documents and information shall be incorporated into the company's web page.

Moreover, Inditex deals, as far as is possible, with the requests for information that are made by the shareholders in relation to the items on the agenda of the General Meeting, both before the General Meeting and during the meeting itself through the question and answer session, which all shareholders attending the meeting can participate in if they wish and whose participation is always answered.

Responses to significant questions, which are provided to the shareholders before the date of the meeting, are made available to all the shareholders attending the General Meeting at the beginning thereof, and are also posted on the corporate web page.

Attendance of General Meetings. Right to Vote

To attend the General Meeting the shareholder must be the holder of at least fifty shares, that these are registered in his name in the book-entry register five days prior to the date on which the General Meeting is to be held, that he maintains at least the aforementioned number of shares until the holding of the Meeting and is up-to-date in the payments of capital calls. The shareholders who hold a smaller number of shares may group them together and confer the representation thereof on one of the shareholders thus grouped or grant proxy for the General Meeting to another shareholder who is entitled to attend, grouping thus their shares with those of the entitled shareholder.

Each share entitles its holder to one vote.

Authorization of attendance

To exercise his right to attend, the shareholder must previously be authorized through the corresponding nominative card of attendance, on which the number and the class of the shares he holds is indicated, as well as the number of votes he can tender. The card shall be issued by the entity responsible for the accounting register to those holders of shares that prove that the shares were registered in the aforementioned register before the time limit prior to the meeting stated in the previous paragraph.

Proxies at the General Meeting

Every shareholder who has the right to attend may be represented in the General Meeting by means of another person, even if that person is not a shareholder. The proxy is always revocable.

Passing of resolutions

The resolutions shall be adopted by a majority of votes of the shares present or represented at the General Meeting, except in the event of legal provisions or provisions of the Articles of Association stating the contrary. In the event of a tie, the proposal shall be deemed to be rejected.

The General Meeting of Shareholders held on 18 July 2003 resolved to suppress the requirement of a qualified majority (two-thirds of the share capital present in person or by proxy at the General Meeting) in order for the Meeting to be able to resolve on the increase or reduction in share capital, the issuing of bonds, the transformation of Inditex, merger by the creation of a new company or through Inditex being taken over by another entity, total or partial split-off, global transfer of assets and liabilities, the replacement of the company purpose as well as any other modification of the Articles of Association.

Although the possibility of increasing the quorum and the majorities provided in the Law are expressly established in the Spanish Corporate Law (article 103.3), the Board resolved to propose to the General Meeting said amendment as it considered that that protective measure in the Articles of Association, while common in Spanish listed companies, would be contrary to the principle of transparency vis-à-vis the shareholders.

This amendment, together with the elimination of the requirement that the Chairman of the Board of Directors must be appointed from among the members having seniority as director of more than three years, unless two-thirds of the Board voted in favour thereof, meant the elimination of the only protective measures included until that time in the Articles of Association.

BOARD OF DIRECTORS

PRINCIPLES OF ACTION

Apart for the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of Inditex, as it is entrusted with the direction, administration, management and representation thereof, delegating in general the management of the day-to-day business of Inditex to the executive bodies and to the management team and concentrating its efforts on the general supervisory function, which includes directing the policy of Inditex, monitoring management activity, assessing the management by the senior management, taking the most relevant decisions and acting as a link with the shareholders.

The Board performs its functions under the principle of maximising the value of the company, determining and reviewing its business and financial strategies in the light of said criterion.

ORGANISATIONAL RULES AND THE WORKING OF THE BOARD

The Chairman of the Board of Directors shall be the person to assume the chairmanship of the administrative bodies of Inditex. At the present time, Amancio Ortega Gaona is the Chairman of the Board and of its Executive Committee.

The General Meeting held on 18 July 2003 agreed to modify article 25.3 of the Articles of Association, removing the requirement that the Chairman of the Board of Directors had to be appointed from amongst the members of the Board who had been directors for longer than three years, unless two-thirds of the Board should vote in favour thereof.

The Deputy Chairman or Deputy Chairmen will substitute the Chairman in case of his absence or if it is impossible for him to act, or when the Chairman himself should so decide. The office of Deputy Chairman of the Board of Directors is held by José María Castellano Ríos.

The Secretary, who need not be a director, shall help the Chairman in his duties, provide the necessary advice and information to the directors and shall devote particular attention to the legal and material formality of the Board's decisions. A Deputy Secretary may also be appointed, who need not be a director, to assist the Secretary or to substitute him in case of his absence or if it is impossible for him to act for the performance of his functions.

The Secretary and Letrado Asesor [Consulting Lawyer] of the Board of Directors of Inditex, Antonio Abril Abadín, holds the office of board member, General Counsel and Secretary of the Board. Javier Monteoliva Díaz, Director of the Legal Department, holds the office of Deputy Secretary, non-member, of the Board.

The Board will hold ordinary meetings on a three-monthly basis and, on the initiative of the Chairman, as many times as this latter considers advisable for the good working of the company. The Board must also meet when at least one third of its members so request.

In each of the fiscal years 2003 and 2002, the Board met on five occasions.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board is made up of ten members: five independent directors, one domanial director, one executive-domianal director and three executive directors.

Composition of the Board at 31 January 2004

NAME	OFFICE	NATURE
Amancio Ortega Gaona	Presidente	Domanial-Executive
José María Castellano Ríos	Deputy Chairman	Executive
Juan Carlos Rodríguez Cebrián	Ordinary member	Executive
Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary member	Independent
Fred Horst Langhammer	Ordinary member	Independent
Francisco Luzón López	Ordinary member	Independent
Irene R. Miller	Ordinary member	Independent
ROSP CORUNNA, S.L. represented by Rosalía Mera Goyenechea	Ordinary member	Domanial
Juan Manuel Urgoiti López de Ocaña	Ordinary member	Independent
Antonio Abril Abadín	Ordinary member	Executive Secretary

In addition to the Chairman, Amancio Ortega Gaona, the executive directors hold the following positions in the company:

José María Castellano Ríos	CEO
Juan Carlos Rodríguez Cebrián	Managing Director
Antonio Abril Abadín	General Counsel

BRIEF RÉSUMÉS OF THE MEMBERS OF THE BOARD OF DIRECTORS

Chairman

Amancio Ortega Gaona. (67)

Founding shareholder of Inditex and Chairman of its Board and Executive Committee since its incorporation in June 1985. He began his textile manufacturing operations in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex and three years later founded Zara España, S.A. the first distribution and retailing company.

Deputy Chairman and CEO

José María Castellano Ríos. (56)

A Board member since June 1985, he was appointed Deputy Chairman of the Board and of its Executive Committee and CEO in 1997. Before joining the company he was IT Manager of Aegon España, S.A. from 1968 to 1974 and General Manager and Financial Director of Conagra España, S.A. from 1974 to 1984. He is a Doctor of Economics and Business Studies and a Professor of Financial Economy and Accounting at the Faculty of Economics and Business Studies in A Coruña in addition to being a Member of the Royal Academy of Economic and Financial Sciences [*Real Academia de Ciencias Económicas y Financieras*]. He is a member of the Board of Directors of Fadesa, S.A.

Ordinary members

Managing Director and Board member

Juan Carlos Rodríguez Cebrián. (51)

An executive director since February 1997, he has held the office of Managing Director since 2000. He has developed his entire career in Inditex, where he began working in 1978. Since then, he has worked in several different departments including the Commercial, Production, Logistics, General Services, International Development and Business Management Departments.

Secretary and Board member

Antonio Abril Abadín. (46)

He has been the Secretary of the Board of Directors since January 1993 and of its Executive Committee since its creation in February 1997. He has been a member of the Board since December 2002. A graduate in Law from the University of Oviedo and a civil servant by competitive exam of the Treasury Counsel Corps, he joined Inditex in 1989 as Director of the Legal Department after having been posted as Abogado del Estado [State lawyer] in the State Legal Service in the regional office of the Treasury and Law Courts in Lugo and in the Governmental regional office in Galicia, in A Coruña. He is also the Secretary of the Audit and Control Committee and of the Nomination and Remuneration Committee, in addition to holding the office of General Counsel of Inditex. He is a member of the Board of Directors of Banco Gallego, S.A.

Carlos Espinosa de los Monteros Bernaldo de Quirós. (59)

An independent director since May 1997. A graduate in Law and Business Studies from ICADE, he is a Commercial Expert and State Economist and holds an MBA from Northwestern University. He has been the Deputy Chairman of the Instituto Nacional de Industria, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the Circulo de Empresarios, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he is the Chairman of the Board of Directors of Daimler Chrysler España Holding, of Mercedes Benz España and of González Byass, S.A. and Board member of Acciona, S.A.

Fred H. Langhammer. (60)

An independent director since April 2001. He began his career at Eatons, a Canadian operator of department stores, and later was appointed General Manager of Dodwell Import, a Japanese subsidiary of the British firm, Inchcape. He went on to join Estée Lauder Companies Inc. in 1975 as President of Estée Lauder Japan. In 1982 he was appointed Managing Director of Estée Lauder Germany, and in 1985 he moved to New York and was promoted to President and Chief Operating Officer of Estée Lauder Companies Inc. In 1999 he was newly promoted, to the position of President and CEO. Mr. Langhammer is a member of the board of The Estée Lauder Companies Inc. and The Gillette Company. He is Co-Chairman of the American Institute for Contemporary German Studies at John Hopkins University and a senior fellow of the Foreign Policy Association and a board member of The Japan Society.

Francisco Luzón López. (56)

An independent director since February 1997. He is a graduate in Business Studies and Economics from the University of Bilbao. He has collaborated as a lecturer at the University of Deusto (Bilbao). He joined the Banco de Vizcaya in 1972, gaining wide experience in that Group in different Units and functions, becoming General Manager and Board member in 1986. In 1988 and after its merger with the Banco de Bilbao, he went on to become a member of the Board of Directors of the Banco Bilbao Vizcaya. At the end of the same year, he was appointed

President of the Banco Exterior de España, office which he held from 1988 to 1996. In 1991 he was the impulse behind the creation of the new Grupo Bancario Argentaria of which he was the founder and was Chairman until 1996. After that year, he joined the Banco Santander Central Hispano as Director-General Manager, Deputy to the Chairman and in charge of Strategy, Communication and Institutional Relations. At the present time, he is responsible for the area of Latin America for the aforementioned financial institution.

Irene R. Miller. (51)

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

ROSP CORUNNA, S.L.

A company that is 86% owned by Rosalía Mera Goyenechea, (60) founding shareholder of Inditex, who has held the office of director in her capacity as the natural person representing Rosp Corunna, S.L. since December 2000. She was a director of Inditex on her own account from 1991. She is a member of the Boards of Directors of Zeltia, S.A. and Grupo Continental, S.L., Milú Films, S.L. and Identificación y Custodia Neonatal, S.A., representing Rosp Corunna Participaciones Empresariales, S.L., a sole-owner company wholly owned by Rosp Corunna, S.L.

Juan Manuel Urgoiti López de Ocaña. (64)

He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the Banco de Vizcaya in 1962. After occupying many executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the Banco Bilbao he was appointed CEO of the Banco Bilbao Vizcaya. He has been President of Ahorrobank, Banco de Crédito Canario, Banco Occidental, Instituto de Biología y Sueroterapia and Laboratorios Delagrangue and Board member of Antibióticos, S.A. At the present time he is the Chairman of the Banco Gallego, Deputy Chairman of Acciona, S.A., member of the Board of Necso, S.A., and member of the European Advisory Board of Citigroup Global Markets. He is Chairman of the Board of Trustees, or Real Patronato, of the Reina Sofia National Museum and Art Centre and a member of the Reales Patronatos of the Prado Museum and of the Spanish National Library. He is President of the private foundation Fundación José Antonio de Castro and is a member of other foundations and institutions. He holds the Gran Cruz de Mérito Civil and has been awarded the honour of Commander of the Order of the British Empire.

INDEPENDENT DIRECTORS

The number of independent directors, five, is much greater than would correspond proportionally to the Board taking into account the floating capital of Inditex. In that respect, Inditex was already ahead of the recommendations of the Olivencia Committee and of the Aldama Report when the company's first independent director, Juan Manuel Urgoiti López de Ocaña, joined the Board in January 1993. In 1997, the General Meeting appointed as independent directors Francisco Luzón López and Carlos Espinosa de los Monteros Bernaldo de Quirós.

Continuing this criterion of introducing independent professionals of repute onto the Board of Directors, the General Meeting of Shareholders held in April 2001 appointed two new independent directors - Irene R. Miller and Fred Horst Langhammer – raising the number to five, fully complying with the recommendations of the Olivencia Committee and of the Aldama Report, as the non-executive directors make up the majority on the Board and half of the Board are independent directors.

Only the independent directors can be members of the Audit and Control Committee and the Nomination and Remuneration Committee.

CHANGES IN THE NEW BOARD OF DIRECTORS REGULATIONS IN RELATION TO THE INDEPENDENT DIRECTORS

The recent modification of the Board of Directors' Regulations, agreed by that body in its meeting on 20 March 2003, has established a limit as regards the number of companies in which the independent directors can hold the office of director, establishing that they cannot hold that office simultaneously in more than four listed companies other than Inditex. Likewise, the independent directors may meet before the calling of the Board without the presence of the other directors. For this purpose, the independent directors must elect one amongst them to act as a coordinator of such meetings.

MODIFICATIONS IN THE BOARD IN FISCAL 2003

The General Meeting held on 18 July 2003 approved and ratified the appointment of Antonio Abril Abadín as member of the Board of Directors, agreed by this Body in its meeting on 12 December 2002, and appointed Mr. Abril to hold the office of director for the period of five years foreseen in the Articles of Association to be calculated as from the date of the General Meeting. The Board of Directors, in its meeting held on the same day as the General Meeting, appointed Antonio Abril Abadín as member of the Executive Committee.

REMUNERATION OF THE DIRECTORS

The General Meeting of Shareholders is the body responsible for approving the system and the amount of the remuneration of the directors.

The Board of Directors' Regulations establish in article 26 that the Board shall endeavour for the remuneration of the Director to be moderated according to market demands. Likewise, the Board shall ensure that the remuneration of the non-executive directors is such that it offers incentives to dedication by the directors, while not creating an obstacle as regards their independence. In particular, it shall endeavour such that the independent directors do not receive compensation that links them permanently to the company and that could compromise their independence.

In turn, the Nomination and Remuneration Committee reports on the systems and amount of the annual remuneration of directors.

The General Meeting held on 20 July 2000 resolved to set, with indefinite validity until a later General Meeting should resolve otherwise, the remuneration of the directors of Inditex in the following manner, the quantities stated in the sections below being totally independent and fully compatible between each other:

- a) Each director will receive a fixed annual amount of 60,101.21 euros for the performance of his office.
- b) The Chairman of the Executive Committee will receive an additional fixed annual amount of 30,050.60 euros.
- c) The directors who in turn form part of the Executive Committee (including the Chairman of the Executive Committee) will receive an additional fixed annual amount of 30,050.60 euros.
- d) The Chairmen of the Audit and Control Committee and the Nomination and Remuneration Committee will receive an additional fixed annual amount of 18,030.36 euros.
- e) The directors who in turn form part of the Audit and Control Committee and the Nomination and Remuneration Committee (including the Chairmen of the aforementioned Committees) will receive an additional fixed annual amount of 12,020.24 euros.

Additionally, it is recorded that the General Meeting, in its meetings held on 20 July 2000, agreed, at the proposal of the Board of Directors, to approve a Stock Option Plan directed at the members of the Board and certain senior executives and other key employees.

The number of options finally granted is a result of the appreciation of the Inditex share in the Stock Market in three different periods for calculation. The options are exercisable two years after the completion of each of the periods for calculation of the aforementioned increase in value, at the price of 2.93 euros per share, each option exercised entitling the exerciser to one Inditex share.

In 2003, the conditions regarding appreciation that were established in the Plan were not met and therefore the directors have not consolidated rights over options on shares

On 30 January 2004, the term for exercise of the options accrued in the first period of calculation (2001) ended. The directors exercised their options over a total of 140,272 shares, which were delivered to the beneficiaries in February 2004, within the time limits established in the Plan itself.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Below is a breakdown of the total remuneration accrued by the directors:

Fiscal 2003

a) In the Company that is the subject of this Report:

ITEM - REMUNERATION (Amounts in thousands of euros)

Fixed remuneration	2,746
Variable remuneration	866
Options on shares and/or other financial instruments	1,603
Others	974
Total	6,189

b) From the Company's directors belonging to other boards of directors and/or the senior management of Companies of the Group:

ITEM - REMUNERATION (Amounts in thousands of euros)

Fixed remuneration	342
Total	342

c) Total remuneration by type of director:

TYPE OF DIRECTOR (Amounts in thousands of euros)	BY COMPANY	BY GROUP
Executive	4,762	342
Non-executive Domanial	60	—
Non-executive Independent	1,367	—
Total	6,189	342

Fiscal 2002

	EXECUTIVE DIRECTORS	INDEPENDENT AND DOMANIAL DIRECTORS	TOTAL EUROS
Fixed and variable salaries	3,501,000	—	3,501,000
Director compensation	414,698	625,654	1,040,352
Share options*	402,095	591,316	993,411
Total	4,317,793	1,216,970	5,534,763

* Calculated taking as a basis the quotation of the share at close on 30 December 2002.

PROCEDURE FOR APPOINTMENT OR REMOVAL OF MEMBERS OF THE BOARD OF DIRECTORS. SELECTION, APPOINTMENT AND RE-ELECTION

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

The directors shall be appointed by the General Meeting and shall hold their office during the period established to this purpose by the Meeting, which may not exceed the term of five years. If the resolution governing their appointment does not establish a term for the office, it shall be understood that they have been elected for five years.

The directors may be re-elected indefinitely, for periods of equal or less duration, by the General Meeting, which may likewise agree the removal of any of these at any time.

The Board of Directors itself may provisionally cover the vacancies that arise on said Board, designating from among the shareholders the persons who will have to fill the vacancies until the first General Meeting thereafter.

The proposals for the nomination of directors that the Board of Directors submits to be considered by the General Meeting, and the nomination decisions that said body adopts in virtue of those powers to co-opt that are legally attributed to it, must be preceded by the relevant report from the Nomination and Remuneration Committee.

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

The Board of Directors and the Nomination and Remuneration Committee, within the scope of their competences, shall endeavour for the choice of candidates to fall on persons of well-known ability, competence and experience, and must maximize their rigour in relation to those persons called to cover the positions of independent directors.

The Board of Directors may not propose or appoint to fill an independent director's position any persons who do not satisfy the criteria of independence established in section 1.(c) of article 7 of the Board of Directors' Regulations, or those who at that time hold the position of director simultaneously in more than four listed companies other than Inditex.

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

The Nomination and Remuneration Committee prepares and checks the criteria that must be followed for the composition of the Board of Directors and the selection of its members and reports on the proposals for appointment of directors.

Resignation and removal

The Board of Directors' Regulations, in article 24, establishes a provision with respect to the obligation of the directors to resign in cases that could negatively affect the working of the Board or the credit and reputation of Inditex.

The directors must place their office at the disposal of the Board of Directors and, if this latter should consider it advisable, tender their resignation in the following cases:

- When they reach the age of 68. However, the directors who hold the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon reaching the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of the founding Chairman of the company, Amancio Ortega Gaona.
- When they cease to hold the executive positions to which their appointment as director was associated.
- When they are involved in any of the cases of incompatibility or prohibition foreseen in the Law.
- When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors.
- When their remaining on the Board might jeopardise the interests of Inditex or when the reasons for their appointment cease to exist, for example, when a domanial director ceases to hold his stake in Inditex.

PARTICIPATION OF THE MEMBERS OF THE BOARD IN THE SHARE CAPITAL

As at 31 January 2004, the members of the Board of Directors who had shareholdings in the share capital of Inditex were as follows:

NAME OR COMPANY NAME OF THE DIRECTOR	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES (*)	%TOTAL OF SHARE CAPITAL
Amancio Ortega Gaona	12-06-1985	20-07-2000	63	369,600,000 ⁽¹⁾	59.294%
José María Castellano Ríos	12-06-1985	20-07-2000	1,373,863	0	0.22%
Juan Carlos Rodríguez Cebrián	28-02-1997	20-07-2000	2,722,067	0	0.437%
Antonio Abril Abadín	12-12-2002	18-07-2003	168,276	0	0.027%
ROSP CORUNNA, S.L.	29-12-2000	19-01-2001	0	43,590,000 ⁽²⁾	6.993%
Carlos Espinosa de los Monteros Bernaldo de Quirós	30-05-1997	20-07-2000	11,646	0	0.002%
Francisco Luzón López	28-02-1997	20-07-2000	98,000	565 ⁽³⁾	0.016%
Juan Manuel Urgoiti López de Ocaña	02-01-1993	20-07-2000	5,000	0	0.001%

*Through:

NAME OR COMPANY NAME OF THE DIRECT HOLDER OF THE STAKE	NUMBER OF DIRECT SHARES
GARTLER, S.L.	369,600,000 ⁽¹⁾
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	43,590,000 ⁽²⁾
CAÑABARA, S.A.	565 ⁽³⁾
Total	413,190,565
% TOTAL OF THE SHARE CAPITAL IN THE POSSESSION OF THE BOARD OF DIRECTORS	66.99%

At 31 January 2003, the members of the Board who had a holding in the capital of Inditex were the following:

NAME OR COMPANY NAME OF THE DIRECTOR	HOLDER OF THE SHARES	NUMBER OF SHARES	% TOTAL OF SHARE CAPITAL
Amancio Ortega Gaona	Gartler S.L.	369,600,063	59.29%
Rosalía Mera Goyenechea	Rosp Corunna, S.L.	43,590,000	6.99%
Juan Carlos Rodríguez Cebrián	Natural person	3,235,337	0.52%
José María Castellano Ríos	Natural person	1,409,663	0.23%
Antonio Abril Abadín	Natural person	178,276	0.03%
Carlos Espinosa de los Monteros Bernaldo de Quirós	Natural person	1,990	0.00%
Juan Manuel Urgoiti López de Ocaña	Natural person	1,000	0.00%
Francisco Luzón López	Natural person	565	0.00%
Total		418,016,894	67.06%

PARTICIPATION OF THE MEMBERS OF THE BOARD IN THE SHARE CAPITAL

Chapter IX of the Board of Directors' Regulations (articles 29-38) regulates the various duties and obligations of the directors, amongst which are those of loyalty and diligence, being obliged in particular to inform themselves and prepare suitably for the meetings of the Board and of those subcommittees to which they belong, to attend the meetings of the bodies they are members of and to participate actively in the debates, carry out any specific task that the Board or any of the subcommittees or consultative committees may entrust them with, to investigate any irregularities in the management of the company and to supervise any situations of risk.

Articles 30 to 37 regulate, in particular, the duty of confidentiality and of non-competition; regulation in cases of conflicts of interest; limitations on the use of corporate assets; the ban on making use of non-public information for private ends, the ban on taking advantage of Inditex's business opportunities; the action that a director should take on becoming aware of indirect transactions; the director's duty of informing Inditex about the shares in the company of which he is the direct or indirect owner, as well as any other fact or circumstance that could be relevant for his acting as a director, and lastly the regulation of the transactions with significant shareholders that are subject to authorisation by the Board after a report from the Nomination and Remuneration Committee.

COMMITTEES OF THE BOARD OF DIRECTORS

	EXECUTIVE	AUDIT AND CONTROL	NOMINATION AND REMUNERATION	TYPE
CHAIRMAN				
Amancio Ortega Gaona	■			Domanial-Executive
DEPUTY CHAIRMAN				
José María Castellano Ríos	■			Executive
MEMBERS				
Carlos Espinosa de los Monteros	■		■	Independent
Fred H. Langhammer			■	Independent
Francisco Luzón López	■	■	■	Independent
Rosalía Mera Goyenechea*				Domanial
Irene Miller		■		Independent
Juan Carlos Rodríguez Cebrián	■			Executive
Juan Manuel Urgoiti López de Ocaña	■	■		Independent
SECRETARY				
D. Antonio Abril Abadín	■			Executive

■ Members of the Committee ■ Chairman of the Committee

* Rosalía Mera Goyenechea represents ROSP CORUNNA S.L., a company which is a member of the Board of Directors of the Company.

EXECUTIVE COMMITTEE

In accordance with article 29 of the Articles of Association, in March 1997 the Board of Directors established an Executive Committee which holds in delegation all the powers of the Board, except those that cannot be delegated by law or by its Articles of Association and those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

The regulation of this Committee is found in the Board of Directors' Regulations, article 13 thereof providing that this shall be made up of a number of directors being no less than three nor greater than seven.

The passing of the resolutions of appointment of the members of the Executive Committee will require at least two-thirds of the members of the Board to have voted in favour thereof. The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Secretary of the Board, who may also be assisted by the Deputy Secretary, performs the duties of secretary.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote in favour and may include, at the Board's discretion, all or a part of the powers of the Board itself.

The Executive Committee reports to the Board of Directors on the matters discussed and the decisions taken in its meetings, such that the Board has full knowledge of the decisions of the Executive Committee. In fiscal 2003, the Executive Committee has not met on any occasion and in fiscal 2002 it met two times.

Composition of the Executive Committee at 31 January 2004 and 2003:

NAME	OFFICE	TYPE
Amancio Ortega Gaona	Chairman	Domanial - Executive
José María Castellano Ríos	Deputy Chairman	Executive
Juan Carlos Rodríguez Cebrián	Member	Executive
Carlos Espinosa de los Monteros Bernaldo de Quirós	Member	Independent
Francisco Luzón López	Member	Independent
Juan Manuel Urgoiti López de Ocaña	Member	Independent
Antonio Abril Abadín	Member	Executive Secretary

CONSULTATIVE COMMITTEES OF THE BOARD OF DIRECTORS

In accordance with the provisions of article 29 of the Articles of Association, the Board may create from among its members consultative committees with the power to inform, advise and propose in relation to the matters determined by the Board itself.

Pursuant to this provision, in July 2000, once the Board of Directors' Regulations had been approved, the Audit and Control Committee and the Nomination and Remuneration Committee were created.

Audit and control committee

The new revised text of the Board of Directors' Regulations, approved in its meeting on 20 March 2003, establishes that the Audit and Control Committee must be made up exclusively of independent directors. In order to comply with this provision, the executive director, José María Castellano Ríos, tendered his resignation as member of this Committee and the aforementioned Board of Directors resolved to cover the vacant position by appointing the independent director, Irene Miller, as member of the Audit and Control Committee.

Composition of the Audit and Control Committee at 31 January 2004:

NAME	OFFICE	TYPE
Juan Manuel Urgoiti López de Ocaña	Chairman	Independent
Francisco Luzón López	Member	Independent
Irene R. Miller	Member	Independent

Composition of the Audit and Control Committee at 31 January 2003:

NAME	OFFICE	TYPE
Juan Manuel Urgoiti López de Ocaña	Chairman	Independent
José María Castellano Ríos	Member	Executive
Francisco Luzón López	Member	Independent

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

Without prejudice to other tasks that the Board may assign to it, the Audit and Control Committee will have the following basic responsibilities, which are:

- To report to the General Meeting of Shareholders on those questions put forward by shareholders regarding matters within the scope of its competence.
- To propose to the Board of Directors, in order to be studied by the General Meeting of Shareholders, the appointment of the auditors of the accounts. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;
- To supervise the Internal Audit Department, approving the budget of the Department, the Plan of Internal Audit, supervising the material and the human resources, whether internal or external, of the Internal Audit Department for the performance of its work. To report on the appointment of the Internal Audit Department Director prior to the relevant report from the Nomination and Remuneration Committee.
- To supervise the process of financial information and the internal control systems of the company, and to check the suitability and integrity of the same.
- To liaise with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to the carrying out of the audit process, as well as on those other communications envisaged by auditing legislation and auditing standards.

- To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor's report to be drawn up in a clear and precise manner, and to evaluate the results of each audit.

- To revise Inditex's annual accounts and the periodic financial information that the Board must provide to the markets and to their supervisory bodies, overseeing compliance with legal requirements and correct application of generally accepted accounting principles in the drawing up thereof.

- To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.

- To examine compliance with the Internal Regulations of Conduct, the Board of Directors' Regulations, the Internal Code of Conduct and, in general, with the rules of governance of Inditex, and to make the necessary proposals for their improvement.

- To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management.

- To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Internal Code of Conduct and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.

- To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.

- To draw up an annual report on the activities of the Audit and Control Committee.

- To supervise the functioning of the corporate web page regarding the provision of information about corporate governance.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of five directors appointed by the Board itself, who must all be non-executive directors.

The Chairman of the Audit and Control Committee shall be elected for a period that does not exceed four years and must be replaced at the expiration of the aforementioned period. He may be re-elected once a period of one year has elapsed since the date of his ceasing in the post.

The Committee shall meet in ordinary meeting on a quarterly basis in order to revise the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

The members of the management team or of the personnel of Inditex shall be obliged to attend the meetings of the Committee and to provide help and access to the information at their disposal when the Committee so requests. Equally, the Committee may require the attendance at its meetings of the auditors of the accounts of the company.

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

In fiscal 2003, the Committee met on six occasions (five in fiscal 2002).

Other modifications introduced in relation to the Audit and Control Committee in 2003

The Board of Directors on 20 March 2003 agreed to modify the name of the Audit and Compliance Committee in order to adapt it to the new name given by the Law on Measure of Reform of the Financial System, going on to be called the "Audit and Control Committee".

The revised text of the Board of Directors' Regulations reinforces the responsibilities of the Audit and Control Committee and introduces a mechanism to guarantee the independence of the Chairman of this body, by deciding that the Chairman shall be replaced every four years, being able to be re-elected only once a period of one year has elapsed since the date of that person's ceasing in the post.

Amongst the most significant basic responsibilities of the new responsibilities conferred upon it, it is worth mentioning the following:

- To report to the General Meeting on the matters that the shareholders raise in the General Meeting on areas falling under its authority.
- To supervise the Internal Audit Department, approving its budget, the Internal Audit Plan and supervising the material and human resources, both internal and external, of that Department.
- To prepare and submit to the Board of Directors for its approval an annual report on corporate governance.
- To prepare an annual report on its activities.

The General Meeting of Shareholders held on 18 July 2003 approved several modifications to the Articles of Association, amongst which was included that of the incorporation into the same of the regulations of the Audit and Control Committee.

Nomination and Remuneration Committee

The new, revised text of the Board of Directors' Regulations establishes that the Nomination and Remuneration Committee must be made up exclusively of independent directors. In order to comply with this provision, Juan Carlos Rodríguez Cebrián, executive director of Inditex, tendered his resignation as a member of that Committee and in March 2003 the Board of Directors resolved to cover the vacant position by appointing the independent director, Fred Horst Langhammer, as member of the Nomination and Remuneration Committee.

Composition of the Nomination and Remuneration Committee at 31 January 2004:

NAME	OFFICE	TYPE
Carlos Espinosa de los Monteros Bernaldo de Quirós	Chairman	Independent
Fred Horst Langhammer	Member	Independent
Francisco Luzón López	Member	Independent

Composición de la Comisión de Nombramientos y Retribuciones a 31 de enero de 2003:

NAME	OFFICE	TYPE
Carlos Espinosa de los Monteros Bernaldo de Quirós	Chairman	Independent
Francisco Luzón López	Member	Independent
Juan Carlos Rodríguez Cebrián	Member	Executive

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

Without prejudice to other tasks that are assigned to it by the Board, the Nomination and Remuneration Committee shall have the following basic responsibilities:

- To prepare and review the criteria that must be followed for the composition of the Board of Directors, and to select the candidates;
- To report on proposed nominations of directors prior to their nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors by the co-optation procedure;
- To advise on the nomination of internal positions (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors;
- To propose to the Board the members that should form part of each of the Committees;
- To prepare and review the criteria that must be followed for the selection of the senior management of the company and to report on the appointment or removal of the senior managers reporting directly to the Board of Directors, including the CEO.
- To report annually to the Board on its assessment of the performance of the senior management of the company, and especially of the CEO and his remuneration;
- To report on the systems and amount of the annual remuneration of directors and senior management and to prepare the information to be included in the annual public documentation about the remuneration of the directors.
- To report on transactions that imply or may imply conflicts of interest, transactions with related parties or those transactions that imply the use of corporate assets and, in general, to report on the matters included in Chapter IX of the Board of Directors' Regulations.

- To draw up and keep up-to-date a contingency plan to cover those vacancies in key positions within Inditex.

The Nomination and Remuneration Committee shall be made up of a number of directors that is not less than three or greater than five and who must necessarily be independent directors. A Chairman will be appointed from among its members.

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

The Committee shall meet each time that it is called to meet by its Chairman, who must do so each time the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors' remuneration that the Board has to approve and include in its annual public documentation.

In each of the fiscal years 2003 and 2002, the Nomination and Remuneration Committee met on four occasions.

In order to reinforce the responsibilities of the Committee, the new Revised Text of the Board of Directors' Regulations has incorporated the following new functions:

- To report annually to the Board on its assessment of the performance of the senior management, and especially of the CEO and his remuneration.
- To prepare the information to be included in the annual public information regarding the remuneration of the directors.
- To report in relation to related-party transactions or those which involve the use of company assets.
- To prepare and maintain up-to-date a contingency plan for the covering of vacancies in key posts in Inditex.

SOCIAL ADVISORY BOARD

The Board of Directors' meeting held in December 2002 resolved to set up the Social Advisory Board, the advisory board of Inditex in Corporate Social Responsibility matters, and approved its regulations.

Its main function is to formalize and institutionalise the dialogue with those interlocutors considered to be key in the different civil societies where Inditex develops its business model, whether through activities of manufacturing, distribution or selling.

Its Regulations determine the principles of action, the basic rules governing its organisation and working and the rules of conduct of its members.

The Social Advisory Board is made up of natural persons who are members of relevant institutions of the Third Sector with established prestige and experience in the field of social and/or environmental action.

The members of the Social Advisory Board are elected for a three-year period, at the end of which they may be re-elected just once for another period of equal or less duration.

Composition of the Social Advisory Board at 31 January 2004 and 2003:

MEMBERS	ORGANIZATION AND OFFICE
Cecilia Planiol Lacalle	AECC - President
Susana Weyer	U.N. Global Compact - Director of Outreach
Salvador García-Atance Lafuente	Fundación Lealtad - Co-President
Ramón Pueyo Viñuelas	Fundación Ecología y Desarrollo - Director of Research
Alfredo Vernis Domenech	Esade - Director of Teaching Staff

The meetings of the Social Advisory Board will also be attended, with the right to speak but not to vote, by the Director of the Corporate Responsibility Department and the General Counsel of Inditex, the latter of whom will act as Secretary of the Social Advisory Board with the purpose of aiding the Chairman in his tasks and providing for the good working of the Social Advisory Board.

Likewise, the Social Advisory Board may require the attendance at its meeting, with the right to speak but not to vote, of representatives of the institutions receiving funds contributed to awareness-raising and/or development programmes related with the production and retail chains and, in general, with any social investment projects.

The office of member of the Social Advisory Board will not be remunerated but the travelling expenses, accommodation, board and any other duly justified expenses related with the exercise of their duties shall be borne by Inditex.

In fiscal 2003 and 2002, the Social Advisory Board of Inditex met on three occasions.

CHANNELS FOR RELATIONS WITH THE MARKETS

Article 42 of the Board of Directors' Regulations, which regulates the relations of this body with the markets, lays down in subparagraph 1 that the Board of Directors shall inform the public immediately about:

- Relevant information, which is capable of significantly affecting the formation of prices on the stock market.
- Relevant changes in the company's ownership structure, such as variations in significant holdings, syndication pacts and other forms of coalition, of which it has become aware;
- Substantial modifications of Inditex's rules of governance;

■ The treasury stock policy that, where appropriate, the company proposes carrying out under the authorizations obtained in the General Meeting and their modifications.

For its part, article 42.2 of the aforementioned Regulations provides that the Board of Directors shall take the necessary steps to ensure that the half-yearly and quarterly financial information and any other financial information that prudence requires to be put at the disposal of the markets is drafted under the same principles, criteria and professional practices as those used for the annual accounts and that they are as reliable as these last. For this last purpose, the Audit and Control Committee shall review said information.

Furthermore, the company releases information to the market following the principles included in the Internal Regulations of Conduct, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

Communications to the markets occur after having carried out the relevant filings, where appropriate, at the CNMV and, preferably, after the close of trading of the Spanish stock markets, in accordance with the Internal Regulations of Conduct that states that the communication to the CNMV must be done before its release by any other means and as soon as the fact is known, that the decision has been made or the agreement or contract with third parties has been signed in relation thereto.

Likewise, the communications of relevant information are accessible through the corporate governance section of the corporate web page as soon as it has been communicated to the CNMV.

Inditex releases the relevant information to the market simultaneously by the following means:

■ Market Notes to a distribution list containing 1,100 entries with investors, analysts and the information media of the market. Inclusion in the distribution list is free.

■ Press releases to some 300 media and press agencies.

After sending the Market Notes of Annual Results the company carries out webcast conference-calls and conference calls, which are freely accessible.

After sending the Market Notes of Quarterly Results Inditex carries out freely accessible conference calls in which 125 institutions take part and which include a question and answer session.

On a six-monthly basis, the senior management team of the company does a roadshow in the main financial marketplaces.

RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

Below are shown the relevant transactions which have meant a transfer of resources or obligations in fiscal year 2003 between Inditex and its significant shareholders or persons or entities linked to them.

NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER	NAME OR COMPANY NAME OF THE COMPANY OR ENTITY OF ITS GROUP	NATURE OF THE RELATIONSHIP	TYPE OF TRANSACTION	AMOUNT (thousands of euros)
Amancio Ortega Gaona	ZARA ITALIA S.R.L.	Contractual	Purchase of premises	17,432

RELATIONS WITH SHAREHOLDERS

Amongst its principles of action, Inditex includes the fulfilment of a policy regarding transparency and the maintaining of channels of communication that guarantee that the group of its current and potential shareholders have at their disposal sufficient, clear, complete, homogenous and simultaneous information so as to assess the management of the company and its economic-financial results.

The relevant information to know the performance of the business is communicated on a quarterly basis (including the Balance Sheet, the Profit and Loss Account and the Management Report), in addition to its communication to the *CNMV*, to the shareholders as a whole and the financial community, and to the media in Spain and to the most relevant media worldwide, with special attention paid to those specialising in economic information. This same procedure is followed with regard to the information referring to relevant events that affect the performance of the business. In addition, the set of corporate information is accessible immediately through the corporate web page and is distributed to a data base of investors and analysts with more than 1,100 entries.

In the area of institutional investors, Inditex complements this information through the carrying out, on a quarterly basis, of open access conference calls and webcasts to analyse the quarterly results.

In addition to this, informational meetings with the main financial capitals and visits to the corporate facilities are carried out. For their part, private investors have access to the Shareholders' Office by traditional mail, telephone or electronic mail.

The Board of Directors' Regulations lay down in article 41 a series of measures that regulate the relations with the shareholders.

INSTITUTIONAL INVESTORS

Senior Management carries out two roadshows a year, in which it presents the results from the first half (spring-summer season) and the full fiscal year (after the winter season), visiting the world's principal financial capitals. Over two and a half weeks, the main investors have access, mainly through individual meetings, to the strategic vision of the management team. In these visits, direct contact is established with more than 170 investors.

Another forum for meeting investors consists of the sector-based conferences organised by financial institutions, participating in the main events that take place in Europe, with average attendance at each by 50 of the main institutional investors.

In addition to the programmed occasions, another large number of meetings take place with investors in the year. Upon specific requests, visits are organised to the investors from a specific country or geographic area. In the last year, presentations were carried out in the main financial capitals in Europe and America.

Furthermore, there are also numerous investments to the corporate offices and facilities, both in Galicia and in Catalonia, in order for them to gain more in-depth knowledge about Inditex, its business model and its business strategy. Throughout fiscal 2003, 150 meetings were held with institutional investors coming from all over the world.

PRIVATE INVESTORS: THE SHAREHOLDERS' OFFICE

Lastly, we must highlight the accessibility of Inditex for any private investor through the Shareholders' Office, where its more than 80,000 shareholders can find, by post, electronic mail, fax or telephone, a channel of communication to gather information about the current performance of the business or the future strategy and to send any requests for that they consider to be relevant in order for them to know about Inditex's performance.

This Office acquires special relevance upon the calling and holding of the General Meeting. It makes available and sends information in a precise manner, in order to provide the shareholders with sufficient knowledge of the time, place and content of the General Meeting and to thus facilitate their participation in the decision-making process of the supreme governing body.

CORPORATE WEBSITE

In addition to the corporate website, www.inditex.com, each commercial format of Inditex has its own web page:

www.zara.com

www.pullandbear.com

www.massimodutti.com

www.bershka.com

www.e-stradivarius.com

www.oysho.com

www.zarahome.com

The corporate website contains significant information and documents on Corporate Governance and its aim is to become a vehicle for communication with the shareholders, providing them with up-to-date information on all the aspects that could be relevant in this sphere.

Any person who connects to the corporate website can view, amongst other information, the daily and historical quotation of the share, the public annual reports of Inditex since 1998, the financial information provided to the CNMV via Periodic Public Information, the relevant information sent to the CNMV, its management team and the financial calendar, amongst other things.

In fiscal 2003 there were more than 800,000 visitors to the corporate website (www.inditex.com).

The new set of Board of Directors' Regulations includes the express regulation of the corporate website, specifying the minimum documents and information to be included thereto. Likewise, in FY2004, the corporate web page has been adjusted to the structure and information requirements laid down in Act 26/2003 of 27 July ("Transparency Act") and in Circular 1/2004 of 17 March of the Comisión Nacional del Mercado de Valores (Spanish Securities Exchange Commission):

INTERNAL AUDIT

The search for excellence in management, together with the desire for the greatest transparency of information, led Inditex to create an Internal Audit department, whose mission is to carry out a systemic assessment of the efficiency of the processes for the identification, control and management of risks. This department, created in 2003, will generate value through the independent and objective activity of monitoring and advice at the disposal of the Board of Directors.

Thus, in accordance with the provisions of article 14.2 c) of the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, made up exclusively of independent directors of Inditex, to supervise the Internal Audit department of the Company and its group, approving its budget and the internal audit plan and supervising its material and human resources, both internal and external.

The aim, authority and responsibility of the activity of internal auditing will be formally defined in its own Rules, which will be approved by the Board, after a report from the Audit and Control Committee.

The activity of internal auditing will evaluate the exposure to risks related to processes and systems of financial information and internal control systems of Inditex, checking the suitability and completeness of these, in line with the provisions of Art 14.2 d) of the Board of Directors' Regulations. In addition, it will evaluate and issue recommendations on those risks of whatever type identified as being relevant in the map of risks, in accordance with the priorities marked by its Audit and Control Committee.

The Internal Audit Department Director will present reports on a periodic basis on the activities of the department relating to the work plan and the results thereof.

The activity of the internal auditing will contribute to strengthening the Corporate Social Responsibility model, such that the provisions of its Internal Code of Conduct are complied with, in the sense that *"...all the operations of Inditex will be developed under an ethical and responsible perspective, all the people who maintain, directly or indirectly, any kind of labour, economic, social or industrial relationship with Inditex will be treated in a fair and decent manner, and all the activities of Inditex will be carried out in the manner that most respects the environment..."*.

The work plan for internal auditing is based on an initial assessment of the risks, which will be reviewed periodically by the Audit and Control Committee.

Through the creation and development of the Internal Audit and Corporate Social Responsibility Departments, Inditex has met the current requirements governing management of corporate risks in Spain.

Finally, and on an annual basis, the Annual Corporate Governance Report will contain detailed information on the activities and results of the Internal Audit Department, so that the different stakeholders related to Inditex (shareholders, employees, customers, suppliers and societies where we develop our manufacturing, distribution and/or marketing operations) can know in detail the measures that Inditex is adopting to minimize the typical risks of the business.

RISK MANAGEMENT

Although the Annual Corporate Governance Report for Listed Companies corresponding to fiscal 2003 and available on the corporate website, details the policies on management and assessment of those risks covered by the system and the justification of the adaptation of said systems to the profile of each risk, in this chapter of the Sustainability Report 2003, relating to Corporate Governance, we have included a brief summary of the nature of the main strategic and operative risks.

The **strategic risks** are contained in two categories:

■ **Organisational risks.** Those whose appearance would have a negative effect on the development of the business model and, therefore, on growth (adapting of new business lines, errors in decisions made on store openings due to location or cost, geographic diversity, disparity in applicable legislations, etc).

■ **Commercial risks.** Those referring to commercial positioning, particularly as regards the balanced management of product offer (collections) and our customers' demands (tastes).

The **operational risks** match the main components of the "value chain" and have been classified in five large categories:

■ **Production and supply.** Those relating to the management of the purchase of raw materials and the manufacturing process. The actions aimed at reducing the potential impacts of the risks identified in this area are designed to minimize supply costs and, at the same time, to maximise the availability of the final product at the right time for its distribution and to ensure fulfilment of Human Rights in the supply chain.

■ **Distribution.** Those related with suitable management of the stock of finished product: the logistics of the assignation of the product to the distribution chain and the storage of the finished product in the different stores. The actions aimed at reducing the potential impacts of risks identified in this area are designed to combine keeping a sufficient level of finished product in stock with having maximum ability to respond when faced with unexpected changes in demand.

■ **Financial Risks.** Those relating to the management and administration of its monetary and property assets, respectively. The actions aimed at reducing the potential impacts of the risks identified in this area are designed to reduce the loss of value arising out of unsuitable administration of said assets and those related to the opportunity costs stemming from inadequate financial management.

■ **Human Resources.** Those arising out of the consequences of lack of motivation and loyalty from our professionals: from the designer to the salesperson in the store. The actions aimed at reducing the potential impacts of the risks identified in this area are designed to reduce the risks arising out of negligence or bad faith in the actions of the Senior Management and those others related to excessive turnover of staff.

■ **Technical infrastructure.** Those risks related to the efficient handling of information, of computer, robotic and technical networks in general. The actions aimed at reducing the potential impacts of the risks identified in this area are designed to reduce the risks arising out of excessive complexity of the computer systems and of those other systems related to a possible stoppage of the computer systems.

SOCIAL DIMENSION

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- 101 PROGRAMMES FOR THE COMMUNITY AND ASSOCIATIVE DEVELOPMENT
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TRANSMISSION OF OUR CORPORATE VALUES

The Corporate Responsibility strategy, strengthened in 2001 with the approval of the Code of Conduct seeks to govern the performance of INDITEX as a responsible and socially committed organisation and with the desire to transmit its values through its production, distribution and retail chains.

Although if we look to the future there are many challenges to be faced up ahead, over the last two years we have carried out a significant process of consolidating the transmission of our corporate values.

We believe that in 2001 we were correct in defining the four basic lines of our Corporate Social Responsibility strategy:

- The carrying out of a Social Audit programme in more than 1,700 factories in 44 countries and, following it, the creation of the first Corrective Plan of Action to correct the breaches of the Code of Conduct by our suppliers, that have been detected.
- The design of the first pilot programme to identify the needs of the workers of the production line in Morocco.
- The introduction of the Community Development Programmes, the Programmes for Strengthening the Production Line, the Awareness-raising Programmes and those for Sponsorship and Philanthropy.
- And, finally, active participation in local and international Corporate Social Responsibility networks and the creation of the Social Advisory Board as a platform for dialogue with the main social partners of civil society.

It has not been easy to assimilate this new manner of carrying on our operations. It has meant understanding that social and economic development must be seen in a wider context. It has to be understood in the con-



text of *Human Development* in its Triple Sphere: the promotion of respect for Human Rights in the factories of our suppliers, improvement of the labour conditions of their employees and of the social-economic environment of both their families and their communities.

Therefore in this last year, and to respond to this new consideration in each of the three areas mentioned above, we have taken part actively in initiatives aimed at standardising programmes for verifying compliance with the Codes of Conduct in Europe.

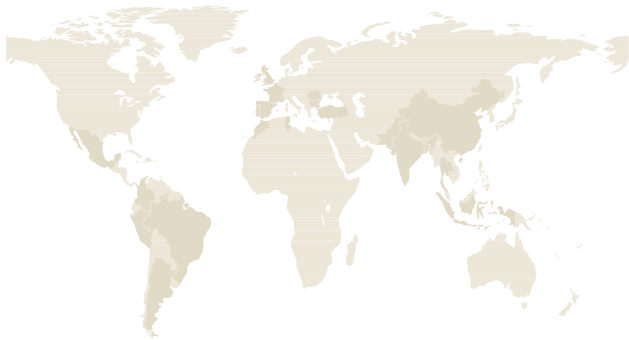
In this respect, we must highlight our active participation in the Steering Committee of the Fair Trade Association (FTA), the result of which is the launch in April 2004 of the Business Social Compliance Initiative (BSCI). Most outstanding amongst its objectives are the development of a code of conduct and a methodology of work and standardisation as regards the introduction of Human Rights in production lines.

In relation to indirect employees, their families and their environments, we have supported even more intensively the local social organizations that we were already working with in the previous fiscal year and that, on a daily basis, meet some of the needs of those communities directly or indirectly affected by our operations.

Also in FY2003, we have set up new development programmes in Latin America, North Africa and Asia; we have increased the number of people and institutions that, from diverse platforms, have trusted in us and, together with them, we have given a boost to the commitments assumed regarding the transmitting of our values in the development of our activities, following the approval of the aforementioned Code in February 2001.

Our challenge is to become a point of reference for everyone: manufacturers, employees, their families and communities, offering them increasingly complete support that includes an economic and human dimension, access to technical resources and an exchange of experiences, the result of which will be better training that results, in sum, in better quality of life.





OUR CSR TOOLS

STRENGTHENING OF THE PRODUCTION LINE

These are programmes designed to promote respect of Human Rights, in all their dimensions, in the real situation of our suppliers' factories.

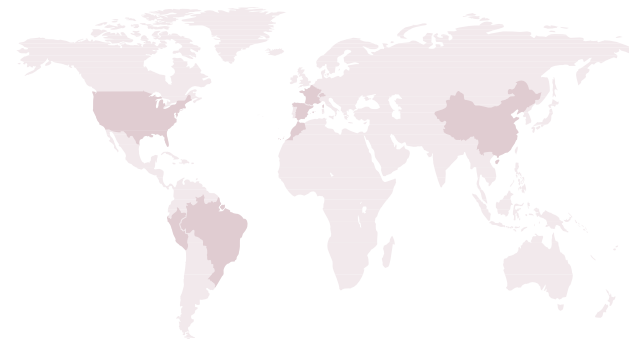
Spain, Portugal, France, United Kingdom, Romania, Bulgaria, Turkey, Morocco, Peru, Brazil, Argentina, India, Bangladesh, Pakistan, Tunisia, Mexico, Thailand, Indonesia, China.



COMMUNITY DEVELOPMENT

These are programmes that promote education and learning as formulas to favour development in the communities where INDITEX operates.

Spain, Morocco, Peru, Brazil, Nicaragua, Argentina, Venezuela



PLATFORMS FOR DIALOGUE

This is active participation in forums of debate on the processes of introduction of the corporate responsibility models, with the aim of sharing specific reflections and work experiences with other companies and institutions.

Spain, France, Switzerland, United States, Brazil, China, Morocco, Peru.



DISTRIBUTION CHAIN

These are educational and awareness-raising campaigns targeting our customers, designed to boost solidarity and a change in attitudes and values both in the personal, social and cultural dimensions and through the network of stores.

Spain.

SPONSORSHIP AND PATRONAGE

These are social investments aimed at supporting different initiatives, amongst which the promotion of culture can be highlighted

Spain, Portugal.

PROGRAMMES FOR THE STRENGTHENING OF THE PRODUCTION LINE



These are programmes that have been designed to promote respect of Human Rights in all their dimensions in all the factories of our suppliers.

These programmes, that we foresee will make up the core of the Social Action of Inditex in the mid-term, are being developed through one key idea: the more than 1,700 factories and external workshops make up a network and, through strengthening them, it will be possible to generate open spaces that will enable the promotion and the respect of Human Rights.

These are programmes for **strengthening** because they have been conceived as programmes to promote respect of Human Rights, from the factories of our suppliers to the communities where their employees live.

They are programmes for **strengthening** as, through the needs assessment surveys of the workers (mainly young people) carried out in the factories, it is intended through them to respond to the challenges facing those workers, through work-based education and training, the training of educators, publication of educational materials and, lastly, the promotion of cooperatives and micro-enterprises.

They are programmes for **strengthening** as, through the social audit programmes, it is intended to check independently the degree of compliance with the Code of Conduct by our suppliers.

And, finally, they are programmes for **strengthening** because through the Corrective Plans of Action and in collaboration with our suppliers, they aim to correct the main deficiencies detected in the course of the aforementioned social audits.

These programmes are developed in the production line and along two lines of work:

- 1. Programmes to improve social and working conditions.**
- 2. Programmes to check compliance with the Code of Conduct for External Manufacturers and Workshops.**

These are programmes designed to raise the awareness of the directors and mid-level managers of the production centres about matters relating to the promotion and respect of Human Rights and at the same time to help improve both the working conditions of the workers of the suppliers of Inditex and the socio-economic conditions of their families and communities



M1. MOROCCO

- Pilot programme for raising awareness about Human Rights in the production line
- Programme to identify the needs of the workers of our suppliers (in Tangiers).

I2. INDIA I3. INDONESIA T4. THAILAND CH5. CHINA

- Programmes to improve conditions in the work place and health.
- Programme for institutional strengthening to the network of the Global Alliance for Workers and the Communities.

IMPROVEMENTS IN SOCIAL AND WORKING CONDITIONS IN THE PRODUCTION LINE

M1. MOROCCO

Contribution from Inditex in 2003: 292,238 euros
in 2004 (February/September): 291,142 euros
Total: 583,380 euros

Promoting improvements in living conditions in the communities where our workers live in itself is not enough.

At INDITEX, we understand that in order to improve the quality of life of the workers, their families and their communities, the scope of the action strictly related to assistance must be enhanced, by supporting processes for vocational training in sectors with good job prospects such that they permit their inclusion in the productive system.

At the same time, and from the company's situation, improvements must be designed for the curricular offers of the training courses currently given by the CCBS in order to provide, through these, better fostering of work for the workers.

In other words, for the actions and projects with which we intend to respond to the challenges undertaken, a key element will be the development and strengthening of a new way of working: working within a network.

For this, it will be necessary to develop a working structure made up of the following actors:

- Entrepreneurial Associations (AMITH in Morocco)
- Local businesspeople
- Workers and Middle Managers of the Production Line
- The CCBS themselves

In this context, during 2003 we have developed the following lines of work:

- The first pilot programme for raising awareness about Human Rights in the production line.
- Programme for identifying the needs of the workers at the factories and external workshops (Tangiers).

We understand that the transmission of our corporate values must include the fostering of relations with other institutions that boost the introduction of policies for the promotion and respect of Human Rights and through these to exchange information and propose actions for improving the current framework.

(1) The Community Centres for Basic Services (CCBS) are associations of a community nature, located in socio-economically deprived neighbourhoods of the city of Tangiers. The CCBS have the following characteristics:

- Proximity to the communities and their social reality.
- Offering a range of social services aimed at improving the living conditions of the communities.
- Offering professional training aimed at fostering the introduction into the job market of vulnerable groups, especially women and young people.

1. PILOT PROGRAMME FOR RAISING AWARENESS OF HUMAN RIGHTS IN THE PRODUCTION LINE

In fiscal year 2003 we have started out in the awareness raising field and in the area of fostering the Human Rights at an institutional level.

In this respect, in October and November 2003 we had several meetings with the directors of AMITH (Moroccan Intertextile Association) with the objective of raising the question of an initial pilot programme for the raising of awareness and the promotion of Human Rights in the textile and footwear sectors in twelve factories: ten in Tangiers and two in Casablanca, the results of which will materialize in the first pilot programme in the next fiscal year.

2. PROGRAMME FOR DETECTING THE NEEDS OF THE WORKERS IN THE TEXTILE SECTOR IN TANGIERS, OF THEIR FAMILIES AND THEIR COMMUNITIES.

This research falls within the framework of the collaboration agreement between INDITEX and the Codespa Foundation for the development of actions to improve the social and working environment of the workers in the production lines and their families who, in general, live in the less-advantaged neighbourhoods of the city of Tangiers, especially in the communes of Beni Makada and Charf. These actions have been carried out in five textile factories in Tangiers, affecting a population of 3,720 workers and a sample of 420 employees, with the following goals:

- 1.** To detect the vocational training needs of the workers from the textile sector and the type of training most in demand from the companies in the sector.
- 2.** To know the educational level of the workers in order to adapt the current range of training offered by the CCBS.
- 3.** To find out the composition of the families and the level of schooling and/or occupation of their children. This has a double goal: first, to obtain information on the size and structure of the households in order to measure the degree of demand for services aimed at the youngest family members, such as nurseries, academic support or study areas and libraries; secondly, and more generically, to deepen understanding of the sociological reality of Moroccan families, with special attention paid to the level of schooling and/or the occupation of the youngest family members.
- 4.** To obtain information on the eating habits and health conditions of the population. This has a double goal: firstly, to detect those health problems that are most common among the population being surveyed; secondly, to analyse the current offer of health services in the various neighbourhoods, which has allowed us to measure the level of certain, specific services and in this way discover which medical specialities we can offer through the four CCBS.
- 5.** To evaluate the current offer of textile training currently being offered by the four CCBS. This has a double goal: firstly, to find out the opinion of the current beneficiaries of the CCBS in relation to the current educational offer, as well as the demand for those other educational programmes not covered at the present time; secondly, to find out the opinion of entrepreneurs as to the current offer and the need to develop new course contents.
- 6.** And, lastly, to find out the geographic distribution of the different needs detected in the research. For the introduction and subsequent management of the various different plans of action, it has been important to study geographically, through a system of geo-referenced information (SGI), the basic needs of the population. Through this, we were able to discover which zones or neighbourhoods of Tangiers required priority attention to improve the current offer of welfare services, basic literacy programmes and textile training, amongst others, and at the same time, to find out if they are areas close to the area of influence of the four CCBS or if on the contrary they are far away from them.

The CCBS were conceived as centres for responding to certain needs of the workers, their families and the communities where the textile and garment-making sector workers live who are directly or indirectly linked to the factories of our suppliers.

3. ACTIONS TO BE DEVELOPED BY THE FOUR CCBS IN 2004

At the current time, the offer of social services of these centres includes, amongst others:

- Nurseries for the children of working women
- Basic literacy
- Health
- Non-formal education
- Basic technical training in garment-making
- Legal, administrative and labour assistance
- Awareness-raising programmes relating to health and hygiene

After having carried out the aforementioned needs assessment survey, two priority areas (Beni Makada and Charf) and two lines of work to be developed as part of the plan of action for 2004 have been defined: textile training and basic literacy and the creation of a jobs vacancies services in collaboration with the AMITH.

Priority areas: In fiscal year 2002 four local community associations were identified through the Codespa Foundation (Ain Hayani, in the neighbourhood of Dradeb-Ain Hayani; Mesnana, in the neighbourhood of Mesnana; Mouatina, in the neighbourhoods of Jerari and Beni Makada; and Ben Kirane, in the neighbourhood of Charf) and an alliance was established with them aiming to help them improve the quality of life of the communities they were working with. The aforementioned needs assessment research identified neighbourhoods needing priority action: Beni Makada, where the majority of the working population of the textile industry is found, and Charf. That is where we must concentrate our efforts in 2004-2005.

Results of the survey: the survey revealed that two out of every three workers interviewed expressed the desire to receive some kind of technical training which would allow them to progress professionally; half of the workers surveyed had been trained directly on the production lines themselves; just 15% were trained through a regulated training scheme and, lastly, the current offer of non-formal industrial training is limited.

Although the degree of illiteracy does not directly affect workers' opportunities of finding work in the local textile industry, it is a factor that is increasingly taken into account by entrepreneurs.

Plans of action: the survey revealed that the illiteracy ratio of workers varied according to sex and age. It was noted that one out of every three working women was illiterate and that the situation got worse as the age increased, being greatest amongst those over 45 years old where said ratio reached approximately 56%. As a plan of action for 2004 and in response to this situation, through the CCBS we intend to strengthen the offer of basic textile training through 646 new training course places and, at the same time, to strengthen these initiatives with over 400 courses in basic literacy.

Job promotion: The research also revealed that the greatest concern of the population surveyed was the precariousness of the family's economic situation. In order to try to palliate the effects of this situation, through the four CCBS and in collaboration with the AMITH and the local businessmen of Tangiers, a programme for paid work-experience in textile companies has been designed, for those students who satisfactorily complete the industrial



garment-making training courses. The programme commenced at the end of 2003 and is made up of one month periods work-experience. The salary costs will be shared by the funds assigned to the Project and the company receiving the work-experience students in the proportion of 60%-40%, respectively.

I2. INDIA I3. INDONESIA T4. THAILAND CH5. CHINA

The Global Alliance for Workers and the Communities (GA) is a North American non-profit institution set up by the Youth Foundation, whose mission is to improve the social and working conditions of the employees of the production lines.
www.theglobalalliance.org

Contribution: 200,000 euros

Duration: 12 months

In December 2002, we signed an initial association agreement GA to explore formulas for collaboration designed to improve the social and working conditions of the workers of the textile production line in Asia.

In 2002, we supported GA with 200,000 euros to finance two lines of work in Asia: one aimed at supporting active projects in China, India, Indonesia, Thailand and Vietnam and a second one, aimed at internally strengthening the institution itself.

For this second year we have defined three lines of work:

- 1.** The first pilot programme: This programme intends to have an effect on the improvement of the social and working conditions in five factories of our suppliers. Amongst its objectives stand out to train workers at the five selected factories so that these can subsequently develop the different programmes of GA.
- 2.** To carry out a needs assessment research in the five selected factories in order to identify the aspirations of the workers as regards their work and professional performance and, at the same time, to find out the situation of their families and communities.
- 3.** To provide the managers of the production lines with techniques for communication, conflict management and team work.

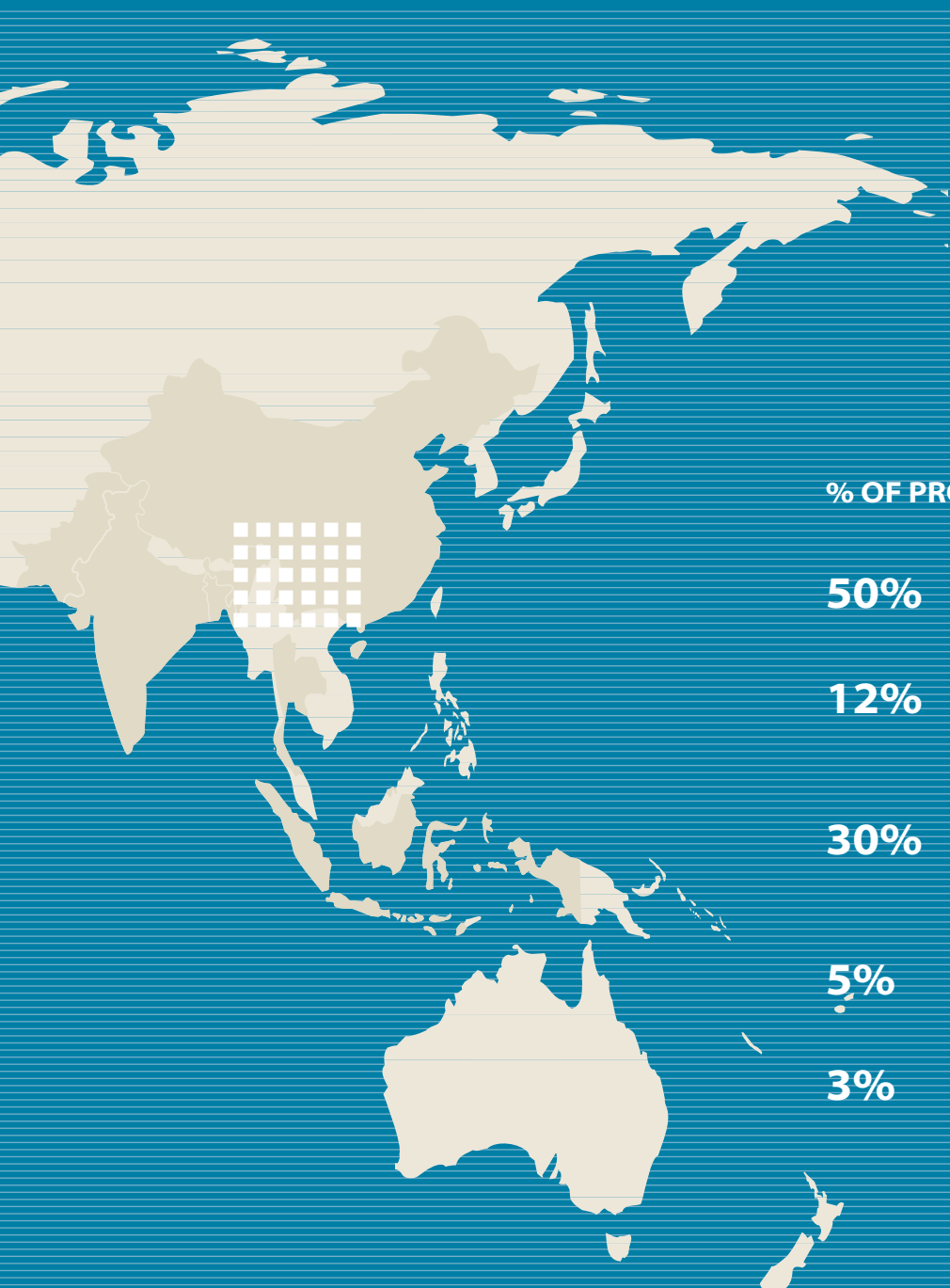
PROGRAMMES FOR CHECKING COMPLIANCE WITH THE CODE OF CONDUCT IN THE PRODUCTION LINES

These are programmes designed to introduce the Code of Conduct for External Manufacturers and Workshops at our manufacturers and subsequently to check the degree of enforcement of the code by independent third parties in accordance with international standards.



	America	North Africa	EU	Non EU European Countries	Asia
Beginning year	2004	2002	2002	2002	2003
Social Auditors	IPEDEHP / Intertek	Intertek/ GBCC	KPMG / PwC / SGS	PwC	Intertek
External Factories and Workshops audited *	14	49	1.096	54	47

* Aggregated figures by concept



% OF PRODUCTION **

50%

EUROPEAN UNION
Spain, France, Italy, Portugal

12%

EUROPEAN COUNTRIES OUTSIDE THE EU
Bulgaria, Romania, Turkey

30%

ASIA
Bangladesh, China, South Korea, India, Indonesia, Pakistan and Thailand

5%

NORTH AFRICA
Morocco, Tunisia, Egypt

3%

AMERICA
Argentina, Brazil, Colombia, Paraguay, Peru, Uruguay, Venezuela

** Percentages change according to the season

We are talking about transmitting the values of our Code of Conduct for External Manufacturers and Workshops to each of our more than 1,700 suppliers. This is our greatest challenge and all the strategies employed to this end lead to this.

Thus, all the activities to disseminate the Code focus on that facet which can best measure the precise model of social responsibility that we have been focusing on in these last three years. This facet is none other than that of participation.

Participation means, amongst other aspects, revitalising our relations with our suppliers so that their attention and interest is awakened for the promotion and respect of Human Rights.

Participation means coordinating supporting measures and actions aimed at seeking solutions that will allow the breaches detected in the revisions by independent third parties to be corrected.



Participation means working with other European textile companies to design instruments for the management and measuring of the introduction of Human Rights in a global context, such as the Business Social Compliance Initiative (BSCI)

Active participation means inviting other social actors such as IPEDH in Peru so that it coordinates a review of external factories and workshops, from the perspective of dialogue and of the boost of Human Rights in Latin America, especially in Peru and Brazil, where 3% of our production is based.

Therefore, we believe, and we have experienced, that it is the spirit of trust with which our stakeholders have been rewarding us over these past three years which is the most perfect stimulus that we can have for continuing to carry out this project.



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

The strategy for the introduction of the Code and transmitting values to our suppliers is based on association and dialogue, assuming that the external Manufacturers and Workshops are key stakeholders for the development of our business model.

DEVELOPMENT OF THE SOCIAL AUDIT PROGRAMME

The Social Audit Programme is based on the Code of Conduct for External Manufacturers and Workshops, which defines its expectations and standards of reference. Said Programme specifies the review procedures which guarantee that the information and evidence about minimum working conditions that all our External Factories and Workshops must provide is obtained.

This Programme has been designed by the Corporate Responsibility Department, the Factory Managers and the head of purchasing at each of the eight concepts of INDITEX. As with last year, the Programme has been organised in five phases and has been developed through independent verification by external consultants of the degree of compliance with the Code, carried out through measuring specific indicators of compliance for each of the 11 points of our Code of Conduct for External Manufacturers and Workshops.

PHASE I: Selection of geographical areas

Our distribution chain is extensive and complex. It has a direct manufacturing structure made up of thirteen factories in Arteixo, one in Narón and another in Ferrol, A Coruña, 9 distribution centres, which are owned, and more than 1,700 direct suppliers in over 45 countries.

Based on the volume of production and in accordance with the social audit plan established in fiscal year 2002, the following new areas have been revised

LINES OF THE PRODUCTION CHAIN SUBJECT TO AUDIT

European Union		Non-EU Europe		Latin America*		Asia	
Spain	1,2 y 3	Romania	1	Peru	1	India	1
Portugal	1 y 2	Bulgaria	1	Mexico	1	Pakistan	1
England	1			Colombia	1	Bangladesh	1
France	1 y 2			Argentina	1	China	1
				Brazil	1		

** begun in January 2004

PHASE II: Selecting of independent social auditors

Since the beginning of the Programme, we have been aware of the importance of guaranteeing the independence of its execution and of ensuring adequate understanding of the local, economic and social and working situation in each of the countries where we carry out our manufacturing operations.

Therefore, from the commencement of the Programme in 2001, and in order to make it transparent and independent, we have carried out the aforementioned audits with teams of independent professionals who master the legislation and language of the area.

New guidelines for the hiring of social auditors

As from 1 January, 2004, we have implemented a new internal principle which demands that as from that date all the social audits, whenever possible, be carried out by consultants certified by Social Accountability International (SAI) and according to the BSCI methodology.

Thus, in accordance with the aforementioned internal guidelines, in this current year the firm called INTERTEK has been selected to be in charge of the verification of the degree of compliance with our Code in the following countries: Morocco, India, Pakistan, Bangladesh, China, United Kingdom and France.

PHASE III: Independent verification of the degree of compliance with the Code of Conduct for External Manufacturers and Workshops.

This Phase includes all those activities beginning from the first contact with the Management of the supplier to the final issuing of the factory's audit report.

Below is a summary of the activities, procedures and documents that form the documentary base for the social audit

- **Presentation of the Social Audit Programme:** The verification program begins with a meeting with the management of the factory to confirm mutual understanding of the objectives and scope of the audit.
- **Visit to the factory and facilities:** The auditors carry out a complete visit to the factory, including the different production areas, warehouses and other facilities used by the employees for their work, leisure and rest.
- **Questionnaire for the Manager of the factory:** In order to know the work environment of the factory, the manager is interviewed and asked questions about labour, health and safety conditions of the facilities he or she is in charge of.
- **Private interviews with the employees:** An individual interview is carried out with 15% of the employees of a factory in order to know their own perceptions as to compliance with the Code from their situation as workers.

■ q Compilation of information: In order to compare documentarily the conclusions obtained in the procedures described in the paragraphs above, the auditors request, amongst other documents, those proving the system of registration with the Social Security (for example, in Spain the TC1 and TC2), payments of corporate taxes and income tax for individuals and, finally, the pay slips.

■ Corrective Plans of Action: Once the “field work” has ended, the breaches of the Code detected by the auditor must be “agreed with” by the factory manager in order to design a Corrective Plan of Action, and the corresponding deadline for suitable correction of the detected incidents.

■ Social Audit Report: Lastly, the auditor will issue a report which shall include, among other things, a summary of the conclusions from the visit, the incidents detected and the plan of action to correct them, agreed with the factory manager.

PHASE IV: Management of the results

Managing the Reports: Upon reception of the Social Audit Reports, the Corporate Social Responsibility team, taking into account the conclusions arising out of those reports, begins the internal assessment of the Supplier.

Management of breaches: The report must include definition that is clear and has been agreed to by the factory manager and/or production facility manager on the fact considered to be a breach.

Evaluation of the suppliers: This evaluation is based on the measuring, through a system of indicators, of the degree of compliance with each of the 11 points of the Code by our suppliers. Main families of indicators are:

- Applicable minimum salary and/or agreement to apply it
- Payment of the payroll
- Remuneration of overtime
- Management of the labour documentation of the employees
- Forms of compensation
- Holidays
- Evacuation routes
- Protective equipment
- Environmental conditions
- Training in health and safety
- Fire extinction measures
- Environmental policies
- Minimum working age
- Discrimination
- Freedom of association
- Harassment and abuse
- Subcontracting
- Legislation in force

PHASE V: Corrective Plans of Action

The Corrective Plans of Action aim at the continual improvement in working conditions at the factories of our suppliers.

- If the breach is defined as serious, the Corporate Responsibility Department itself can consider the temporary suspension of contractual relations with the supplier until the correction of the breach has been proven.

- If the serious breach persists after the time limit for its correction has passed, the Corporate Responsibility Department shall reach an agreement with the management of the corresponding concept to terminate the contractual relations.



These are programmes that promote education and learning as formulas to favour development in the communities where Inditex operates.



E1. SPAIN

- Social integration: Singra Project
- Innovation and school of enterprise: Unirisco Project
- Integration of people with disabilities: Paideia Foundation Project

A2. ARGENTINA

- Programme for the strengthening of the educational offer
- Carolina Foundation

B3. BRAZIL

- Programme for the strengthening of the educational offer
- Carolina Foundation

N4. NICARAGUA

- Strengthening of the teacher workforce
- Carolina Foundation

P5. PERU

- Improvements in educational quality in popular sectors
- Carolina Foundation

V6. VENEZUELA

- Educational programme for the productive work
- Carolina Foundation

PROGRAMMES FOR THE COMMUNITY AND ASSOCIATIVE DEVELOPMENT

Although the Programmes for Strengthening the Production Line that are being developed in the centres of production of our suppliers are becoming consolidated, it is and will be in schools where the most practical manner for the integration of vulnerable groups in the community occurs, because it is there where permanent spaces for coexistence and learning favouring the promotion of community development are to be found and are developed.

All the Programmes that we support have the common denominator of being focused on the strengthening of educational processes and the promotion of community initiatives that smooth the transition from the world of education to the world of professional qualification and the full integration of the most disadvantaged groups.

In this chapter, over the past year we have supported a wide training programme, designed to improve the educational quality and the development of the most vulnerable communities where we carry on our production, distribution and sale activities (Argentina, Brazil, Spain, Morocco, Peru and Venezuela).

But, above and beyond the lines of action and the list of projects which are summarised in the next few pages, we would like to highlight that the Programmes for Community Development that INDITEX supports, whether directly or indirectly through its various counterparts, try to situate the human being in the centre of our work and must, in any case, look after humanity in an integral manner.

We believe that workers, their families and the communities where we develop our activities must be the main beneficiaries of our Social Action strategy.

E1. SPAIN

Although we have a clear conception of our international dimension and this translates into wide attention given to the sectors most in need of the countries where we operate, we have at all times had a special sensitiveness towards supporting initiatives that develop projects aimed at offering new opportunities for social integration, employment and professional training in our country.

SOCIAL INTEGRATION: SINGRA PROJECT

The Spanish Red Cross, set up in 1864, is made up of 145,000 volunteers and 650,000 members, develops activities in more than 800 localities in our country and develops programmes for local and international development.

www.singra.org

Direct beneficiaries: 92,000

Total Budget: 4,000,000 euros

Applied in 2003: 400,000 euros

Contribution from Inditex: 4,000,000 euros

Duration of project: 48 months

The Singra Project was born in early 2003, just a few weeks after the sinking of the oil tanker "Prestige" off the coast of Galicia, as a joint project between Inditex and the Spanish Red Cross directed at the groups most directly affected by this disaster.

In this first year the first phase of the establishment of the project on the territory has been completed, after the training of the teams and the first contact with the different local agents, companies, educational centres and entities in each one of the six districts affected by the social and economic impact generated by the sinking of the oil tanker: Bergantiños, Terra de Soneira, Fisterra, Muros, O Barbanza and O Morrazo. Once the second phase of designing of actions has begun, these will target groups as: children, young people, elderly people, women and people with severe difficulties in integrating themselves in the social and working environment.

The proposals for intervention, different in each area, include actions such as training courses targeting young people who are unemployed, social skills courses for job hunting or the promotion of grants for business initiatives, all of these aimed not only at palliating the effects caused by the Prestige tragedy but also at achieving the development of a region that has traditionally had less opportunities than the rest of Spain.

INNOVATION AND SCHOOL OF ENTERPRISE: UNIRISCO PROJECT

UNIRISCO is a venture capital company authorised by the Spanish Securities Exchange Commission [Comisión Nacional del Mercado de Valores] and promoted by the three Galician universities (A Coruña, Santiago de Compostela and Vigo) with the support of the principle Galician institutions (Caixanova, Banco Pastor, Corporación Caixa Galicia, Grupo San José, BPI, the R Foundation and, lastly, the Consorcio Zona Franca de Vigo).

www.unirisco.org

Own Funds: 2,635,769 euros

Participation of Inditex: 180,304 euros

Our Internal Code of Conduct, in the section named Society, includes a clear commitment to focus on the development of those communities that directly or indirectly are affected by our activities, whether they be production, distribution or selling activities.

Through UNIRISCO, we are boosting and financing newly created business projects in order to, amongst other things:

- Facilitate the transference of the knowledge generated at university to Society.
- Encourage the creation and consolidation of employment for researchers and university graduates.
- Help to create an entrepreneurial culture in the university environment.

UNIRISCO acts through temporary and minority stake in the share capital (between 30,000 and 300,000 euros, although a minimum has not been established) to invest in business initiatives that:

- Have a clear link with the University, whether because this activity is based on knowledge generated in that sphere, or because the promoters of the initiative come from academia.
- Are promoted by people who are highly committed to their initiative and with technical and business management ability.
- Come from any Spanish or Portuguese university, although with special interest given to projects originating in Galicia or the North of Portugal.
- Are not yet incorporated or have been recently set up and have a high potential for growth and the generation of profitability.

INTEGRATION OF PEOPLE WITH DISABILITIES: PAIDEIA FOUNDATION

Contribution from: 150,253 euros

Duration of the project: 12 months

Through this programme, we support groups of people with physical and psychical deficiencies. The program centres on three priority lines of action:

- Answering problems caused by the marginalization and exclusion of vulnerable groups.
- Promotion, training and employment of people with physical disabilities or mental illness, encouraging the search of inclusive social environments.
- Inter-institutional cooperation, being involved in collaborating and carrying out projects that allow joint actions with many different social agents.

LATIN AMERICA

CAROLINA FOUNDATION

Created by the Spanish Government in late 2000 and managed by the Spanish Foreign Office, it is an institution for the promotion of cultural relations and cooperation in the educational and scientific sphere between Spain and Latin American countries.

www.fundacioncarolina.org

Contribution: 120,020 euros

Duration: 12 months

The Social Action focus that we have been developing in Latin America in the past three years became real with the association agreement with the Carolina Foundation to support the development of the Latin American intellectual and university fabric, in three spheres of action:

1. Scholarship programme for the broadening of the studies and training of postgraduates, professors, researchers, artists and professionals who come fundamentally from Latin America.

The Scholarship programme for Higher Professional Studies in Spain is aimed at young professionals and researchers from the countries that make up the Latin American Community of Nations and has been designed for the studying of professional specialities, post doctorate studies and masters degrees.



The Scholarship Programme for the Teaching Training of Doctors is aimed at Latin American university lecturers. The programme is a response to the agreements signed by the Caroline Foundation with different Latin American Universities and means a support to the training of Latin American doctors.

2. A Visitors Programme aimed at relevant foreign individuals with future prospects in their respective countries who are offered a visit to Spain, for a stay of between one and three weeks, so that they have the opportunity to come into contact with the Spanish heads of their shared field of concerns, in addition to being able to get to know the current situation of Spain directly.

3. The Centre for Hispanic and Latin American Studies, contained within the Carolina Foundation, intends to foster studies on Hispanic culture and its influence in the world, with particular attention towards Latin America. Without forgetting the present, its activity focuses on the history of Spain and the countries and territories with which Spain has had and has a special relationship.

ENTRECULTURAS – FE Y ALEGRÍA FOUNDATION

The Entreculturas Foundation, set up in 2001, supports more than 130 projects and is present in 27 countries in Latin America, Africa and Asia. More than 1,200,000 people benefit from its programmes.

www.entreculturas.org

In the past two years, the collaboration between INDITEX and Fe y Alegría has allowed us, on one hand, to interrelate two networks: that of the business model of INDITEX (distribution and retail chains) and the network of Educación Popular, Fe y Alegría, through the Entreculturas Fe y Alegría Foundation, present in 14 countries in Latin America and, at the same time, to support a broad educational programme destined to improve the educational quality of those communities that are most vulnerable in the countries where we carry on our manufacturing or commercialisation activities.

In this period, we have set in motion five new projects that give continuity to the two already begun the previous year and which in this year we have continued to develop.

The programme based in Latin America aims at improving the educational quality of the popular sectors of Argentina, Brazil, Central America, Peru and Venezuela, targeting both formal educational groups (primary, secondary and university training) as non-formal or alternative education (street children, young children in situations of social risk, mothers and fathers).

These programmes are organised into four significant pillars which respond to the different demands and needs of each environment:

- The broadening and improvement of the educational offer in rural and marginal urban areas.
- The training of educators and teachers.
- Socio-educational attention for vulnerable groups.
- Technical training and employment training.

A2. ARGENTINA

PROGRAMME FOR THE STRENGTHENING OF THE EDUCATIONAL OFFER

Direct Beneficiaries: 3,983 school pupils

Duration of the project: 12 months

Contribution from Inditex in 2003: 27,114 euros

in 2004 (February/November): 135,570 euros

Total: 162,684 euros

During this last decade, new circuits of poverty have appeared in Argentina, while it has been observed that education has stopped being a good accessible to all and a factor for social mobility.

Given that Inditex has a commercial presence in this country, we feel the situation of its more disadvantaged citizens to be especially close. This is why we have defined as priority areas for our first development programmes in this country the financing of new schools, adapting the existing schools to the levels essential for their use and, lastly, pedagogic support for the teaching sector.

In consequence, the projects we have funded attempt to deal with three of the essential aspects for the improvement in education in this country: support of teaching staff, the construction of new educational centres and, lastly, professional training for young people.

Thus, in 2003, the Programme has given priority to four lines of work:

- The acquisition of land to broaden the educational infrastructure.
- The building of new classrooms in the provinces of Corrientes, Chaco and Salta.
- The training and qualification of educators.
- Equipment and basic requirements of the schools: school furniture, gas service facilities and water pump equipment.





B3. BRAZIL

PROGRAMME FOR THE STRENGTHENING OF INTEGRATION INTO THE REGULATED EDUCATIONAL PROCESS

Beneficiaries: 1,520 children and young people between 3 and 20 years.

Duration of project: 12 months

Contribution from Inditex in 2003: 24,189 euros

in 2004 (February/November): 120,946 euros

Total: 145,135 euros

The Brazilian educational panorama is unique in the Latin American context. Although the figures show a level of educational coverage that is similar to the more developed countries, only a minority manages to end their education with secondary education.

In this context, projects developed in this country focus on the support of learning. Firstly by making infant schooling accessible to families with less resources and then by acting on the reasons that trigger failure at school. By creating a network of libraries or residential halls to support young people in situations of risk, it intends to give opportunities for personal and communal development to boys and girls who otherwise would have entered the circle of social exclusion.

As a result, the projects that we finance in this country try to support the efforts of this Institution by strengthening infant schools through better facilities and providing them with funds to maintain them.

Thus, in 2003, three lines of work have been given priority:

- Communal Cultural Centre in the neighbourhood of Marambaia (Rio de Janeiro)
- Nursery equipment in the neighbourhood of Novo Paraíso II (Cuiabá)
- Improvement of educational conditions in the neighbourhood of Nossa Senhora da Vitória (Ilhéus)

N4. NICARAGUA

STRENGTHENING OF THE TEACHING WORKFORCE

Duration of the project: 24 months

Contribution from Inditex in: 22,768 euros

in 2004 (February/November): 113,841 euros

Total: 136,609 euros

In this year, we have opted to act on one of the weakest links in the Nicaraguan educational process, and probably the most important one: the teachers.

With our help, the whole of its teaching workforce will have a supplement to their salary which will fulfil two objectives: first, to reasonably cover their basic daily needs; second, and as a consequence of the previous point, to increase the motivation of the teachers in a job that demands a very high level of involvement.

The centres involved in the Programme are located in the most humble communities or in the most isolated rural environments. In both surrounding, the role of the teacher goes beyond the transmitting of knowledge. Very often, the teachers become factors for social cohesion and points of reference in situations of risk. Supporting the Nicaraguan teachers is in any case a pledge for the future of its citizens.

P5. PERU

IMPROVEMENTS IN EDUCATIONAL QUALITY IN POPULAR SECTORS

Direct Beneficiaries: 20,489 pupils, 862 teachers and 20,000 members of the community

Duration of the project: 12 months

Contribution from Inditex in 2003: 498,817 euros

in 2004 (February/November): 435,258 euros

Total: 934,075 euros

An important part of our production is carried out in this country in the Andes, and this is why our commitment to its social reality tries to be special. Unlike the situation in other countries in the zone, in Peru the lack of school places is not a high level problem. However, what is a problem is the deterioration in educational quality and the deficient academic performance of pupils.

The projects financed are organised through the following lines of work: support in the improvement of quality of teaching through teacher training; support of education in rural areas and; the strengthening of university studies through study scholarships for young people with promising student records.

Of the three, we would like to make special mention of education in rural areas. Backing education in the Peruvian countryside means understanding a varied cultural reality that cannot be ignored and also means recognising the work of a group of teachers with an enormous sense of vocation who make every effort to give opportunities to people that industrial society seems to have completely excluded.



Thus, in 2003, four lines of work have been given priority:

- Consolidation of the offer of rural education: Strengthening of the teaching staff of 96 teaching institutions, systematization of the different educational proposals and incorporation into the education process of the environmental component and productive education component in the rural study programmes.
- Improvement of educational coverage in marginal districts of Lima: the construction of four new class rooms, remodelling of the existing classrooms, contribution of school equipment and the creation of ten spaces with audiovisual media in ten centres for educational and recreational activities.
- Strengthening of the institutional educational network in the Vicariato de Jaén: Ongoing training for the teachers in addition to accompaniment, and follow-up in the educational offer in the 25 schools in the network.
- Broadening of the educational work at the Universidad Antonio Ruiz de Montoya university: Scholarships for higher education of community leaders from disadvantages areas and support in the construction of educational infrastructures.

V6. VENEZUELA

EDUCATIONAL PROGRAMMES FOR PRODUCTIVE WORK

Direct Beneficiaries: 790 pupils

Duration of the project: 12 months

Contribution from Inditex in 2003: 428,732 euros

in 2004 (February/November): 332,128 euros

Total: 760,860 euros

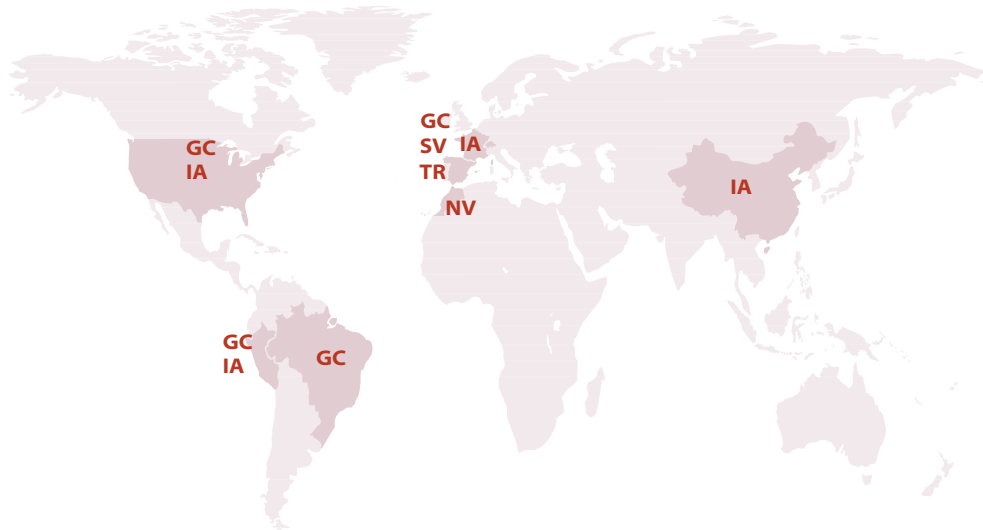
The Venezuelan social situation is paradoxical. Despite being a country with great natural resources, amongst them being oil, the levels of social inequality are extremely high. As in so many places in the world, new self-built neighbourhoods have been growing in the middle of urban disorder and the lack of services in the periphery neighbourhoods of the big cities.

In Venezuela, a country where we have manufacturing and commercialisation activities, the projects that we have been financing in the past three years have been aimed at strengthening professional training of those young people who, having finished their compulsory education, need to gain access immediately to the labour market. For this reason, we have opted for the creation and improvement of workshops aimed at providing access for young people in humble districts, located on the outskirts of the industrial areas in the east of Venezuela, to education in and for productive work. With this, we are joining the effort that is working towards making these young people capable of transforming the social environment closest to them and also that of their community.

Thus, in 2003, priority has been given to two lines of work:

- Building four workshops for professional training in educational institutions located in marginal areas on the outskirts of the large industrial zones.
- Providing equipment for twelve workshops (including the four workshops that have been built) generating 130 new training posts that will be taken advantage of directly by 720 pupils and by 70 participants in the "Job training for young people" programme.

PLATFORMS FOR DIALOGUE



This is active participation in the form of debate of the processes of the introduction of corporate responsibility models aiming to share reflections with other companies and institutions.

Over this fiscal year we have developed the following activities relating to disseminating the principles contained in our Corporate Responsibility Model:

IA. ACTIVITIES PROVIDING INFORMATION: Aiming to share our experiences in the field of social responsibility with other corporations and institutions, we have participated actively in numerous forums of debate on the development and introduction of these models, sponsored by entities of repute in Spain such as the Universidad Complutense (Madrid), the Fundación Empresa y Sociedad (Madrid), ESADE (Barcelona), Spanish Association of Accounting and Administration (AECA) (Madrid), IESE (Barcelona) and the Corporate Reputation Forum (Madrid); in Europe, the European Academy (Copenhagen, Denmark); and, lastly, in Latin America, the Universidad Ruiz de Montoya (Lima, Peru).

SV. PARTICIPATION IN EUROPEAN WORKGROUPS FOR THE DEVELOPMENT OF MODELS FOR STANDARDISATION AND VERIFICATION. During this past year, we have actively participated in the development of the Business Social Compliance Initiative (BSCI).

BSCI is an initiative promoted by the Foreign Trade Association (FTA), with headquarters in Brussels (Belgium). It intends to standardise, in a voluntary manner that is jointly decided by the main manufacturers and distributors from the textile and footwear sector and by the principle organisations from civil society, a system for the verification, supervision and improvement of the processes of introduction of Codes of Conduct in chains of production in accordance with the Conventions of the International Labour Organisation and those established in the Universal Declaration of Human Rights.



Currently, it is made up of European corporations, including Metro Group, Otto Group, KarstadtQuelle AG, Linde, KappAhl, Migros, Charles Vögele, the German AVE and the Dutch VGT association and Inditex.

BSCI has three bodies:

- The Board, made up of all the members.
- The Executive Committee, made up of members elected by the Board.
- The Advisory Committee, which comprises other stakeholders such as trade unions and NGOs, principally, and whose duties consist of advising on all the issues relating to the development of the aforementioned social standards.

GC. PARTICIPATION IN PROMOTIONAL ACTIVITIES FOR THE NINE PRINCIPLES OF THE GLOBAL COMPACT IN SPAIN. During FY 2003 we chaired the Global Compact of the United Nations in Spain.

In order to achieve suitable dissemination of the nine principles of the Global Compact in Spain and, at the same time, to help the aforementioned principles to be introduced at more than 190 signatories, from the Chairmanship, we have driven the creation of the so-called Square Table or working group which unites the representatives of the main Spanish multinationals, of small and medium companies, of government and the opposition, of the two main trade unions and of the main members of the Third Sector.

Thus, in fiscal year 2003, the "Group for the verification of the introduction of the nine Principles" has been set up, amongst others, made up mainly of Amnesty International, Intermon Oxfam, the Spanish Red Cross, the Entreculturas-Fe y Alegría Foundation, SETEM and Codespa Foundation.

TR. PARTICIPATION IN WORKING GROUPS RELATED TO TRANSPARENCY AND SOCIAL RESPONSIBILITY IN THE WORLD OF NON-GOVERNMENTAL ORGANISATIONS.

Since 2002, we have been supporting the task of analysis undertaken by the Lealtad Foundation through its "Guides to Transparency and Best Practices" of non-profit organisations and of organisations for cooperation for development in Spain (in particular, on the level of transparency as to funding, the degree of planning and monitoring of activities) and, in short, contributing directly to strengthening society's confidence in this sector.

PROGRAMMES FOR THE STRENGTHENING OF THE DISTRIBUTION CHAIN



These are educational and awareness-raising campaigns aimed at our customers and designed to boost solidarity and change in attitudes and values in the personal, social and cultural sphere through the stores network.

Duration: 8 months

Contribution from Inditex in 2003: 571,981 euros

in 2004: 571,981 euros

Total: 1,143,962 euros

The process of the introduction of the Corporate Responsibility Model contemplated, among other things, the carrying out of awareness-raising programmes for our customers through our network of stores with a clear objective: provoking reflections and changes in attitudes and values, in both the personal and the social and cultural aspect.

It was in 2002, under the slogan "Pesetas para el Mundo" [Pesetas for the World] when the first awareness-raising campaign was developed, aimed at fostering the active participation of our employees in Spain, France and Portugal and, at the same time, to stimulate the solidarity of our customers, aiming at the collecting of the last banknotes and coins in pesetas after the arrival of the euro.

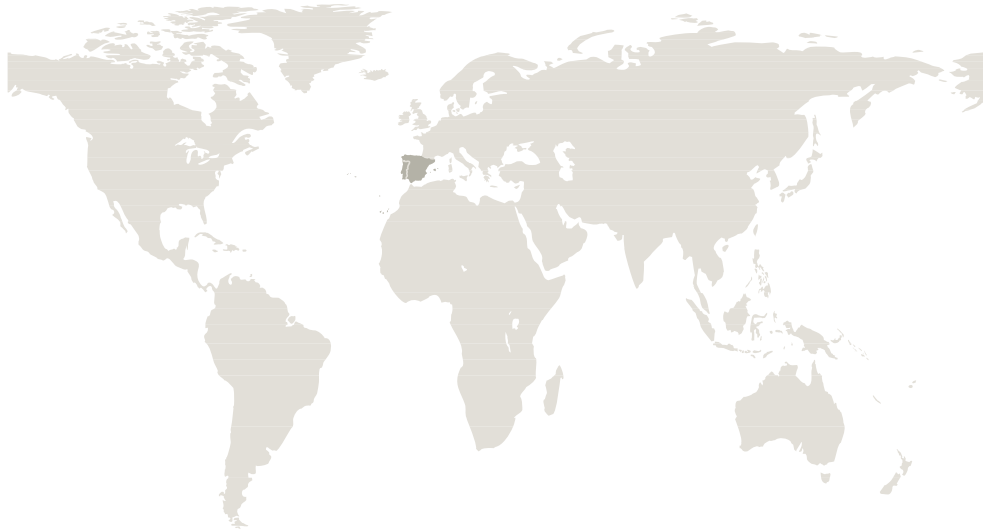
In this respect, we would like to highlight the beginning of the second awareness-raising campaign, carried out in collaboration with the Spanish Cancer Association [Asociación Española Contra el Cáncer] (AECC), under the slogan "Your body is the most valuable garment. Love it", to prevent cancer in young people, especially focusing on young women, and carried out in the stores of the Zara concept in Spain.

Due to the challenge posed by this campaign, it has meant a qualitative leap as for the first time in our country a preventative action for health education of young people has been developed in spheres other than the traditional spheres such as the family, schools or educators and medical staff.

This programme, which began in September 2003 and remains in force until April 2004, intends to transmit six specific messages, one per month, so that young people take on healthy living habits: "Don't stay out in the sun too long," "Watch your diet," "Visit your gynaecologist," "Don't have too much alcohol," "Don't smoke" and, lastly, "Have a check-up".

These messages are based upon one of the fundamental objectives of the AECC: to inform the population and increase their awareness of the factors allowing to prevent and detect cancer in its early stages in order to reduce the number of cases and/or the mortality rate of this illness in our country.

PROGRAMMES FOR SPONSORSHIP AND PATRONAGE



Investments in sponsorship and patronage aiming to reconcile the policy of investing in areas relating to the promotion of culture with the priorities that are specific to the business model.

Duration: 12 months

Contribution from Inditex: 3,422,818 euros

The strategy in this area is focused on developing programmes and investments that combine the promotion of culture and the priorities intrinsic to the development of our business model in those countries where we operate.

As with last year, the Sponsorship and Patronage Committee, made up of the Managing Director and Director, the General Counsel and Director and the Directors of Corporate Communication and Corporate Social Responsibility, is in charge of managing the various investment demands of a social nature received on a corporate level.

PROGRAMMES PUT IN PLACE IN 2003

Following the initiative of investment in patronage and sponsorship activities developed in previous years, in this new year we have once again reaffirmed our commitment to providing resources to the following fields:

1. Exhibition spaces (Spain and Portugal) (3,024,345 euros)

■ Acquisition of the Fortuny collection (2,967,274 euros)

In this fiscal year, Inditex has worked with the Ministry of Education, Culture and Sport, first by acquiring and then by subsequently donating to the State, as part of the payment of the Corporation Tax for fiscal 2002, the Collection of Fabrics and Dresses of Mariano Fortuny.

Since March 2004, the Collection can be seen at the Museo del Traje, Centro de Investigación del Patrimonio Etnológico (Suit Museum, Centre for the Research of the Ethnological Heritage), located in Madrid, at Ciudad Universitaria. The collection comprises 470 pieces of suits and fabrics designed by or belonging to the private collection of Mariano Fortuny y Madrazo (Granada 1871 – Venice 1949), which were gathered by his disciple and friend Liselotte Höls.

Mariano Fortuny y Madrazo, son of the painter Mariano Fortuny y Marsal lived from 1889 in Orfei Palace (Venice) and took part actively in the social and intellectual life of his era.

From an early age he was attracted both by design and the industrial arts, and by painting, watercolours, engravings and scenography. However, he achieved universal fame thanks to his designs of fabrics and suits, his research



works and the experimentation in the dyeing techniques, and lastly, in the printing works inspired by the colour and the beauty of Renaissance velvet and brocades. His work had an influence on several artists of his age and of modern days such as William Morris, Marcel Proust and Gabriele D'Annunzio.

His landmark work was a dress called Delphos (1907), inspired by the classical Greece and used by artists of renown such as Isadora Duncan or Sara Bernhard. This pleated silk gown underwent a treatment that allowed the most incredible colours, and its borders were finished with Venetian beads.

■ **Financing of other Art Collections (57,071 euros)**

During 2003, as a part of the development of our social investments strategy in this field, 57,071 euros have been allocated to team up with the following Institutions:

Serralves Foundation (www.serralves.pt)

Modern Art Collection (Valladolid Museum of Modern Art, Patio Herreriano)
(www.museopatioherreriano.com)

2. Other educational spaces (398,473 euros)

In order to get involved with other institutional channels allowing us to develop meeting spaces next to our production, distribution and/or selling centres, a large number of initiatives, and amongst them, the financing of the Orquesta Sinfónica de Galicia (Symphonic Orchestra of Galicia) (www.sinfonicadegalicia.com) have already been financed.



ENVIRONMENTAL DIMENSION

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INDITEX AND THE ENVIRONMENT: GROWING WITH SUSTAINABLE CRITERIA

Analysis of the results obtained at FY 2003 end allows us to state that our Strategic Environmental Plan 2002-2005 (Plan Estratégico Medioambiental, or PEMA 0205) is being rolled out successfully. The fact that the targets have been reached by adapting to the rapid growth of the company, and that the Plan is developing along a path that we can call a path of sustainable growth, particularly stands out.

Of course, all this process is possible thanks to the boost given by the adoption of Inditex's Environmental Policy, contained in the Report for 2002 and on our corporate web page.

This need to adapt to the action of the company and to the new requirements of the environment has led us to restructure our organisational and management scheme in the environmental sphere, thus managing to respond with greater efficiency and effectiveness to all the demands of the different companies making up the Inditex Group.

This new focus is organised into three main focal points (Headquarters of each Concept and Logistics Centres, Factories and Stores), applying to each of these the Lines of Action established in the aforementioned PEMA 0205, according to the different needs and peculiarities of each type of activity. The following pages contain the results obtained in 2003 for each area of action and the targets set for 2004.

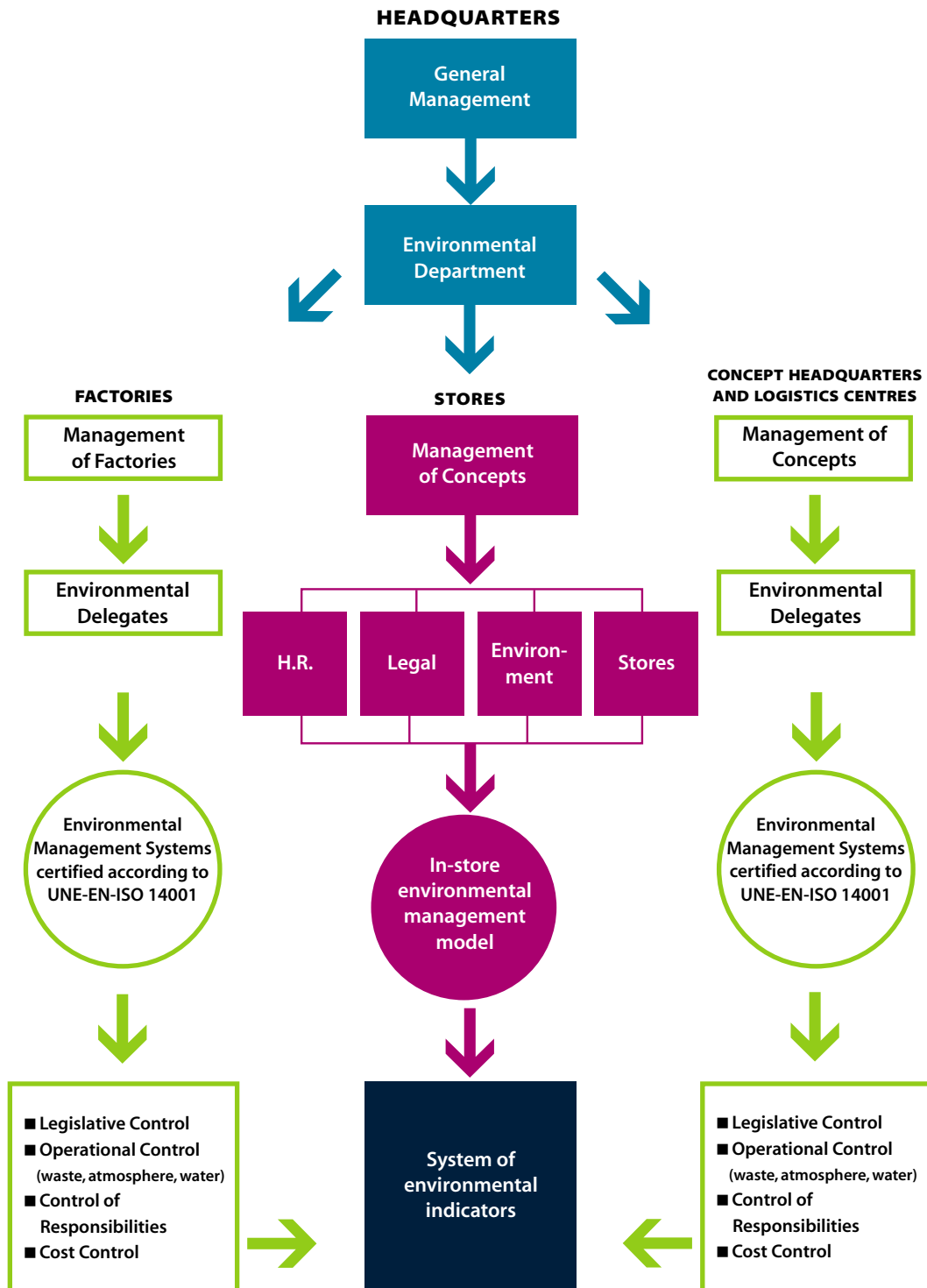
Out of all the goals achieved, some are especially outstanding, and in some cases represent a landmark for the sector at worldwide level either due to their innovative focus in environmental management in the textile sector or because of their scope as regards number of people involved.

Thus, we would like to point out:

- The introduction of our ISO 14001-compliant Environmental Management System in 21 of our own workplaces, which include all our factories and Headquarters of each Concept and Logistics Centres operating at FY2003 end.
- The training and awareness-raising of more than 4,000 employees in industrial workplaces and the commencement of a plan for Inditex personnel worldwide through the corporate in-house magazine.
- The full incorporation of renewable energies as a source for our productive processes, which establishes the basis for improvement in our energy efficiency and permits the launch in 2004 of an ambitious project to control our production of Greenhouse Gases (GHGs).
- The magnificent results in segregating and minimizing waste generation, highlighting the efforts of all our personnel, which has allowed us to reduce the figures for total volume generated, despite the growth in our production of garments.

These landmarks establish the foundations and act as encouragement for us to continue working in the next few years, applying the criteria of sustainability to our business development and supporting us in a situation of continuous improvement.

STRUCTURE AND ORGANISATION



ENVIRONMENTAL STRATEGY

STRATEGIES

A

Assess, control and guarantee compliance of environmental legislation in all the workplaces.

B

Introduce management practices that allow the improvement of environmental behaviour and energy efficiency

C

Transmit both internally and externally the commitment and environmental effort of Inditex, involving all the personnel in that commitment.

D

Incorporate the environmental variable into all strategies and actions

LINES OF ACTION

1. Develop a plan for monitoring of environmental parameters and monitoring indicators.

2. Plan of audits of compliance with environmental legislation in all the workplaces

1. Evaluate alternatives of substitution of raw materials and energy. Renewable energies.

2. Eco-efficiency studies in the processes and at the workplaces.

1. Promote and facilitate awareness-raising and internal training on sustainability.

2. Promote external communication with interested parties.

1. Implementation of a system of global sustainability indicators.

2. Integrate the economic, environmental and social variables and develop environmental and sustainability reports.

ENVIRONMENTAL MANAGEMENT

AT THE FACILITIES

The main plants of Inditex (exclusive of the commercial outlets and the offices of subsidiaries companies outside Spain) are situated in seven locations in Spain (three in Galicia, two in Catalonia, one in Zaragoza and one in Alicante).

At these plants, we have implemented an Environmental Management System, which complies with ISO 14001, understanding this to be a tool that allows us to control our risks and to improve our environmental efficiency. This strategy of introduction and certification of the Environmental Management Systems has also been transferred to the companies in which Inditex holds the majority stake, which certify their own Management Systems. At FY2003 end, the targets set had been reached, with 21 out of a total of 22 workplaces having been certified by an authorised external agency. Certification was also achieved in one of our affiliated companies. For 2004, we will continue to extend the introduction to the remaining workplaces.

This considerable effort has made us the leaders in the sector, as it means that 100% of our own management and manufacturing processes, and 90% of distribution, is carried out following criteria based on efficiency and control of environmental management.

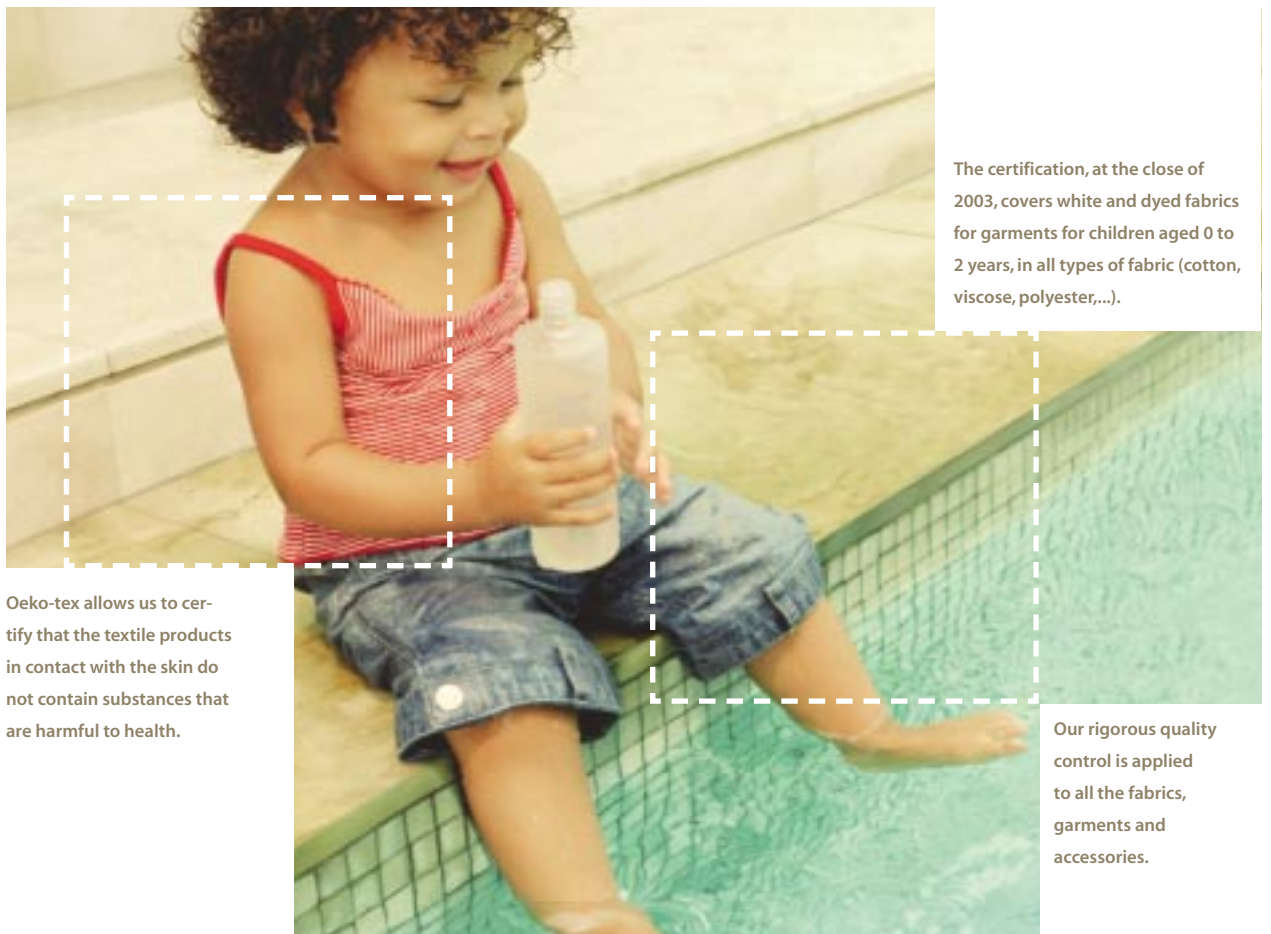


IN THE PRODUCT

An important part of Inditex's success is our commitment to our customers as regards environmental health, which conditions the rigorous selection process we have always submitted our products to, whether produced internally or externally. In this process we have always evaluated the compliance of the products with the most stringent criteria as regards environmental health, to ensure that our garments do not contain substances that are harmful to health or the environment.

In 2002, we decided to further deepen our commitment to quality, by beginning to study the possibility of certifying the textile materials used in the manufacture of the fabrics and in garment-making. As a consequence of those studies, we decided to complement our own control with external certification in accordance with the requirements of the international Oeko-tex Standard 100, which through the study of many different substances guarantees that the textile products used are not harmful, detrimental, hazardous or prejudicial to health.

The application of this programme in 2003 allows us to guarantee that all the garments that we market for children from 0 to 2 years that are in contact with the skin have passed our internal controls and, in addition, carry the Oeko-tex 100 certification. For the rest of the fabrics and products, we continue to provide the guarantee given by our strict quality control, and we are working on a plan to extend the external certification to garments that are in contact with the skin for children from 2 to 16 years.



IN DISTRIBUTION

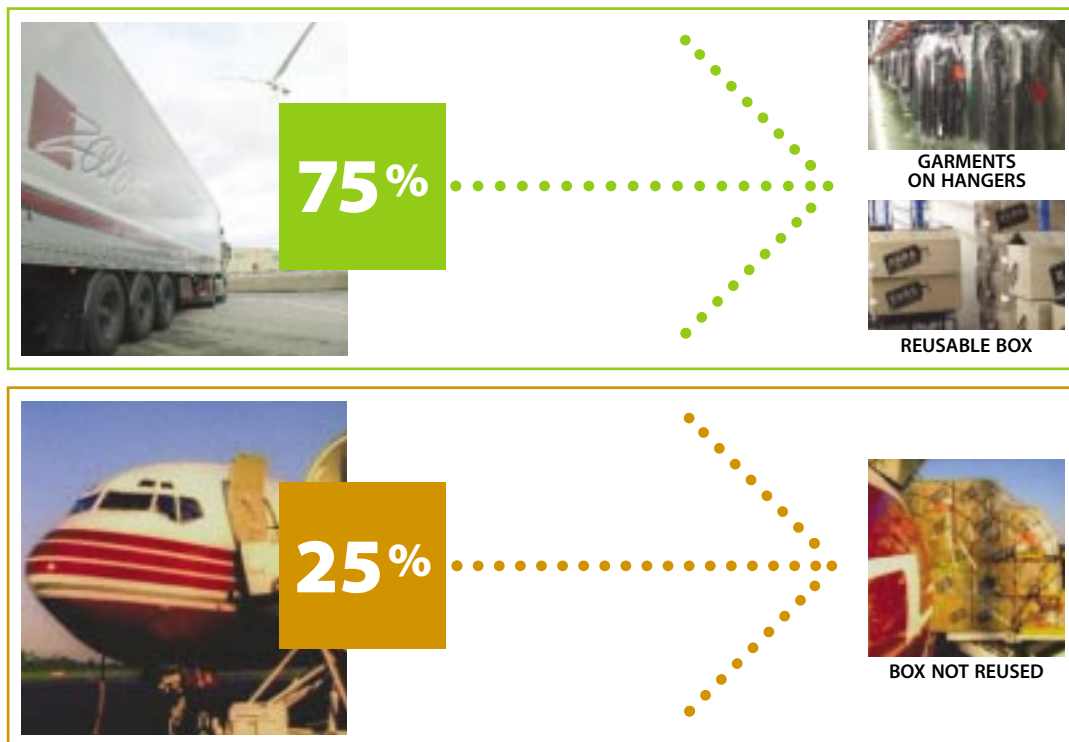
All the distribution of the garments and products of Inditex is centralised through our Logistics Centres. Here all the products are received and organised before being sent to our stores around the world, by lorry or plane depending on where they are located.

In order to guarantee correct environmental management from the beginning of the distribution process, the Logistics Centres have Environmental Management Systems that have been introduced and certified to be ISO14001-compliant. We can therefore guarantee that the environmental aspects associated with the receipt, storage and dispatch to stores is carried out in a manner that respects the environment. The main aspects monitored are energy consumption and emissions to the atmosphere, the generation of waste, water consumption and effluents.

Environmental efficiency criteria have also been taken into account in the areas of dispatch to stores and transport. Thus, we attempt to give priority to the distribution by lorry of garments hung up on hangers, as this means important savings in the consumption of cardboard boxes (for every 35 garments on hangers, one less box is used).

For those garments that cannot be distributed on hangers due to their specific characteristics, cardboard boxes are used, whether they are dispatched by air or by road. In the latter case, and whenever the logistics allow it, the re-use of the boxes for the journeys of products between the stores and the Logistics Centres is encouraged, thus achieving a saving of 15 % in cardboard consumption.

In addition to all these measures, a plan of work is being developed with our transport services suppliers (Inditex does not have its own fleet) to evaluate and control their GHG emissions. We have a commitment with all of them to guarantee the greatest possible control and efficiency as regards emissions from transport processes.



WITH INDUSTRIAL SUBCONTRACTORS AND SUPPLIERS

We have entered into a commitment regarding environmental performance with all the companies that carry out work at our plants, which for their part entails their compliance with our environmental criteria and for our part entails our providing them with advice and training in this area.

Environmental performance criteria at Inditex facilities

- The environmental legislation in force that applies to their activities, products or services must be known and enforced.
- It shall be the responsibility of the subcontracted Company to prevent any type of dumping or spillage of substances within the facilities of Inditex and to use all the means at their disposal to prevent this type of accidental spillage.
- The abandonment of any type of materials or waste inside the facilities is strictly prohibited.
- Should it be necessary to carry out dumping or delivery of waste, the Environmental Department must always be consulted, who will give, where appropriate, the authorisation for this procedure and will indicate the place where it can be carried out.
- The removal of all the waste collected shall be carried out in accordance with the provisions of the environmental legislation in force at the time of the rendering of the requested services. All waste must be removed when the work terminates.
- Inditex's Environmental Department must be informed of any situation of environmental risk.
- The contracted Company shall be obliged to apply preventative measures to prevent, as far as is possible, negative environmental impacts at the facilities of Inditex. In the event of an environmental accident, the Environmental Department must be consulted on the Plan of Action to be followed in order to control the emergency situation.
- All the obligations regarding the Environment of the main subcontractors of Inditex must be extended to and made compulsory for all second- or third-level subcontractors who work under the responsibility of the main subcontracting company.

For external workshops, we have an Audit System that allows us to monitor their tasks and terminate the supply contract with them in the event of serious breaches of environmental legislation. To provide support for this work, we have designed a programme of help, consisting of an open line for consultation, via Internet, to respond to their questions on environmental matters, which will be fully operative in 2004.

IN THE STORES

At the headquarters of the different concepts, we have introduced and certified our ISO 14001-compliant Environmental Management System. With this, we guarantee that the running and management of the stores will be carried out following environmental criteria

As regards the stores, given their considerable number and diverse locations around the world, we have opted for the development of an In-Store Environmental Management Model, which ensures that the group's sustainability policy is applied at all levels, in addition to supporting store personnel so that they develop and introduce Best Management Practices.

The Model applied to the stores is based around action in four areas: Legislation, Training, Management and Monitoring of Indicators.

	LEGISLATION	TRAINING	MANAGEMENT	INDICATORS
ACTIONS	Updating of Legislative Obligations by Municipal Authority/ Autonomous Region	<ul style="list-style-type: none"> ■ Introduction of the Environmental Module in the Induction Course and Store Management Manual ■ Raising of awareness through the corporate in-house magazine 	Programme of internal audits	Definition of specific indicators for stores
DOCUMENTS	Report of Legislative Obligations	<ul style="list-style-type: none"> ■ Capítulo Medioambiental en el Plan de Acogida ■ Best Practices Manual in Stores ■ Articles in corporate in-house magazine 	Procedure for the internal audit of stores	Introduction into System of Environmental Indicators

The plan was designed throughout 2003, including trials and pilot schemes, and is fully operative and functioning in 2004. It is expected that next year it will be applied to the majority of stores in Spain.

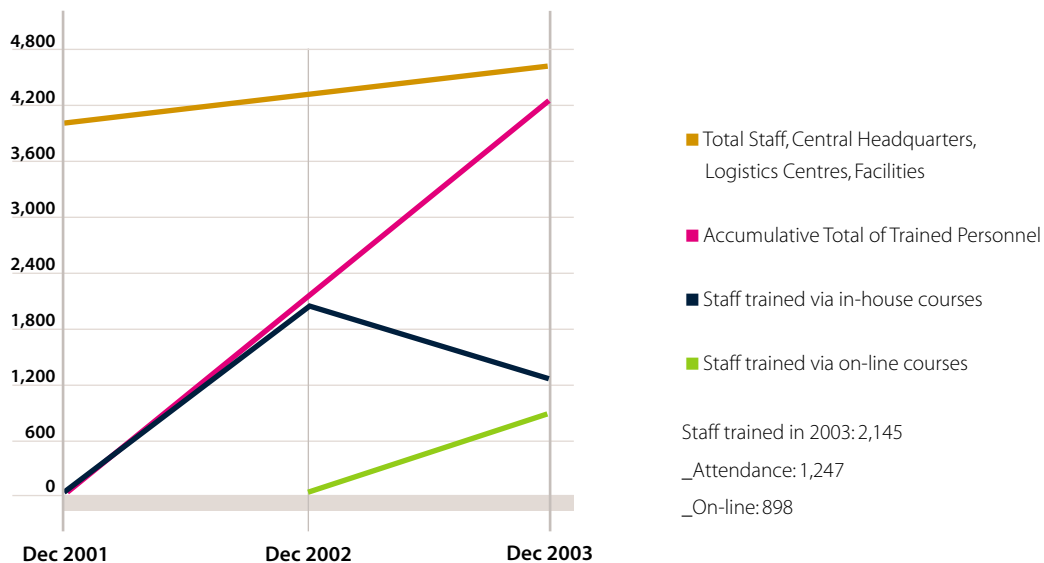
When new stores are opened, both the Legal Department and the heads of the relevant Concept evaluate their compliance with the environmental legislation that is applicable in accordance with the location of the stores, applying it from the store's design stage.

For the newly incorporated staff in stores, the Training Department gives a specific course that explains the store management manual, which includes a specific module on the environment.

OUTSTANDING ACTIONS

TRAINING

In 2003, we achieved our goal that almost all the personnel at our various Headquarters, Factories and Logistics Centres receive training about the environment. In the period 2004-2005 our efforts will be centred on the store personnel around the world.



One of the main pillars of our commitment regarding the environment has been to place stress on the training and awareness-raising of all our staff. This has led us through intense collaboration between the Training Department and the Environmental Department to have several training programmes according to the jobs and availability of our staff. The contents of all of these include the specific needs shown by Inditex in terms of the environment. At the present time, the following exist:



- Attendance courses for maintenance operatives
- Attendance courses for employees in the factories and logistics centres
- Programme on the corporate Intranet for office personnel
- Environmental Module in the Store Management Manual
- Programme on CDROM for new staff
- Modular programme to raise the awareness of all personnel through the corporate in-house magazine

AWARENESS-RAISING PROGRAMME AND IN-STORE TRAINING



For the stores, it was decided to carry out the training through the most important means of communication we have at our disposal: the corporate in-house magazine. This is published on a three-monthly basis by the Corporate Department, and allows us to issue a total of 38,000 copies of the magazine in five languages, which is available to all our employees. Specific articles are being prepared for this magazine on environmental matters and will be included in each issue in a section dedicated exclusively to environmental training (an example is shown above). We can highlight that for the first issue an innovative and original pocket Best Practices Manual was created, so that our store personnel can always have clear and accessible information.

CONDITIONING OF NATURAL AREAS

The policy of support to local communities where we have production or logistics centres has led us to join projects for environmental improvements which are being developed where we operate. In this respect, we must highlight the action carried out in coordination with the Town Council of Sallent (Barcelona, Spain), where the Headquarters and Logistics Centre of our Stradivarius concept is located.

In this case, the location of our warehouses on the edge of the industrial estate, bordering on a natural area without any particularly special characteristics, allowed us to develop a project to re-evaluate this space, transforming it into an area suitable for birds to nest and use. This action included the development of panels and observation posts for birdwatchers, including the restoration of an old mill. Furthermore, to achieve full integration of the project with the industrial activity, a pond was designed that is capable of treating rain water and the water running off the land generated at our facilities.



THE SYSTEM OF INDICATORS

The work carried out in fiscal 2003 has allowed us to consolidate the System of Environmental Indicators and extend it to all Inditex's industrial plants, while at the same time it has enabled us to begin a comparative study of its progression since 2001, the year when it was first introduced. In this past year, we have also improved in certain aspects our systems for monitoring and calculation, which can reflect significant differentials in some indicators.

As for 2002, we continue to present the data in relative terms (with respect to the number of garments put on the market) and in absolute terms, as we understand that these enable greater comprehension of our situation. Given the growth we are experiencing in production, the relative indicators let us evaluate our environmental efficiency, showing us if we are reducing the environmental impact per garment offered on the market.

The indicators show data that reflect the whole of our activity (manufacture, distribution and marketing in stores), except in the section on waste, where only data referring to generation at the Headquarters, Logistics Centres and Factories is included. During 2004, we will work on including indicators for the management of waste in stores, which will allow us to lessen the difficulty entailed by their wide-spread locations around the world.

We consider that all these are improvements which aid transparency and which allow us to present a fair and true reflection of our environmental situation at the close of fiscal 2003.

The calculation of the Ratio has been carried out according to the following formula:

Ratio = (absolute value of the year / no. of garments offered on market in the year) x 1000.

The values used in the ratios are:

- ***Number of garments offered on the market 2001: 181,935,742***
- ***Number of garments offered on the market 2002: 236,201,643***
- ***Number of garments offered on the market 2003: 278,976,771***

INDICATORS - EMISSIONS TO THE ATMOSPHERE

We carry out the monitoring of emissions to the atmosphere according to their sources (our own or external) and our capacity to control the generation of emissions.

As regards our own sources (cogeneration plants and boilers for our factories and logistics centres), we have exhaustive control and a plan for minimization of energy use and for energy efficiency, in which substitution by renewable energies stands out, which allows us to considerably reduce our emissions levels.

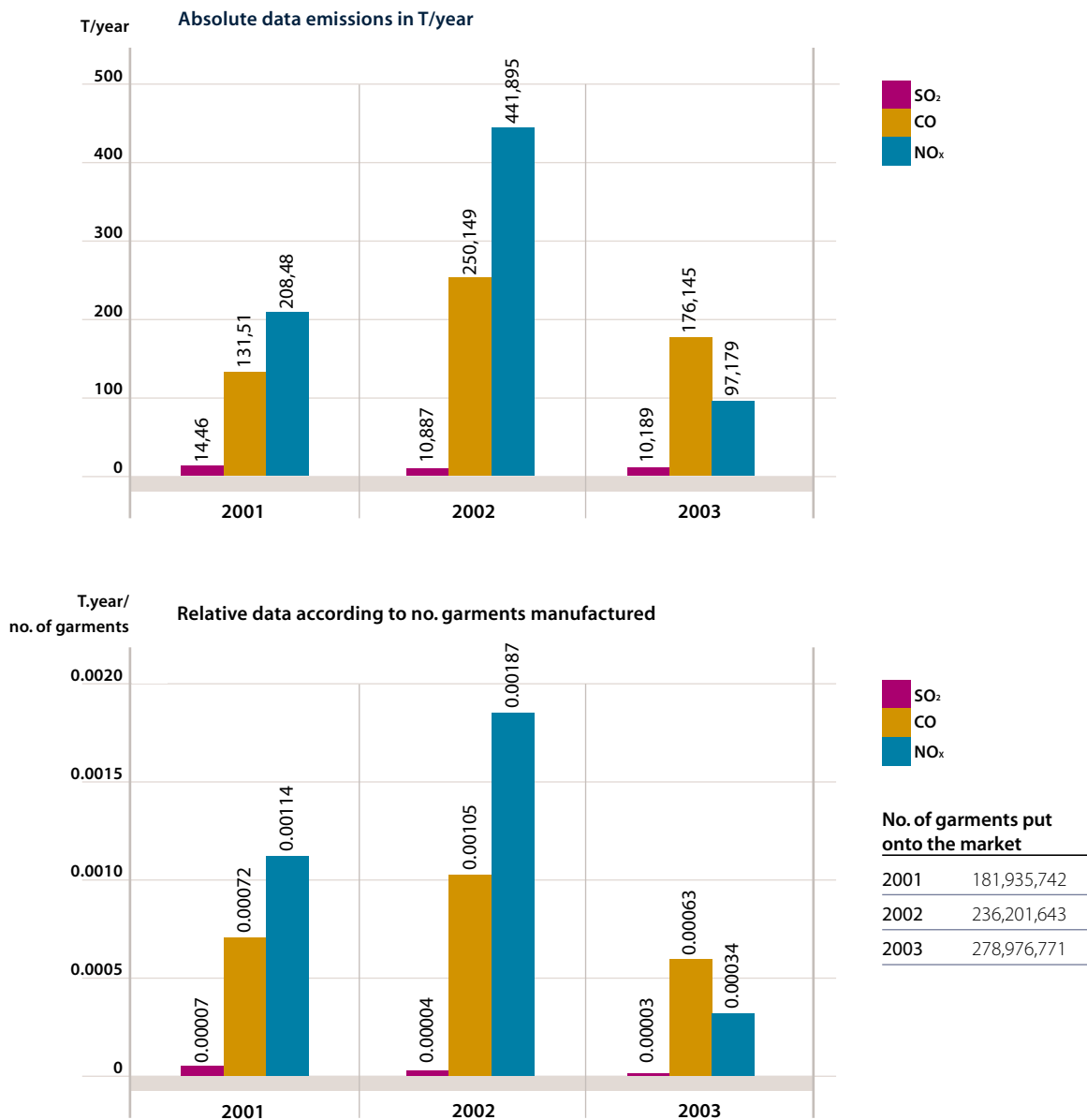
As regards external sources (electricity network), our capacity to control the sources of emissions is non-viable and therefore we are focusing our efforts on improving the energy efficiency of our facilities and plants, especially of the stores.

Throughout 2003 work was carried out on adapting to international guidelines on emissions. To guarantee better control, remote-controlled systems on energy consumption controlled by operators were installed at all the production centres (timetable control, breakdowns, optimization of power and fuel consumption, and so on), in addition to other improvements in the facilities.

To this, we must add the new criteria for calculation, based on the chemical characteristics of the fuels which have allowed us to achieve significant reductions and to obtain indicators that reflect the real situation of continuous consumption which have a reliability level of 96%, thus explaining the considerable decrease occurring between 2002 and 2003.

These two actions, together with the incorporation, at full capacity, of the renewable energy facilities (wind-powered and solar energy), have allowed us to determine our emission levels with great accuracy. Thus, we have been able to verify that there has been a considerable reduction both in absolute and in relative terms, as is shown in the graphs on the following pages. The most significant results have been obtained in the reduction, both relative and absolute, in Sulphur Dioxide (SO₂) emissions, which is a critical factor in the generation of "acid rain".

COMPARISON EVOLUTION ANNUAL EMISSIONS TO ATMOSPHERE FACTORIES AND LOGISTICS CENTRES



This includes the Central Headquarters, all the factories of Inditex: (Choolet, Denllo, Fios, Glencare, Goa, Hampton, Indipunt, Jema, Kenner, Nikole, Samlor, Sircio, Stear, Trisko, Zintura, Inditex Cogeneración) and Central Headquarters and logistics centres of Zara, Zara Home, Kiddy's Class, Pull & Bear, Bershka, Oysho, Massimo Dutti and Stradivarius. All the emission points undergo periodic controls by an authorised inspection agency, each of these points found to be in accordance with the parameters indicated in legislation in force. The data collected here are taken from the analysis of the reports.

GREENHOUSE GAS EMISSIONS (GHGs).

We also show our commitment to sustainable development through measures to control global environmental problems.

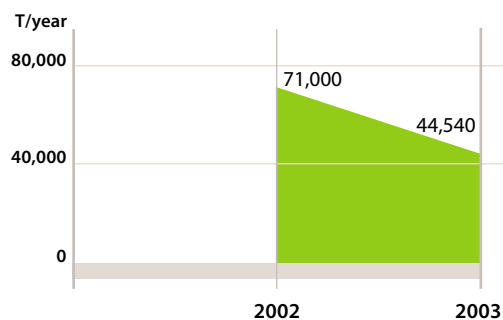
The work carried out in 2003 focused on improving the control and reduction of Greenhouse Gases (GHGs) generated by us. These actions were included in the Program for Improvement in Energy Efficiency and amongst them we must highlight:

- The installation of Remote-controlled Systems controlled by operators at all our facilities.
- The installation of electronic thermostats.
- The insulation of steam and water pipe networks to prevent loss of heat and to improve performance.

Along with these measures, which allowed us to reduce our energy consumption and, consequently, our generation of GHGs, we have modified our methodology for calculation of GHGs, adapting our methodology to international recommendations (Decision of the EU Commission of 29 January 2004, through which guidelines were established for the monitoring and notification of greenhouse gas emissions in accordance with Directive 2003/87/EC of the European Parliament and the Council). The new calculation method allows us greater precision as it is referenced to real data on fuel consumed and the working of equipment, whereas in 2002 references came from a percentage estimate from data obtained by measuring emissions to the atmosphere and an estimation of the hours the equipment was functioning. This reason explains the significant reduction experienced since 2002.

The data that we provide includes the direct calculations of our own generation of GHGs, as well as the indirect calculation entailed by our consumption of energy from the electricity network.

CO₂ EMISSIONS



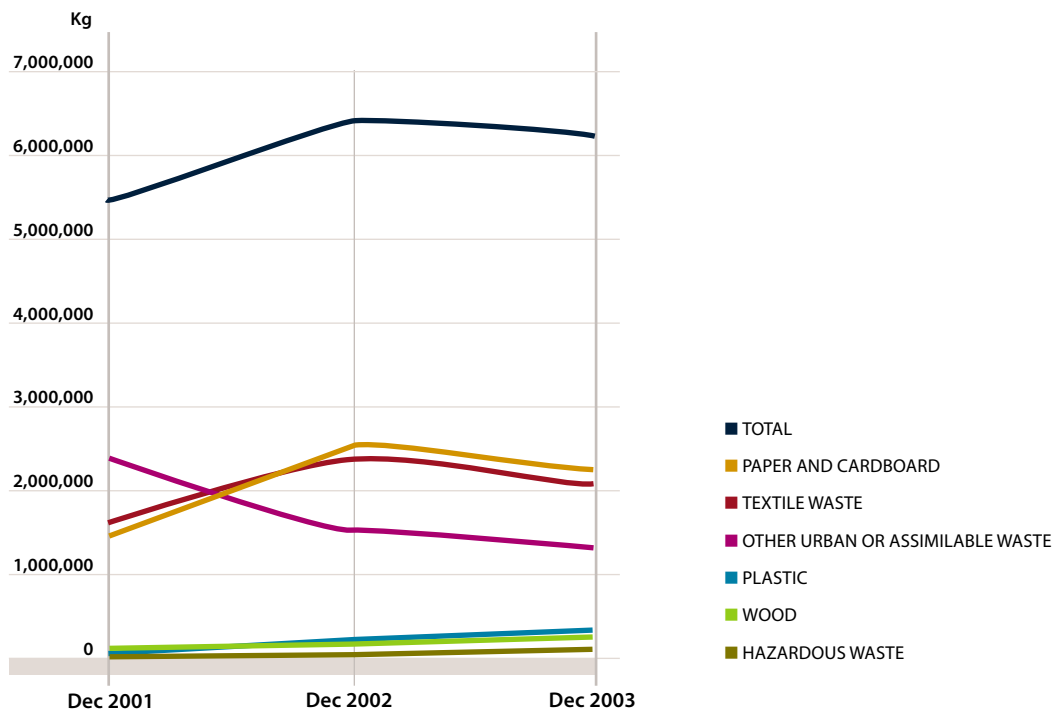
ITEM	T CO ₂
From consumption of gas	12,894
From consumption of propane	467
From consumption of oil	11,449
From electricity consumption in industrial plants	19,730
Total	44,540

INDICATORS OF WASTE

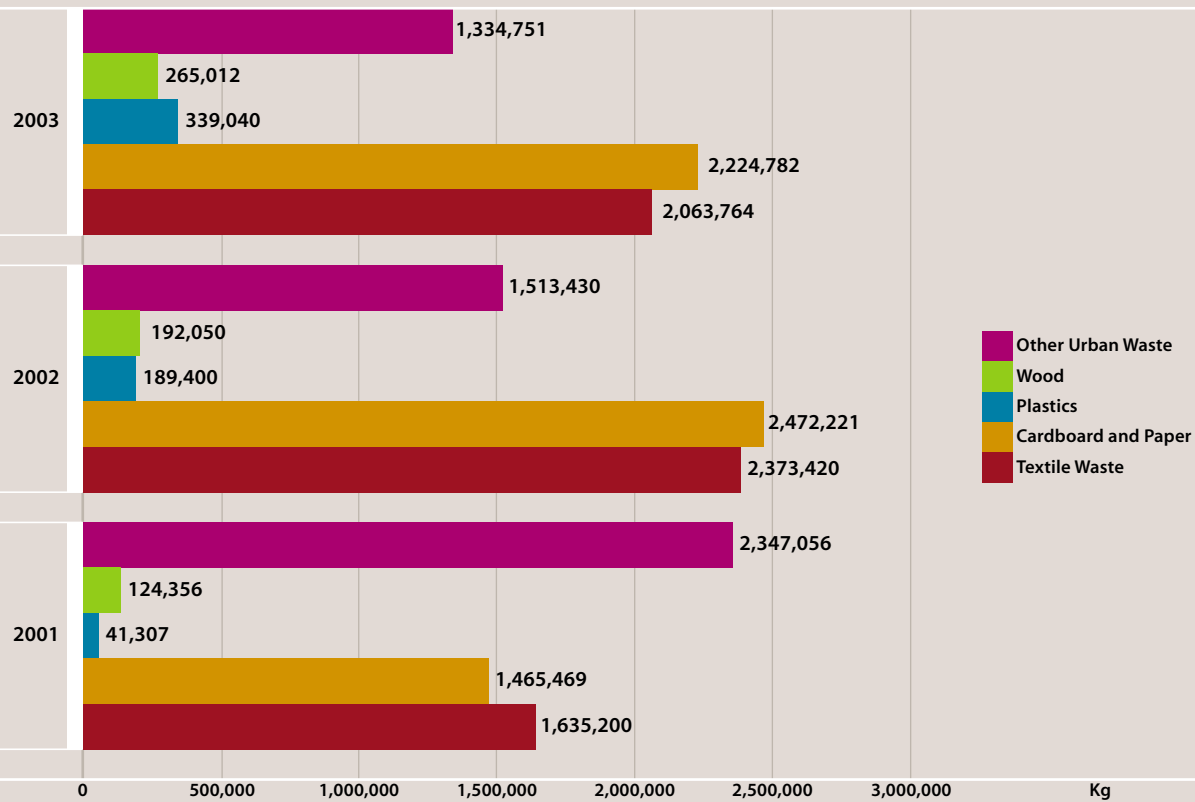
The Plan to Minimize Waste which began in 2000 has achieved magnificent results in the last year. The efforts made in the monitoring of generation points and in segregation in 2001 and 2002 allowed us to reverse trends per typology of waste, by notably improving segregation.

The continuation of the Plan has permitted us to reduce the total amount of Waste generated per garment offered on the market by 2%. Another important factor is our monitoring of the generation of Hazardous Waste (oils, grease, fluorescents, etc) which are subject to strict controls, which prevents substantial increases.

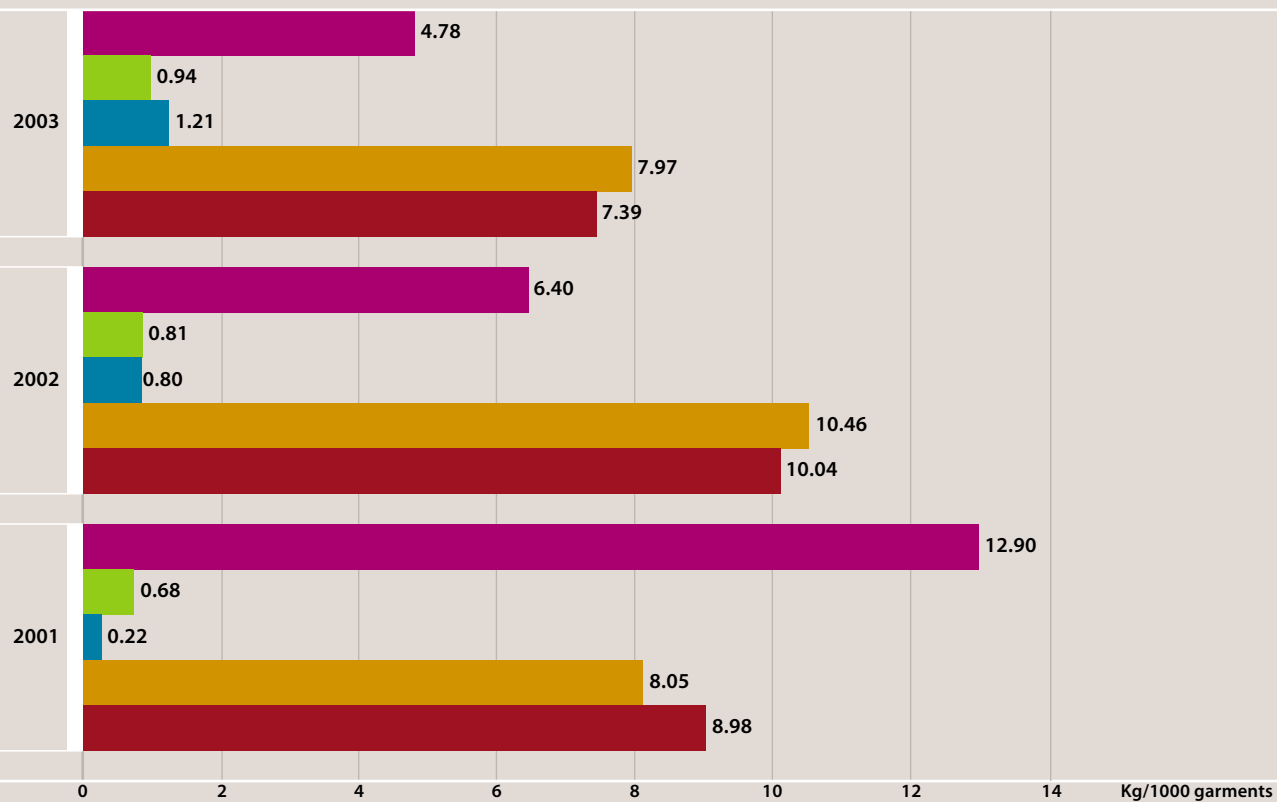
EVOLUTION OF THE GENERATION OF WASTE (in kilograms)



COMPARISON OF ANNUAL GENERATION OF URBAN OR ASSIMILABLE WASTE (in Kg)

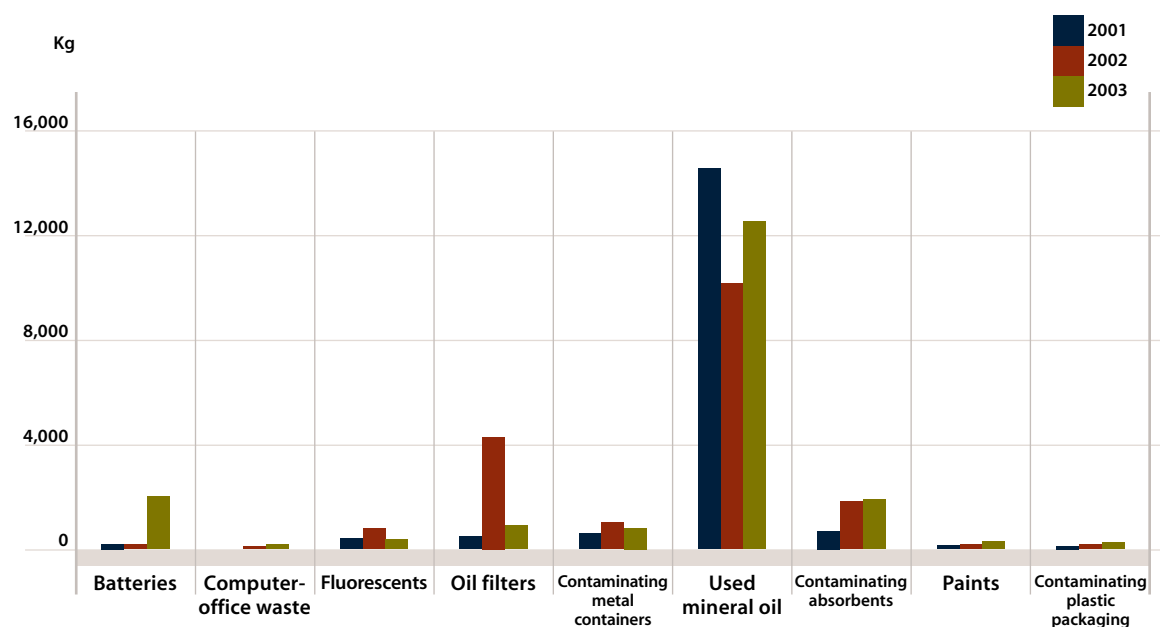


RELATIVE DATA ACCORDING TO NO. OF GARMENTS MANUFACTURED (in kg/thousand garments)



The Waste is catalogued in accordance with the European Waste Catalogue and its introduction into national and autonomous legislation

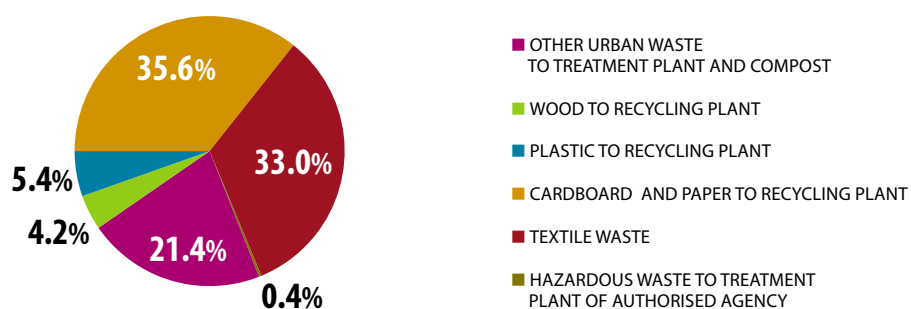
COMPARISON OF ANNUAL GENERATION OF HAZARDOUS WASTE



DESTINATION OF WASTE ACCORDING TO TYPE AND TYPE OF TREATMENT

The last step of our Waste Management Plan is to focus on the recycling of waste, as is shown in the following chart:

DESTINATION OF WASTE ACCORDING TO TYPE AND TYPE OF TREATMENT



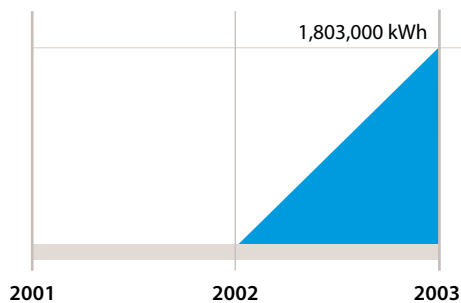
INDICATORS OF ENERGY CONSUMPTION

Interpretation of the data permits us to observe how our commitment in 2002 to renewable energies has allowed us to reduce energy consumption of fossil fuels in our own generation plants (boilers and cogeneration centres).

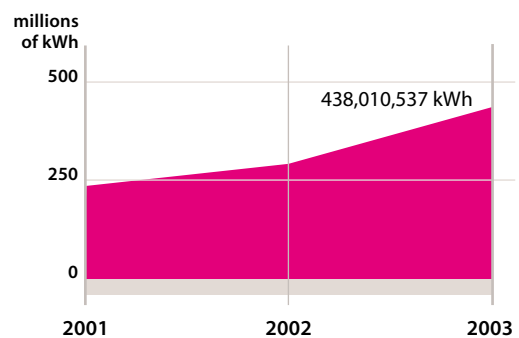
With respect to the consumption of electricity from the Electricity Network, the growth in consumption is proportional to the large number of stores opened in 2003 (stores 2002: 1,558; Stores 2003: 1,922).

COMPARISON ANNUAL EVOLUTION OF ENERGY CONSUMPTION (includes industry and stores around the world)

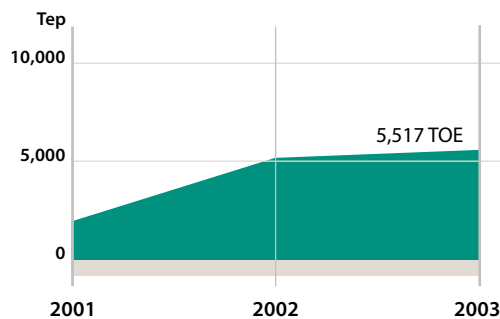
RENEWABLE ENERGIES



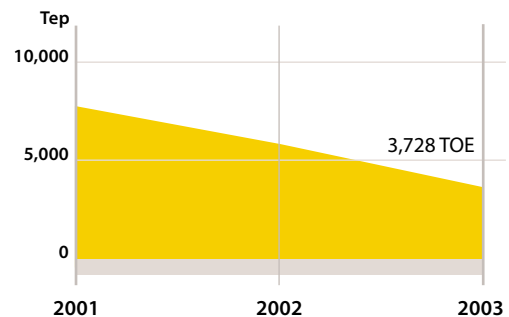
ELECTRICITY (PUBLIC NETWORK)



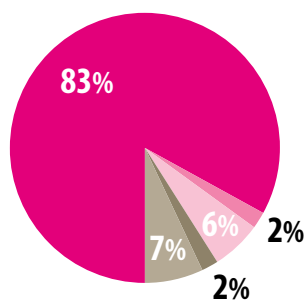
CONSUMPTION COGENERATION GAS



CONSUMPTION OIL FOR BOILERS



PERCENTAGE OF ENERGY CONSUMPTION ACCORDING TO TYPE OF FACILITIES

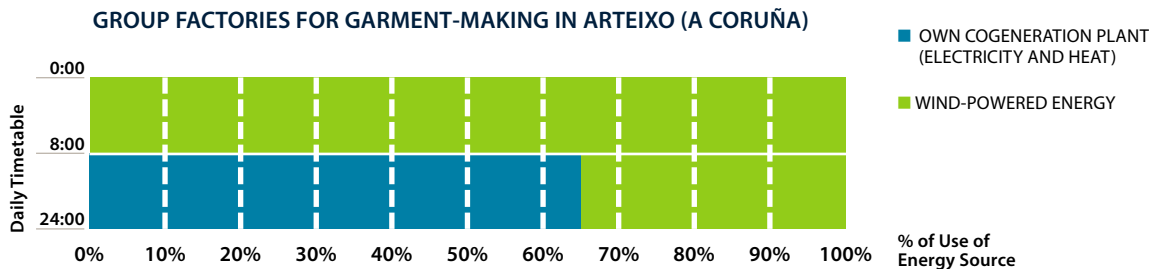
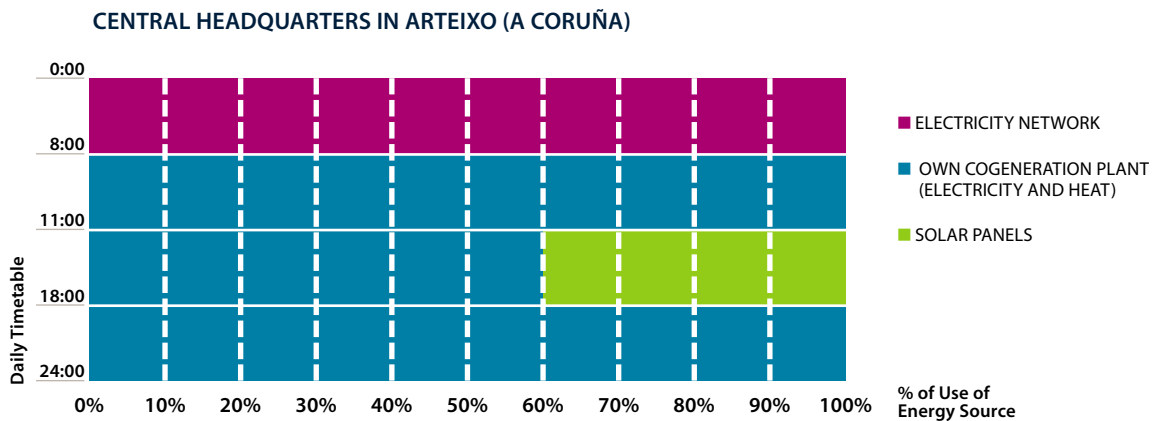


- ELECTRICITY CONSUMPTION IN STORES
- THERMAL ENERGY CONSUMPTION IN CENTRAL HEADQUARTERS AND LOGISTICS CENTRES
- THERMAL ENERGY CONSUMPTION IN STEAM FOR FACTORY PROCESSES
- ENERGY CONSUMPTION IN THE FORMATS' HEADQUARTERS AND LOGISTICS CENTRES
- ENERGY CONSUMPTION IN FACTORIES

CONSUMPTION AND USE OF ENERGY

The Energy Efficiency Plan has focused in 2002-2004 on the Central Headquarters, Factories and Logistics Centres. This has allowed us to reduce the percentage of use of external sources of energy (the origin of which it is difficult to know), while at the same time reducing our own consumption of fossil fuels.

The following graphs reflect how energy consumption has been optimized depending on the different hourly segments of one day (24 hours) and the proportion of use of each source of energy in these time segments.

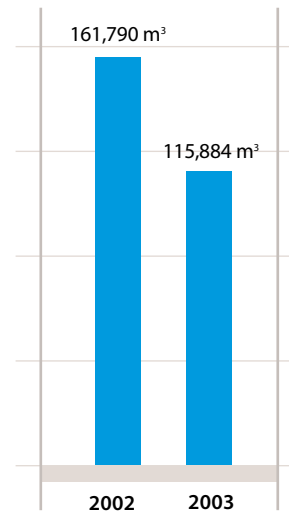


CONSUMPTION AND USE OF WATER

The data on water consumption come, in the case of the factories and logistics centres, from direct measurements of consumption and from the bills from suppliers (public supply networks). In the case of the stores, they have been obtained by carrying out a sampling of suppliers' bills, on a series of representative stores, and extrapolating the results to the total of stores.

The reduction experienced originates from the measures for saving introduced at all the facilities, as well as the reduction in volumes of own-manufactured knitwear (which requires washing processes).

The discharges of waste water at all our facilities are carried out through the drains networks, in all cases with the authorization of the relevant authority. This means that periodic analysis take place to guarantee compliance with the legislation in force, requiring in no cases, given its low level of pollution, specific treatment processes.



RELATIONS WITH THE STAKEHOLDERS

Analysis of our environmental implications with major stakeholders has allowed us to identify and at the same time meet their most relevant demands in environmental matters.

For all of them, there are formally established channels of communication to respond to their demands or questions as is shown at the end of this Sustainability Report.

Table I: Environmental aspects according to Stakeholder

SHAREHOLDERS

- Control of Environmental Risks of the Business.

ADMINISTRATION

- Compliance with Environmental Legislation.

CUSTOMERS

- Lack of environmental problems in the atmosphere.
- Continuous improvement in Eco-efficiency.
- Fulfilment of criteria, compliance with regulations and product environmental quality standards.

COMMUNITY

- Control and minimization of impacts on the local environment and towns.
- Application of environmental criteria to suppliers.

EMPLOYEES

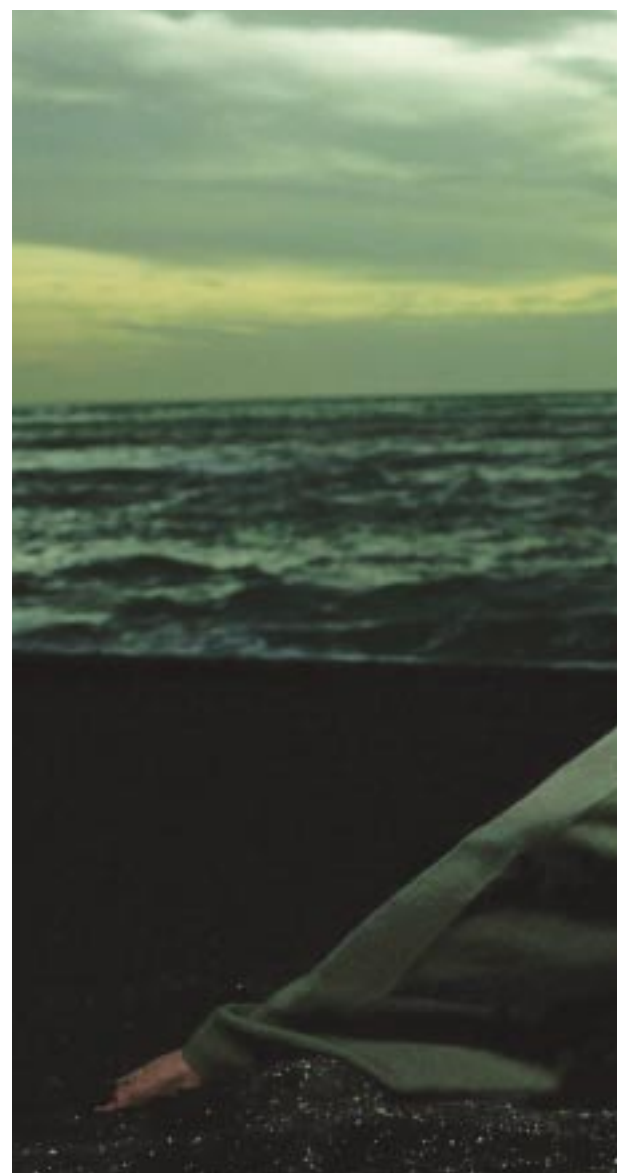
- Operative facilities and training to develop environmental commitment.

SUPPLIERS

- Definition of Environmental Criteria.
- Objectives for their actions and expert support.

ECONOMIC DIMENSION

- 144 BASIC MAGNITUDES
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- 157 ADDITIONAL INDICATORS





BASIC MAGNITUDES

With the aim of offering a precise image of the Economic Dimension of Inditex's activities that is easy to understand, this chapter of the Sustainability Report 2003 details all of the main indicators of economic performance. These indicators include data from the financial year 2003, as well as comparable figures from previous years. As produced for the financial year 2002, the first for which a Sustainability Report was published, the company's cash flow is presented, prepared with reference to cash flow to and from the different groups involved, and not according to their financial characteristics. Practically all of the data shown is taken from the consolidated financial reports, annual reports or other accountancy records from Inditex.

Inditex's annual accounts for the financial year 2003 have been prepared in accordance with generally accepted Spanish accountancy principles, and have been audited by KPMG Auditores, who issued a report without any reservations that has been published together with the annual accounts and the consolidated annual report in a separate document, the Inditex Annual Report 2003.

DESCRIPTION	2003	2002	2001	2000	1999	1998	1997	1996	TACC 03/96
Results									
Sales*	4,598.9	3,974.0	3,249.8	2,614.7	2,035.1	1,614.7	1,217.4	1,008.5	24%
YoY	16%	22%	24%	28%	26%	33%	21%		
EBITDA*	873.5	868.1	704.5	521.5	410.4	325.7	253.6	202.1	23%
YoY	1%	23%	35%	27%	26%	28%	25%		
EBIT*	627.0	659.5	517.5	379.9	296.2	241.5	192.6	150.3	23%
YoY	-5%	27%	36%	28%	23%	25%	28%		
Net Profit attributable*	446.5	438.1	340.4	259.2	204.7	153.1	117.4	72.7	30%
YoY	2%	29%	31%	27%	34%	30%	61%		
Balance									
Stockholder Equity*	2,105.9	1,761.3	1,486.2	1,170.9	893.2	673.4	529.9	414.9	26%
YoY	20%	19%	27%	31%	33%	27%	28%		
Total balance*	3,510.4	3,013.8	2,588.6	2,107.6	1,772.9	1,326.3	977.2	820.3	23%
YoY	16%	16%	23%	19%	34%	36%	19%		
Net financial position*	268.3	245.6	57.5	(50.6)	(149.9)	(93.0)	(38.3)	(105.8)	
Stores									
Number of stores at year-end	1,922	1,558	1,284	1,080	922	748	622	541	
Net openings	364	274	204	158	174	126	81	33	
Number of countries with stores open	48	44	39	33	30	21	14	10	
Other information									
% of sales in international stores	54%	54%	54%	52%	49%	46%	42%	36%	
Variation of sales in comparable area	1%	11%	9%	9%	5%	11%	7%	4%	
ROE	23%	27%	26%	25%	26%	25%	25%	20%	
ROCE	32%	41%	39%	34%	33%	36%	35%	29%	
Number of employees	39,760	32,535	26,724	24,004	18,200	15,576	10,891	8,412	

*In millions of Euros

In the last financial year, growth in sales and profits has been lower than the average recorded for previous years. This is the result of poor sales behaviour in the second quarter of the year, with a particularly long, hot summer, followed by strong promotional activity in the European fashion distribution sector as a whole. This meant that although sales in terms of units grew considerably with respect to the previous year, the decrease in the average price of products sold led to a reduction in the increase of sales in comparable areas.

However, in 2003 Inditex maintained the expansion of its commercial formats, both in terms of the number of establishments and in the number of countries in which it is present. At the close of the financial year, Inditex had 1,922 stores in 48 countries, four more than the previous year.

INTERNATIONAL EXPANSION

Penetration into new markets continued throughout 2003, with the opening of the first Inditex stores in Russia, Malaysia, Slovenia and Slovakia, all through franchising agreements. The proportion of sales in franchised stores was maintained, although by 10%, as compared to the 30 new establishments opened using this system, the number of stores owned by the company or managed through joint ventures grew by 334.

Comparison between own stores and franchises

FORMAT	2003				2002			
	OWN CONTROL	J. VENTURE	FRANCHISES	TOTAL	OWN CONTROL	J. VENTURE	FRANCHISES	TOTAL
Zara	520	47	59	626	457	30	44	531
Kiddy's Class	103	—	—	103	59	—	—	59
Pull & Bear	314	—	36	350	262	—	34	296
Massimo Dutti	195	4	98	297	157	3	88	250
Bershka	246	1	6	253	191	—	6	197
Stradivarius	154	—	37	191	118	—	35	153
Oysho	72	2	2	76	69	2	1	72
Zara Home	26	—	—	26	—	—	—	—
Total	1,630	54	238	1,922	1,315	35	208	1,558

Zara continued to be the format with greatest international presence; nearly 80% of its net openings in 2003 were outside of Spain, with international sales representing 63.5% of the total, the highest percentage from all of the chains. The following table identifies the markets in which Zara has started activity over the last years:

2003	2002	2001	2000	1999
OWN CONTROL OR JV	OWN CONTROL OR JV	OWN CONTROL OR JV	OWN CONTROL OR JV	OWN CONTROL OR JV
Sweden	Italy	Holland	Denmark	Germany
Ireland	Switzerland	Luxembourg	Austria	Canada
		Czech Rep.		Uruguay
				Chile
				Brazil
FRANCHISES	FRANCHISES	FRANCHISES	FRANCHISES	FRANCHISES
Russia	Finland	Iceland	Andorra	Poland
Malaysia	Malta		Qatar	Saudi Arabia
Slovenia	Singapore			Bahrain
Jordan	Dominican Rep.			UAE
	El Salvador			
6 new countries	7 new countries	4 new countries	4 new countries	9 new countries

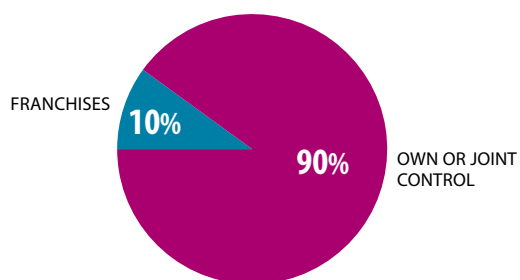
COUNTRY	JOINTLY MANAGED STORES
Germany	30
Italy	15
Japan	9
Total	54

Comparison of sales between own stores and franchises

FORMAT	2003		2002	
	OWN CONTROL	FRANCHISES	OWN CONTROL	FRANCHISES
Zara	92%	8%	92%	8%
Kiddy's Class	100%	0%	100%	0%
Pull & Bear	91%	9%	92%	8%
Massimo Dutti	65%	35%	60%	40%
Bershka	97%	3%	98%	2%
Stradivarius	80%	20%	79%	21%
Oysho	98%	2%	99%	1%
Zara Home	100%	0%	—	—
Total	90%	10%	90%	10%

COUNTRY	FRANCHISES
PORTUGAL	40
SPAIN	34
ISRAEL	25
SAUDI ARABIA	20
MEXICO	17
BELGIUM	16
UAE	16
CYPRUS	10
KUWAIT	8
IRELAND	6
LEBANON	6
POLAND	6
JORDAN	5
MALTA	4
QATAR	4
ANDORRA	3
BAHRAIN	3
FINLAND	3
MALAYSIA	2
SINGAPORE	2
EL SALVADOR	1
SLOVAKIA	1
SLOVENIA	1
HOLLAND	1
ICELAND	1
LUXEMBOURG	1
DOMINICAN REP.	1
RUSSIA	1
TOTAL	238

SALES IN STORES CONTROLLED BY INDITEX OR FRANCHISES



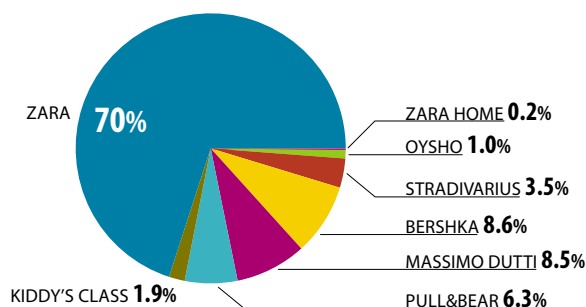
Franchise agreements are used in countries in which it is not expected that a large number of stores will be opened, or in those in which there are cultural difficulties that make it more difficult to establish stores directly by Inditex. Also, the chains acquired by Inditex —Massimo Dutti and Stradivarius— have franchise contracts that were established before they were purchased that are still in effect today. The graphs and tables included in this page show the different impact of the franchise system in the different chains and markets in which Inditex operates.

SECTORIAL INFORMATION

The different level of development of each of Inditex's formats is reflected both in the volume of their sales and by their weight within the group as a whole, as well as in the level of international expansion achieved, as shown in the following charts and tables:

FORMAT	SALES BY FORMAT (Millions of Euros)			SPECIFIC WEIGHT (%)	
	2003	2002	VAR % 03/02	2003	2002
ZARA	3,219.6	2,913.4	11%	70.0%	73.3%
KIDDY'S CLASS	89.7	60.4	49%	1.9%	1.5%
PULL & BEAR	287.9	266.2	8%	6.3%	6.7%
MASSIMO DUTTI	388.9	287.3	35%	8.5%	7.2%
BERSHKA	395.0	299.3	32%	8.6%	7.5%
STRADIVARIUS	162.0	124.1	31%	3.5%	3.1%
OYSHO	45.1	23.4	93%	1.0%	0.6%
ZARA HOME	10.6	—	n/a	0.2%	n/a
Total sales	4,598.9	3,974.0	16%	100.0%	100.0%

IMPORTANCE OF EACH FORMAT IN TURNOVER



All of the formats have a clearly international vocation. The percentage of sales in international stores for each format in the last two financial years is as follows:

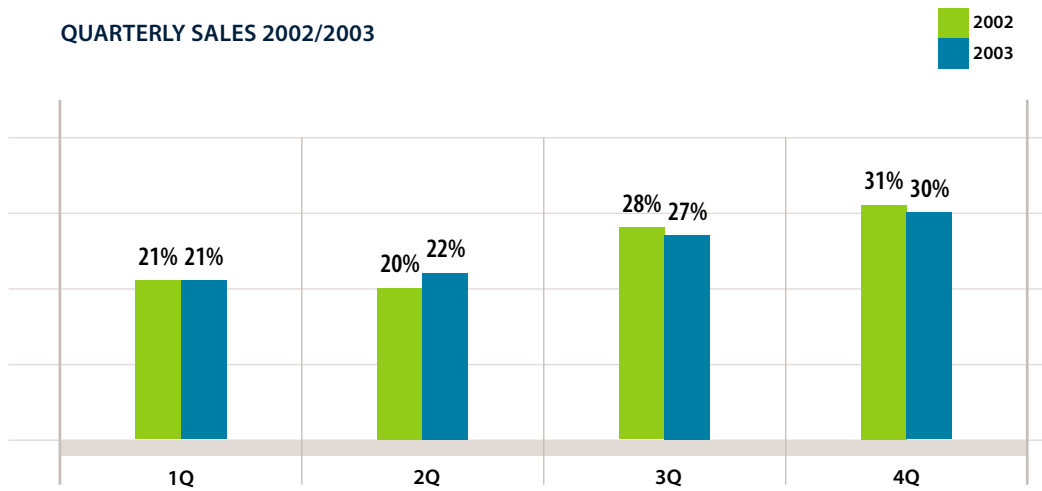
% of sales in international stores

FORMAT	2003	2002
ZARA	63.5%	62.5%
KIDDY'S CLASS	13.4%	14.7%
PULL & BEAR	31.0%	29.6%
MASSIMO DUTTI	40.9%	40.6%
BERSHKA	33.8%	32.0%
STRADIVARIUS	16.6%	18.5%
OYSHO	35.1%	46.5%
ZARA HOME	8.5%	n/a
Total Group	53.9%	54.0%

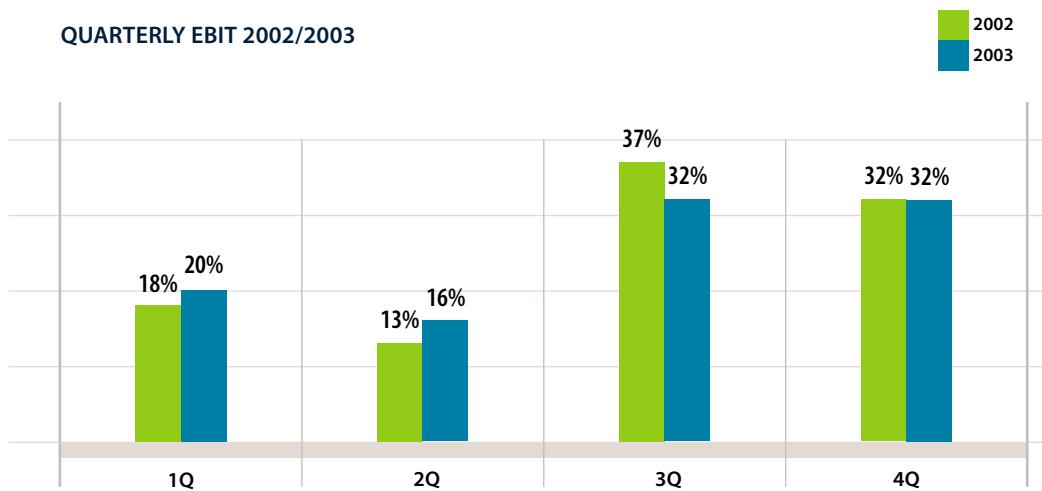
SEASONAL NATURE OF BUSINESS

Sales and operating results for each of the quarters of the years shows variations. These variations, which result from the effect of the climate on consumer habits, mean that the second half of the year represents the largest number of sales, and is where most of the results for the year are created. This second half of the year (from 1 August to 31 January) coincides with the Autumn-Winter season in the northern hemisphere, in which the vast majority of Inditex's points of sale are concentrated.

QUARTERLY SALES 2002/2003



QUARTERLY EBIT 2002/2003



INDITEX FORMAT BY FORMAT

	NET SALES*			STORES		
	03	02	VAR % 02/03	03	02	VAR 02/03
ZARA	3,219.6	2,913.4	11	626	531	95
KIDDY'S CLASS	89.7	60.4	49	103	59	44
PULL&BEAR	287.9	266.2	8	350	296	54
MASSIMO DUTTI	388.9	287.2	35	297	250	47
BERSHKA	395.0	299.3	32	253	197	56
STRADIVARIUS	162.0	124.1	31	191	153	38
OYSHO	45.1	23.4	93	76	72	4
ZARA HOME	10.6	—	—	26	—	—
INDITEX	4,598.9	3,974.0	16	1,922	1,558	364

*Data in millions of Euros

	EBIT*			EBIT MARGIN %		ROCE %	
	03	02	VAR% 02/03	03	02	03	02
ZARA	476.1	540.4	(12)	14.8	18.5	33	43
KIDDY'S CLASS	18.0	14.1	27	20.0	23.4	80	131
PULL&BEAR	18.9	34.9	(46)	6.6	13.1	16	39
MASSIMO DUTTI	60.1	37.5	60	15.5	13.1	56	49
BERSHKA	57.3	48.1	19	14.5	16.1	46	49
STRADIVARIUS	4.4	8.7	(50)	2.7	7.0	5	12
OYSHO	2.1	(14.9)	n.a.	4.7	(63.5)	7	n.a.
ZARA HOME	(0.5)	—	—	(4.5)	—	—	—
INDITEX	634.4	669.0	(5)	13.8	16.8	32	41

*Data in millions of Euros

SOCIAL CASH FLOW

Considering the destination of cash flow created during the financial year, we have established the social cash flow compared of the last two financial years, as well as the variation between both

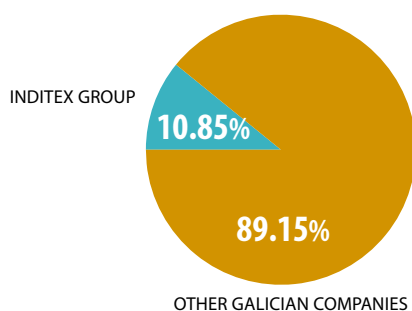
	FY 2003*	FY 2002*	VARIATION % 03/02
Net income for sales of products and services	4,601.5	3,974.1	16%
Cash flow from financial investments	11.8	10.0	17%
Income from sales of assets	16.3	18.7	(13%)
Total value added cash flow	4,629.6	4,002.8	16%
Distribution of value added cash flow			
Remuneration of employees for services	678.2	566.9	19%
Tax payments	157.4	180.6	(13%)
Devolution of financial debt	27.8	1.1	n.s.
Dividends paid to shareholders	89.3	71.8	24%
Corporate business investment	4.1	1.9	119%
Cash retained for future growth	(19.6)	207.0	n.a.
Payments made outside of group for merchandise and raw materials	2,293.0	1,874.9	22%
Payments made outside of group for services received and investments	1,399.4	1,095.7	28%
	4,629.6	4,002.8	16%

*Data in millions of Euros

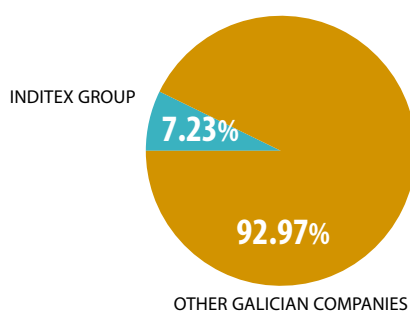
CHARGEABLE INCOME FOR CORPORATE TAX IN GALICIA

Data corresponding to 2003 will be detailed in the Sustainability Report 2004

2002

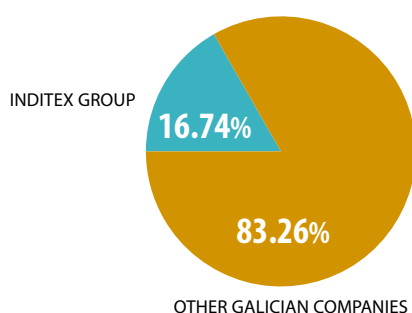


2001

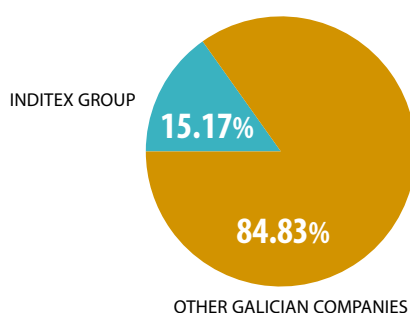


PERSONAL INCOME TAX RETENTION IN GALICIA

2003

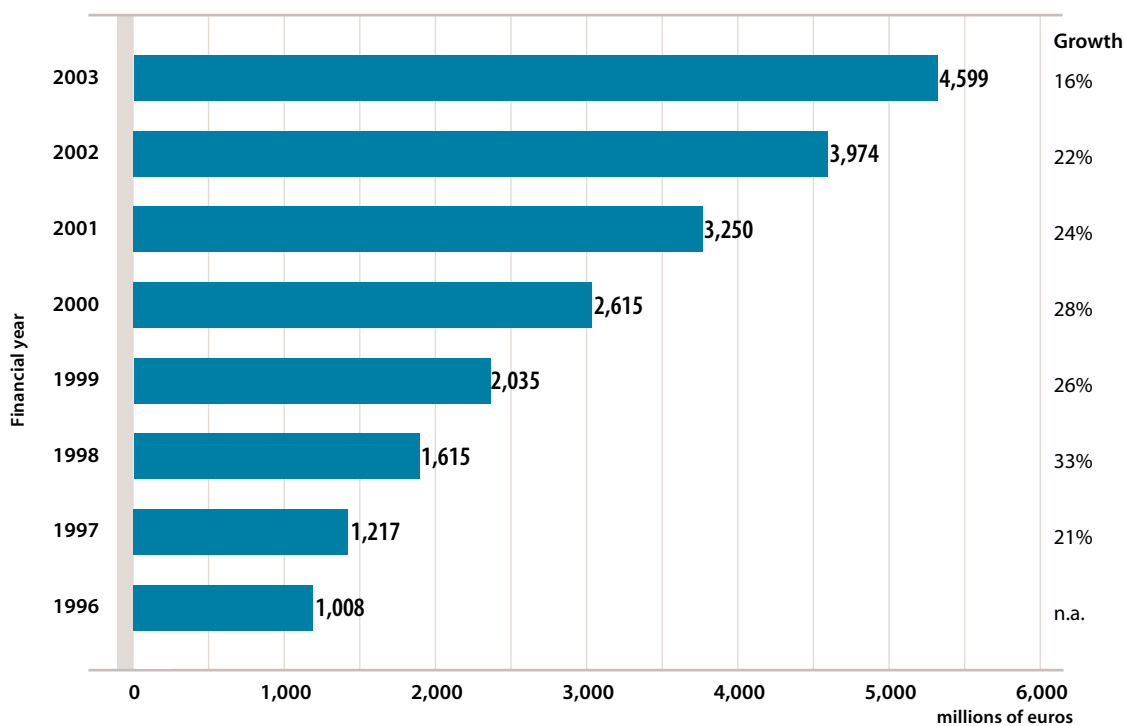


2002



ECONOMIC PERFORMANCE INDICATORS

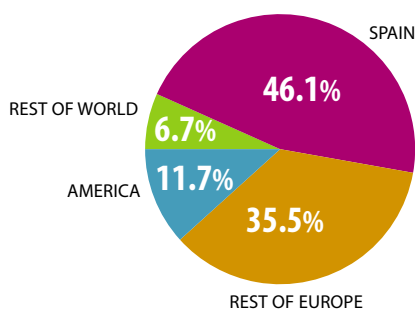
SALES



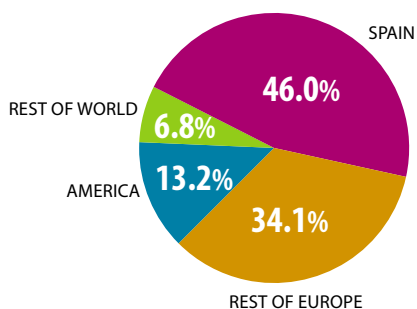
SALES BY GEOGRAPHICAL AREAS

As a result of the efforts made to consolidate commercial presence in European markets, the percentage of sales in this continent has grown to represent 81.6% of the total, compared to 80.1% in 2002. The decrease in percentage terms of the sales figure in the Americas is also due to the depreciation of currencies experienced in the financial year 2003.

2003

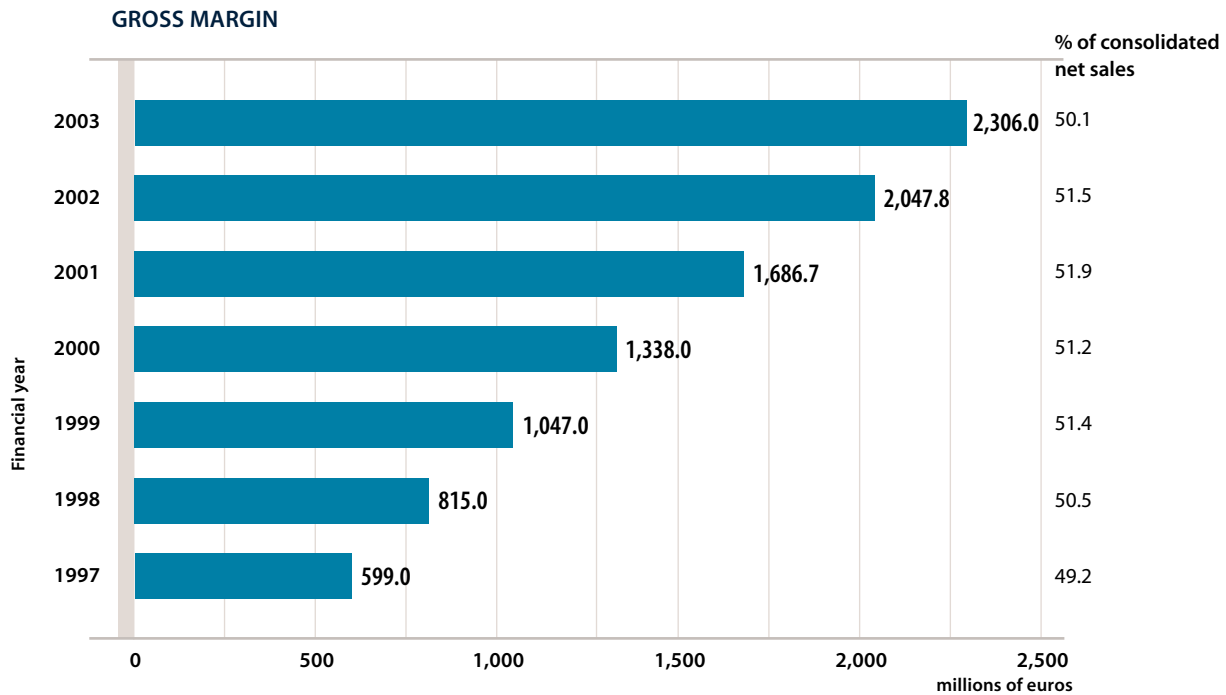


2002





SALES COSTS AND GROSS MARGIN



Inditex's gross margin, despite the decrease in 2003, has continued to be stable over the last financial years, as a reflection of the capacity to adapt to the market offered by Inditex's business model.

AVERAGE CHARGING AND PAYMENT PERIODS

The following tables show the average period for charging customers and paying suppliers. The reduced charging period is due to the fact that most sales are made in stores run by the company itself in which customers pay in cash or with credit cards. The payment periods are in line with standard periods for the sector, and have not experienced any significant variations in the last financial years.

	2003	2002	2001	2000	1999
Final balance of debtors for sales and services	129.5	97.7	95.9	71.0	58.8
Turnover	4,598.9	3,974.0	3,249.8	2,614.7	2,035.1
Turnover for debtors for sales	35.5	40.7	33.9	36.8	34.6
Average charging period (days)	10	9	11	10	11

	2003	2002	2001	2000	1999
Final balance for commercial creditors	652.9	510.3	426.3	322.9	276.1
Sales cost for financial year	2,293.0	1,926.2	1,563.1	1,277.0	988.4
Operating costs for financial year	1,432.5	1,179.7	982.3	816.2	636.2
Total expenses created by commercial creditors	3,725.5	3,105.8	2,545.3	2,093.2	1,624.6
Expenses from suppliers' balance	5.71	6.09	5.97	6.5	5.9
Average payment period (days)	64	60	61	56	62

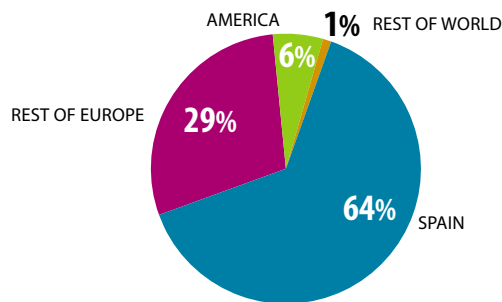
Data in millions of Euros

STAFF COSTS

	2003	2002	VAR% 03/02
Fixed and Variable salaries	532.0	448.6	19%
Contributions by Inditex to Social Security systems	146.2	121.3	21%
Total staff costs	678.2	569.9	19%

Data in millions of Euros

GEOGRAPHICAL DISTRIBUTION OF STAFF COSTS IN 2003



SUPPLIERS OF CAPITAL

At the end of the recent financial years, Inditex maintained a position of positive net cash flow, with the sum of balances in its favour held in banks being superior to the debts contracted with financial entities. However, Inditex has credit operations provided by the financial system, although many of the authorized limits have not been made available. In terms of the total liabilities granted as of 31 January 2004, Inditex's main suppliers of capital are as follows:

ENTITY	NATIONALITY	% OF RISK GRANTED
BBVA	Spanish	25%
SCH	Spanish	20%
Fortis	Belgian	7%
Caixanova	Spanish	5%
Caixa Galicia	Spanish	5%
Others with participation of less than 5%	Various	38%

CHANGES IN RESERVES

The following details refer to changes in the reserves of Inditex (consolidated group) during the financial year 2003:

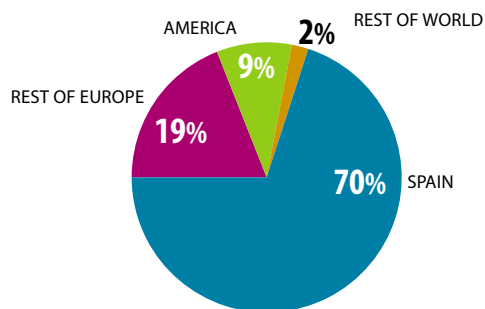
ITEM	BALANCE 01/02/03	ADDITIONS	DECREASES	DIST. RESULTS 02	DIVIDENDS	BALANCE 31/01/04
Issue premium	20.379	0	0	0	0	20.379
Reserves distributable to dominant company	753.999	83	0	98.500	0	852.582
Reserves no distributable to dominant company	19.303	0	0	(0.358)	0	18.945
Appreciation reserves	1.692	0	0	0	0	1.692
Reserves in consolidated companies for r global and proportional integration	556.571	8.671	(3.858)	238.371	0	799.755
Reserves in balanced companies	(0.874)	0	0	0.334	0	(0.540)
Exchange differences	(121.407)	724	(20.112)	13.978	0	(126.817)
Results for financial year 2002	438.091	0	0	(350,825)	(87.266)	0
Totals	1,667.754	9.478	(23.970)	0	(87.266)	1,565.996

Data in millions of Euros

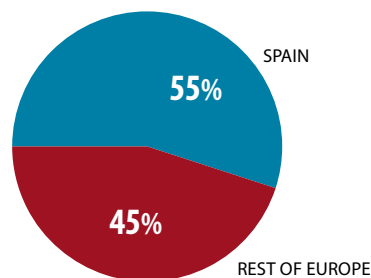
TAXES PAID

TAXES PAID ON PROFITS DUE IN 2003

2003



2002



ADDITIONAL INDICATORS

SALES IN COMPARABLE AREAS

The indicator for sales in comparable areas measures increases in sales in stores that were already open during the whole of the period prior to that being analysed. Its aim is to identify the part of growth in a company with a distribution that is not due to an increase in the commercial surface area.

	INCREASE IN SALES IN COMPARABLE AREAS					
	2003	2002	2001	2000	1999	1998
First half-year	6%	12%	9%	13%	6%	13%
Second half-year	(2%)	10%	9%	9%	5%	12%
Whole year	1%	11%	9%	9%	5%	11%

STOCK ROTATION

	2003	2002	2001	2000	1999
Sales cost	2,293.0	1,926.2	1,563.1	1,277.0	988.4
Initial stock	382.4	353.8	245.0	188.5	157.6
Final stock	486.4	382.4	353.8	245.0	188.5
Average stocks	434.4	368.1	299.4	216.7	173.1
Rotation (times)	5.3	5.2	5.2	5.9	5.7
Rotation (days)	69	70	70	62	64

Data in millions of Euros

OPERATIVE WORKING BALANCE

As in other years, in 2003 Inditex has maintained a negative working balance, as a result of lower charging periods for sales as compared to payments made to suppliers.

Working balance

	2003	2002
Stocks	486.4	382.4
Debtors	328.9	237.7
Other liabilities and deferred credits	9.3	9.8
Short-term creditors	(1,011.2)	(868.2)
Operative working balance	(186.6)	(238.3)

Data in millions of Euros

ANNEXES

- 160 INDEPENDENT REPORT
- 162 SUMMARY OF GRI INDICATORS
- 167 GLOSSARY OF TERMS
- 170 CONTACTS





INDEPENDENT REPORT



VERIFICATION REPORT

SCOPE

SGS ICS Ibérica (ahead SGS) has carried out, commissioned by Industria de Diseño Textil, S.A. (ahead Inditex), an independent verification of the document MEMORIA DE SOSTENIBILIDAD 2003.

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 MEMORIA DE SOSTENIBILIDAD 2003 of Inditex.

INDEPENDENCE

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

SGS has not participated nor advised in the elaboration of the verified document, limiting themselves to participate as independent verifier, checking the adequacy of the document contents.

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

VERIFICATION

Methodology and verifier team

The protocols and procedures developed by SGS for the Verification of Sustainability Reports have been used, consisting of:

- Audit Procedures (based on ISO 19011)
- 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 sources.

Particularly, for this verification the data of the economic area were assessed against the March 24th, 2004 Consolidated Results Notification Exercise 2003 of Inditex, to the Stock Market National Commission. Relevant fact number 48443.

The verification team was formed by SGS personnel 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 information and the data contained in the MEMORIA DE SOSTENIBILIDAD 2003 of Inditex are reliable and are a coherent representation of Inditex activities in the period reflected in this document.
- The MEMORIA DE SOSTENIBILIDAD 2003 of Inditex has been elaborated according to the requirements of Sustainability Reporting Guidelines 2002 from Global Reporting Initiative (GRI).

Madrid, June 10th, 2004

Signed:  SGS ICS Ibérica, S.A.

SUMMARY OF GRI INDICATORS

GRI CHAPTER / INDICATOR	PÁGES	SECTION
1. VISION AND STRATEGY		
1.1 Statement of the organisation's vision and strategy regarding its contribution to sustainable development	8 to 13 50 82 & 83 122	Our Sustainability Model Good Governance Social Dimension Environmental Dimension
1.2 Chairman's statement	5	Letter from the Chairman
2. PROFILE		
ORGANISATION'S PROFILE		
2.1 Name of the reporting organisation	16	Who we are
2.2 Main products and/or services	17 & 18	Who we are
2.3 Operational structure of the organization	23	Who we are
2.4 Description of the major divisions, operating companies, subsidiaries and joint ventures	20 & 23	Who we are
2.5 Countries in which the organisation's operations are located	22	Who we are
2.6 Nature of ownership; legal form	52	Good Governance
2.7 Nature of markets served	21 & 22	Who we are
2.8 Scale of the reporting organisation	16 145 & 147	Who we are Economic Dimension
2.9 List of stakeholders, key attributes of each and relationship to the company	11	Our Sustainability Model
SCOPE OF THE REPORT		
2.10 Contact person(s) for matters related to the report	170	Annexes
2.11 Reporting period for information provided	7	Scope
2.12 Date of most recent previous report	7	Scope
2.13 Boundaries of report and any specific limitations on scope	7	Scope
2.14 Significant changes in size, structure, ownership, products/services that have occurred since the previous report	(1)	N/A
2.15 Basis for reporting on joint reports, partially-owned subsidiaries and other situations that could affect comparability from period to period	(1)	N/A
2.16 Description of any re-statements of information provided in previous reports reasons	(1)	N/A
REPORT'S PROFILE		
2.17 Decisions to not apply GRI principles in the preparation of the report	5 7	Letter from the Chairman Scope
2.18 Criteria used in the accounting of economic, environmental and social costs and benefits	50 82 122 144	Good Governance Social Dimension Environmental Dimension Economic Dimension
2.19 Changes with respect to previous years in the measurement methods	(1)	N/A

GRI CHAPTER / INDICATOR	PAGES	SECTION
2.20 Policies and internal practices to guarantee the completeness and accuracy the information presented in the report	7 9 & 10 85, 92 to 99 125 144	Scope Our Sustainability Model Social Dimension Environmental Dimension Economic Dimension
2.21 Policy and current practice with regard to providing independent mechanisms for the verification of the report	160	Annexes
2.22 Means by which report users can obtain additional information	170	Annexes

3. GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

STRUCTURE AND GOVERNMENT

3.1 Governance structure and management systems	55 to 58	Good Governance
3.2 Percentage of the board of directors that are independent, executive directors	56 to 58	Good Governance
3.3 Process for determining the expertise board members need to guide the strategic direction of the organisation in matters such as environmental and social opportunities risks	71 & 72	Good Governance
3.4 Board-level processes for overseeing the identification and management of economic, environmental and social opportunities and risks	77 & 78	Good Governance
3.5 Linkage between executive compensation and achievement of financial and financial goals	29 61	Who we are Good Governance
3.6 Organisational structure and key individual s responsible for oversight, implementation and audit of economic, environmental and social policies	67 a 71	Good Governance
3.7 Mission and value statement, internally developed codes of conduct and policies relevant to economic, environmental and social performance and the status of implementation	5 9 to 13	Letter from the Chairman Our Sustainability Model
3.8 Mechanisms for shareholders to provide recommendations to the board of directors	5,72,73 & 75	Good Governance

COMMITMENT WITH STAKEHOLDERS

3.9 Basis for the identification and selection of stakeholders	10 & 11 71 & 72 82 & 83	Our Sustainability Model Good Governance Social Dimension
3.10 Approaches to stakeholders consultation	86 to 91, 100 to 119	Social Dimension
3.11 Type of information generated by stakeholder consultations	88 & 89	Social Dimension
3.12 Use of the information obtained	89, 101, 104, 105, 113 to 119	Social Dimension

GLOBAL POLICIES AND MANAGEMENT SYSTEMS

3.13 Explanation of whether and how the precautionary approach or principle addressed by the organisation	77 & 78	Good Governance
3.14 Externally developed commitments or other voluntary initiatives that the organisation supports	113 & 114	Social Dimension
3.15 Membership in business and industrial associations and / or national and international advocacy organisations	113 & 114	Social Dimension
3.16 Policies for managing upstrea and downstream impacts	92 to 99 126	Social Dimension Environmental Dimension
3.17 Reporting organisation 's approach to managing indirect economic, environmental and social impacts resulting from its activities	N/A	N/A
3.18 Major decisions during the reporting period regarding the location of, or changes in, operations	N/A	N/A

GRI CHAPTER / INDICATOR	PAGES	SECTION
3.19 Programmes and procedures pertaining to economic, environmental and social performance	92 to 99 125 to 129	Social Dimension Environmental Dimension
3.20 Status of certification pertaining to economic, environmental management systems	7 50 92 & 93, 97 125 to 129 144	Scope Good Governance Social Dimension Environmental Dimension Economic Dimension

4. INDICATORS OF ECONOMIC PERFORMANCE

CLIENTES

EC.1 Net sales	145	Economic Dimension
EC.2 Geographic breakdown of markets	146 & 147	Economic Dimension

SUPPLIERS

EC.3 Costs of all goods, materials and services purchased	157	Economic Dimension
EC.4 Percentage of the contracts paid in accordance with agreed terms, excluding agreed penalty arrangements	155	Economic Dimension

EMPLOYEES

EC.5 Total salary costs broken down by country or region	155	Economic Dimension
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CAPITAL SUPPLIERS

EC.6 Distribution to providers of capital	156	Economic Dimension
EC.7 Increase / Decrease in retained earnings	156	Economic Dimension

SECTOR PÚBLICO

EC.8 Total sum of taxes of all types paid, broken down by country	151 & 156	Economic Dimension
EC.9 Subsidies received, broken down by country	(2)	N/A
EC.10 Donations to community, civil society or other groups, in cash and in kind donations, broken down per type of group	87, 91, 102 to 106, Social Dimension 109, 110, 112, 116 & 117	

5. INDICATORS OF ENVIRONMENTAL PERFORMANCE

RAW MATERIALS

EN.1 Total raw material used other than water, by type	(3)	N/A
EN.2 Percentage of raw materials used which are wastes derived from sources external to the reporting organisation (3)	(3)	N/A

ENERGY

EN.3 Direct energy use, segmented by primary sources	139	Environmental Dimension
EN.4 Indirect energy use	139	Environmental Dimension

WATER

EN.5 Total water use	140	Environmental Dimension
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GRI CHAPTER / INDICATOR	PAGES	SECTION
BIODIVERSITY		
EN.6 Location and size of land owned, rented or managed in biodiversity-rich habitats	132	Environmental Dimension
EN.7 Analysis of the main impacts on biodiversity associated with activities or products in terrestrial, fresh water and marine environments	(3)	N/A
EMISSIONS, SPILLAGE AND WASTE		
EN.8 Greenhouse gas emissions	135	Environmental Dimension
EN.9 Use and emission of ozone-depleting substances	(3)	N/A
EN.10 NO _x , SO _x and other significant air emissions, by type	133 & 134	Environmental Dimension
EN.12 Total amount of waste, broken down by type and destination	136 to 138	Environmental Dimension
EN.12 Significant discharges to water, by type	(3)	N/A
EN.13 Significant spillage of chemicals, oils and fuels, expressed in total figures and volume	138	Environmental Dimension
PRODUCTS AND SERVICES		
EN.14 Significant environmental impact of principal products and service	124 to 129	Environmental Dimension
EN.15 Percentage of the weight of the products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed	(3)	N/A
COMPLIANCE		
EN.16 Incidents of and fines associated with non-compliance with applicable international agreements and local regulations associated with environmental matters	N/A	N/A

6. INDICATORS OF SOCIAL PERFORMANCE

WORK PRACTICES AND DECENT WORK		
Work		
LA.1 Breakdown of workforce	27	Who we are
LA.2 Net employment creation and average turnover broken down broken down by country	27	Who we are
Relationship company / employees		
LA.3 Percentage of employees represented by trade unions broken down geographically or percentage of employees covered by collective bargaining agreements by countries	34	Who we are
LA.4 Policy and procedures of information, consultation and negotiation with employees on the changes in the company's operations	(3)	N/A
Health and safety		
LA.5 Methods for registration and notification of occupational accidents and diseases	35 & 37	Who we are
LA.6 Description of the joint committee on health and safety	35	Who we are
LA.7 Absentee, accident and occupational injury and lost day rates and number of work-related fatalities	37	Who we are
LA.8 Description of policies and programmes on HIV/AIDS	(3)	N/A
Training and education		
LA.9 Average of hours of training per year per employee	31 & 32	Who we are
Diversity and opportunity		
LA.10 Description of equal opportunities policies and programmes	26 & 29	Who we are
LA.11 Composition of senior management departments and corporate governance bodies including the female / male ratio or other indicators of diversity	26 56	Who we are Good Governance

GRI CHAPTER / INDICATOR	PAGES	SECTION
HUMAN RIGHTS		
Strategy and management		
HR.1 List of policies and guidelines as regards human rights relevant to the operations	82 & 83	Social Dimension
HR.2 Evidence that impacts on human rights are taken into consideration when investing or choosing suppliers	92 to 99	Social Dimension
HR.3 List of the policies for evaluating the action on human rights in the supply chain.	92 to 99	Social Dimension
No discrimination		
HR.4 List of the global policies dedicated to preventing all forms of discrimination in operations	98	Social Dimension
Freedom of association and collective bargaining		
HR.5 Analysis on the policy of freedom of association and the extent of its application (apart from the local laws)	98	Social Dimension
Child labour		
HR.6 Presentation of the policy of rejection of child labour	98	Social Dimension
Forced and compulsory labour		
HR.7 Presentation of the policy of rejection of forced and compulsory labour	98	Social Dimension
SOCIETY		
Community		
SO.1 Description of policies to manage impacts on communities in the regions affected by the activities	100 to 112 141	Social Dimension Environmental Dimension
Corruption		
SO.2 Description of compliance policies as regards corruption and bribes, directed at both the organisation and employees	(3)	N/A
Political contributions		
SO.3 Description of policy and management systems / procedures, and compliance mechanisms dedicated to political lobbying and contributions	(3)	N/A
PRODUCT RESPONSIBILITY		
Health and safety of customers		
PR.1 Description of the policy on customer health and safety during the use of products / services	126	Environmental Dimension
Products and Services		
PR.2 Description of policies and mechanisms for compliance referring to product information and labelling	(3)	N/A
Respect for intimacy		
PR.3 Description of policies and compliance mechanisms concerning customer privacy	(3)	N/A

(1) The Sustainability Report 2003 does not show any significant changes that could affect the comparability between FY2002 and FY2003. Additionally, no event has occurred in 2003 that would render it necessary to redraft the quantitative or qualitative information for FY2002.

(2) Non significant figures as regards this Report.

(3) Not available.

GLOSSARY OF TERMS

A

AENOR: *Asociación Española de Normalización* [Spanish Association for Normalization]

ASSIMILABLE OR URBAN WASTE: Waste from industry or trade which characteristics similar to that produced in private households.

B

BEST ENVIRONMENTAL PRACTICES: These consist of organisational measures that in many cases are valid in any type of activity, such as separating used paper from the rest of the rubbish for it to be recycled.

BDO (Biological demand for oxygen): Oxygen consumed by organisms for the aerobic decomposition of the organic material present in fluids such as water. It determines its degree of contamination.

C

CDO (Chemical demand for oxygen): Oxygen consumed in the chemical decomposition of organic and inorganic material. The CDO test determines the degree of contamination in a flow.

CFCS: Chlorofluocarbons, the family of halogen organ chemical compounds used as propellants in aerosols and sprays and as refrigerants in refrigerator circuits and air conditioning installations.

CO: Carbon monoxide. Gas generated in combustion reactions.

CODE OF CONDUCT: Standards and principles of compliance which regulate the relations between Inditex and its five *stakeholder groups* (employees, business partners, customers, suppliers and society)

CODE OF CONDUCT FOR EXTERNAL MANUFACTURERS AND WORKSHOPS: Standards and principles of compliance that specifically regulate the manufacturing relations between Inditex and its suppliers and external workshops.

COGENERATION TO GAS: This is the production of thermal and electric energy through the supply of natural gas.

CONTRIBUTION MARGIN: This is a financial concept that measure the contribution of a line of business to the total earnings of the company

CORRECTIVE ACTION: Performance of an action or activity to eliminate the causes of non-compliance, of a fault or any other undesirable situation in existence in order to prevent these being repeated.

D

DOW JONES SUSTAINABILITY INDEXES: This is a family of indexes that covers those companies around the world with the best track records in the social, environmental and economic fields, managed by the SAM company.

E

EBIT (Earnings before interest and taxes): Operating income less operating expenses, contributions for depreciation of fixed assets, goodwill and provisions for operating risks.

EBITDA (Earnings before interest, taxation, depreciation and amortization): Operating income less operating expenses.

E ECO-EFFICIENCY: The process of analysing the lifecycle of a product, from the extraction of raw materials to their subsequent recycling or destruction after use. This analysis allows economic and environmental aspects to be considered and products and processes to be optimized, and helps in the choice of the most eco-efficient option from between all the possible alternatives. This process permits, in the last analysis, the offering of products at the best cost with the least environmental impact.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS): The part of the general management system that includes the organizational structure, planning of activities, responsibilities, practices, procedures, processes and resources to develop the environmental policy, introduce it, carry it out, review it and keep it up-to-date.

ENVIRONMENTAL POLICY: Declaration by the organisation of its intentions and principles in relation to its general environmental conduct that provides a framework for action and for the establishment of its environmental objectives and goals.

EXTERNAL FACTORY OR WORKSHOP: A production unit that is not part of Inditex, where all or part of the product manufacturing activities are carried out.

G GREENHOUSE GASES: Gas compounds of natural or anthropogenic origin causing the greenhouse effect. There are six gases: carbonic dioxide, methane, nitrous oxide, chlorofluorocarbon, perfluorocarbons and sulphur hexafluoride.

GRI (Global Reporting Initiative): International agreement whose purpose is to establish a working structure that is widely accepted for the preparation of sustainability reports containing the three following aspects: social, environmental and economic dimensions. It also takes care of defining and publishing a guide on how to prepare the aforementioned reports, which is applied voluntarily by organisations that want to get information on the economic, environmental and social aspects of their activities, products and services.

GROSS MARGIN: This is a financial concept obtained from operating income minus the costs of goods sold.

H HAZARDOUS WASTE: That waste which contains in its composition substances catalogued as hazardous, in such quantities or concentration that it represents a risk for human health, natural resources or the environment.

I ISO 14001: International rule applying to any organisation that voluntarily desires to:

- Introduce, keep up to date and improve an environmental management system.
- Obtain the certification of this system by an external, independent organisation.

L LFL (LIKE FOR LIKE) OR COMPARABLE STORE SALES: This compares the annual change in store sales of stores open for a specific period of time with the store sales for an identical selling area for the corresponding period of the previous fiscal year.

N NO_x: Nitrogen Oxides, chemical compounds that are generated in combustion reactions.

P PACs (Corrective Action Plans): Action taken to eliminate the causes of non-compliance with the Code of Conduct for External Manufacturers and Workshops.

PVC: Polyvinyl chloride. Polymer with multiple applications in industry and which is difficult to recycle.

R RATING OR EVALUATION: Degree of compliance by a Factory or External Workshop with regard to the Code of Conduct for External Manufacturers and Workshops.

ROCE (Return on Capital Employed): A financial concept is calculated as EBIT on average capital employed which includes shareholders' equity and net financial debt.

ROE(Return on Equity): This is calculated as operating profit on average equity.

S SO₂: Sulphur dioxide, a chemical compound resulting from combustion reactions when sulphur forms part of the fuel (for example, in coal and derivatives of oil).

SOCIAL AUDIT: These are processes for systematic assessment of the social and/or environmental conduct of a factory, facility or activity, carried out by independent third parties in accordance with international standards.

SOCIAL AUDIT PROGRAM: Program for the review and introduction of the Code of Conduct that is carried out to assess the level of introduction of the Code of Conduct in the chain of production.

SOCIAL BOARD: External advisory body reporting to the Board of Directors of INDITEX made up, among others, of institutions or individuals of repute in the following fields: International Cooperation, Academic, Environmental and Social Awareness.

SOLID URBAN WASTE: That generated by private households, stores, offices and services, as well as all those that are not categorised as hazardous and that due to their nature or composition can be assimilated to those produced in the places or activities listed above.

SPILLS TO GROUND: Accidental spillage of a pollutant product or substance to the ground. This can be originated by a transfer of material or through leaks in a circuit or storage facility.

T THE GLOBAL COMPACT: An initiative of the United Nations for the protection of human rights and observance of acknowledged standards on working conditions and protection of the environment.

TURNOVER OF STOCK: This is defined as the quotient between the cost of sales of a fiscal year and the average inventory position. To this effect, the average inventory position is calculated as the arithmetic mean of the initial inventory position and the final inventory position of each fiscal year. It expresses the number of times that the inventory is turned around over the course of one year.

W WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT: An organisation currently made up of 160 international companies belonging to 30 countries of the 20 largest industrial sectors. Its mission is to provide business leadership as a catalyst for change towards sustainable development, and to promote eco-efficiency, innovation and social responsibility.

WORKING CAPITAL OR OPERATING CAPITAL: The difference between current assets and current liabilities.

CONTACTS

The management of Inditex trusts that the information included in the Sustainability Report 2003 has been useful for any of the stakeholders to whom it is addressed. The objective has not been other than that of developing new formulas of dialogue and to increase the transparency of the information in its triple dimension: social, environmental and economic. Inditex considers that the Sustainability Report is an shall be a key tool to demonstrate its commitment to transparency and, through this, to encourage all its stakeholders to give their opinion and suggestions on the matters discussed in it.

This Sustainability Report is available on the website of Inditex: www.inditex.com

The shareholders can also request copies from the Shareholders Office (tel.: +34 901 120 101; fax: +34 981 185 365; e-mail: accionistas@inditex.com).

Likewise, the information required by the legislation in force is to be found at the disposal of the shareholders and the general public.

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