
INFORMATION ON THE IMPLEMENTED TAX STRATEGY

ZARA POLSKA SPÓŁKA Z O.O.

FOR THE TAX YEAR 2022

(01.02.2022 – 31.01.2023)

Introduction

This information was prepared in order to fulfil the obligation resulting from Article 27c clause 1 of the CIT Act, imposed on the Company as an entity indicated in Article 27b clause 2 point 2) of this Act, i.e. a taxpayer whose revenue value in the tax year exceeded the equivalent of EUR 50 million converted into PLN.

List of abbreviations and definitions

Company, ZARA Polska	Zara Polska Sp. z o.o. with its registered office in Warsaw (Mysia 5, 00-496 Warsaw), KRS 0000030634, NIP: 5272227588
Group	International Inditex Group operating in the clothing industry, which includes ZARA Polska
CIT Act	Act as of 15 February 1992 on legal income tax (unified text: Journal of Laws of 2021, pos. 1800 with further amendments)
OP	Act of 29 August 1997 Tax Ordinance (unified text: Journal of Laws of 2021, pos. 1540 with further amendments)
Tax year	Tax year of the Company, for which the Information is prepared, lasting from February 1, 2022 to January 31, 2023.
Information	This information about the tax strategy implemented by the Company for the tax year

General information relevant to the tax strategy

ZARA Polska is part of the international Inditex Group dealing with the sale of clothing and accessories. The Company is responsible for the sale of ZARA brand products on the Polish market.

As a member of the Group, the Company is subject to the provisions and arrangements of the following documents in the field of tax strategy, which are implemented by it in the course of its business:

- 1) *"The Inditex Group Tax Strategy"* as of 9 December 2015 and
- 2) *"Inditex Group Tax Policy"* as of 9 December 2015, the subject of which is the development and effective implementation of tax guiding principles stated in the Tax Strategy.

These documents, which can be found in Spanish and English language versions on the group's website www.inditex.com, state that the tax strategy adopted by the Group is fully focused on achieving the Group's business objectives, which assume providing all customers with high quality products, ensuring the sustainability of its processes in the long term. The sustainability of the processes requires an unwavering commitment of contribution to the social and economic development of the different markets where the Group operates. For tax purposes, this commitment materialises in compliance with all tax rules which may arise as a consequences of its business activity, according to the applicable local and international tax regulations.

The tax strategy must ensure that compliance with tax obligations is carried out through good tax practices and in a manner consistent with the guiding principles of corporate social responsibility established by the Group.

Processes and procedures for managing the performance of obligations under tax law and ensuring their proper performance

The tax strategy as described in the previous chapter is put into practice by the Group's Code of Conduct and Responsible Practice, which is binding on all the Group's employees, including those of the Company. In this regard, the Code of Conduct and Responsible Practice in particular:

- prohibits its employees from taking actions aimed at improperly obtaining tax advantages which benefit the Group, and
- requires that the tax information of the Group and each of its members reported to the tax authorities be true and reflect reality.

The Company, as well as the entire Group, strives to ensure that relations with the tax authorities of the countries in which the Group's business is conducted are based on the principles of transparency, good faith and mutual trust.

Detailed guidelines for the implementation of the above assumptions have been formulated in the above-mentioned Inditex Group Tax Policy. They provide in particular that the Group undertakes to:

- comply with its tax obligations in accordance with applicable laws and apply the principles of the market price in relations with related parties;
- apply internal control systems related to its tax processes in order to ensure compliance with the tax obligations in accordance with the adopted rules;
- avoid the use of tax evasion schemes and cooperate with local tax authorities on detecting and searching solutions in relation to possible fraudulent tax practices carried out by third parties with the purpose of eliminating and preventing these;
- provide the necessary human and material resources (including the possibility of using the support of external tax advisors) to guarantee the compliance with the tax obligations in all countries in which the Group operates.

In order to ensure compliance with the above rules, all entities from the Group, including the Company, are obliged to consult any new activities, operations, business lines, etc. with the tax department such that the tax consequences thereof can be analysed in advance.

The Company undertakes the necessary actions to properly perform its obligations under the tax laws – both domestic and international. For this purpose:

- a) The Company makes every effort to ensure that the organization and internal rules of functioning of the financial and accounting department fully allow for timely and correct fulfilment of tax obligations by the Company – both as a taxpayer and as a payer of individual taxes;
- b) The Company uses specialized computer programs and other IT tools that support the employees of the financial and accounting department in the correct and timely fulfilment of the Company's tax obligations.

The Company has procedures in place aimed at correct and timely performance of tax obligations. Among them, we can distinguish in particular such arrangements as:

- document circulation procedure – defining the rules for verification, acceptance and accounting of external source documents,
- procedure for verification and acceptance of tax settlements – a multi-stage process of preparing and verifying tax settlements that allows to eliminate possible mistakes or human errors,
- the process of verification of suppliers and their bank accounts – aimed at checking the reliability of the Company's new suppliers and including their accounts on the so-called "white list",
- payment acceptance process,

- procedure for settling fixed assets,
- policy of accounting for business trips;
- procedure for the implementation of transfer pricing obligations,
- procedure regarding the obligation and principles of recording the sale using cash registers,
- policy of granting and accounting for employee benefits, etc.

The Company uses the following methods of tax risk management:

- using the support of tax advisory companies in case the tax implications of a particular transaction or situation are unclear,
- ordering periodic tax reviews of individual areas of the Company's operations or arrangements in order to assess whether the Company's activities are properly accounted for,
- tracking changes in tax law and current tax practice, including general tax rulings and official tax explanations – on its own initiative and with the support of tax advisory companies,
- giving regular trainings in the field of tax law for persons involved in making tax settlements of the Company and keeping its accounting, as well as, if needed, for persons from departments other than finance and accounting department,
- fulfilling tax obligations in advance of the statutory provisions, thanks to which the Company minimizes the risk of delays or exceeding deadlines for fulfilling specific tax obligations in the event of sudden and unforeseen accidents,
- providing employees of the financial and accounting department, depending on their needs, with access to specialized portals and systems related to tax and accounting issues,
- ongoing monitoring of the compliance of the financial and accounting systems used with the requirements of tax law and, to the extent necessary, appropriate adaptation of systems to these regulations.

Voluntary forms of cooperation with the authorities of the National Tax Administration

The Company strives to conduct its business in a way that ensures the creation and maintenance of positive relations with tax authorities, based on transparency and cooperation.

The Company implements the presented approach, inter alia, by timely and careful compliance with obligations arising from the provisions of the tax law, as well as by providing the necessary explanations and answers to questions addressed to the Company by tax authorities in the course of verification activities or tax proceedings.

In 2019 the Company filed a request to the Head of the National Tax Administration to conclude an advance pricing agreement to confirm the arm's length nature of transaction prices for fees payable to a related party.

Information on the Company's performance of tax obligations on the territory of the Republic of Poland, together with information on any potential tax schemes reported to the Head of the National Tax Administration

The Company makes every effort to ensure reliable and timely implementation of its tax obligations.

The Company is a taxpayer of the following types of taxes:

- corporate income tax (CIT),
- value added tax (VAT),
- retail sales tax.

In occasional cases, the Company may also be a taxpayer of other types of taxes, e.g. tax on civil law transactions (PCC).

At the same time, the Company acts as a payer (remitter) of personal income tax (PIT) and corporate income tax (the so-called withholding tax – WHT), as well as a payer of social security contributions (ZUS).

The Company also performs numerous reporting obligations provided for in the tax law provisions. In addition to submitting as a taxpayer and remitter tax returns related to the above-mentioned taxes (CIT, PIT, VAT), the Company is obliged to submit in particular:

- IFT-2/2R information (information on the amount of revenue (income) obtained by corporate income taxpayers without their registered office or management board in Poland),
- TPR-C information (transfer pricing information),
- ORD-U information (information on contracts concluded with non-residents),
- CIT-10Z (declaration on the amount of the withholding tax charged by the tax remitter on the income (revenue) obtained by the foreign taxpayers),
- CBC-P (notification regarding the obligation to provide information on a group of entities).

The Company verifies transactions and actions taken on an ongoing basis in terms of the provisions of the OP related to tax schemes and, if identified, reports these to the Head of KAS (National Tax Administration).

During the period covered by this document the Company have not provided tax authorities with any MDR information.

Information on related party transactions

During the financial year 2022 the Company entered into transactions with related parties, the value of which exceeded 5% of the balance sheet total of assets as reported in the latest approved financial statements of the Company. These transactions included in particular the purchase of apparel, footwear and accessories as well as a license to use certain IP.

The Company timely fulfilled its transfer pricing obligations.

Information on planned or undertaken restructuring activities that may affect the amount of tax liabilities of the taxpayer or related entities

The Company did not make any business decisions with respect to restructuring processes to be implemented (even in the future).

Information on applications submitted by the taxpayer for a general tax ruling, individual tax ruling, binding rate information and binding excise information

During the period covered by this information, the Company did not submit any applications to the tax authorities for general tax rulings, binding rate information or binding excise information. The Company submitted one motion for individual tax ruling.

Information on the tax settlement of a taxpayer in territories or countries applying harmful tax competition

In accordance with the Inditex Group Tax Strategy, the entities of the Group (including the Company) are obliged to exercise special control and supervision over payments made to entities or bank accounts existing in territories considered to be "tax havens" in the jurisdictions in which the Group operates (if such activity exists).

However, the Company does not cooperate with entities that have their registered office or management in territories applying harmful tax competition. Due to special legal and intra-group restrictions

regarding cooperation with such entities, the Company carries out a detailed verification of contractors with whom it intends to cooperate - both in terms of the place of their registered office and management, as well as bank accounts indicated by contractors (country where they are maintained).