









# ROBUST COMPLIANCE ARCHITECTURE

*Inditex's corporate ethical culture is at the core of its Compliance Model. Such Model not only seeks to establish a regulatory compliance system, but it also seeks to reflect Inditex's firm commitment to good governance and social and environmental sustainability, and convey such corporate ethical culture to all our stakeholders, promoting respect for fundamental Human and Labour Rights across our supply chain.*

SDG	Goals	Contribution of Inditex
	5.1	Our Code of Conduct and Responsible Practices and Code of Conduct for Manufacturers and Suppliers evidence how the gender equality principle is firmly embedded into Inditex's culture. In addition, our Diversity and Inclusion Policy actively fosters diversity and equal opportunities and embodies a zero-tolerance stance towards discrimination of any kind, including on the grounds of gender.
	5.5	
	8.5	Inditex's Code of Conduct and Responsible Practices and its Code of Conduct for Manufacturers and Suppliers formally set down the firm's commitment to the provision of decent work. Both codes include a series of undertakings with respect to conduct and responsible practices, specifically including compliance with applicable legislation, internal rules and regulations and the external agreements Inditex has entered into.
	16.5	The Code of Conduct and Responsible Practices encompasses a series of undertakings, including the commitment to engage in licit, ethical and respectful dealings with suppliers and public authorities, aligned with international standards for the prevention of corruption and bribery. In addition, Inditex has built a robust Compliance Model which transmits a genuinely ethical corporate culture to all its stakeholders.
	16.7	
	17.7	Inditex has a Social Council, the body tasked with advising it on sustainability matters. It is made up of individuals and institutions that are external to and independent of the Group. Its core remit is to formalise and institutionalise Inditex's dialogue with the stakeholders deemed key in civil society. In 2019, Inditex's Board of Directors set up a new steering committee: the Sustainability Committee.

 Más información en las páginas 328 and 329 de esta Memoria Anual.

## A) Compliance

### Foreword

Inditex ("Inditex", the "Company" or the "Group") relies on a well-rounded Compliance model (the "Compliance Model" or the "Model"), defined as a system to organise, prevent, detect, monitor and manage legal and reputational risks arising out of potential noncompliance with applicable mandatory regulations and standards, internal regulations and best practices.

### Compliance Function

Inditex's Compliance Model is cross-cutting: it is a corporate function that serves all the commercial formats of the Inditex Group.

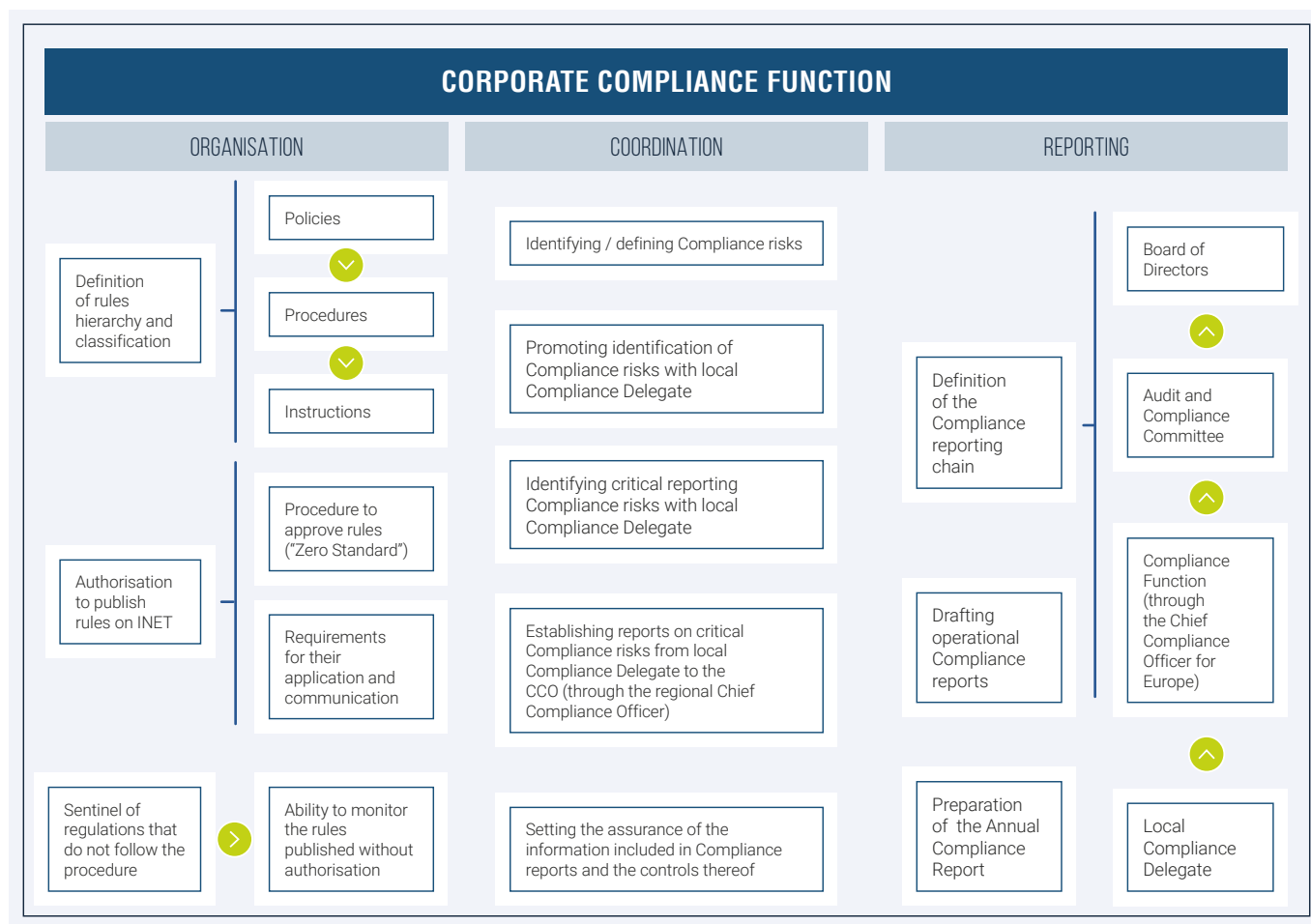
In order to organise and coordinate the management of the Model, the Compliance Function has been created, represented by the Committee of Ethics, which acts as the decision-making body, and the General Counsel's Office – Office of the Chief Compliance Officer ("General Counsel's Office – Office of the Chief Compliance Officer" or "GCO-OCCO"), responsible for the effective management of the Compliance Model.

The Compliance Function carries out a threefold duty:

- Organisation: the GCO-OCCO guarantees that the internal regulations of the Company, consisting of Policies, Procedures and Instructions, are given priority.
- Coordination: the GCO-OCCO collaborates with the different areas and departments entrusted with compliance functions in identifying potential risks of noncompliance and defining and implementing controls to prevent their materialisation.
- Reporting: all departments entrusted with compliance functions regularly report to the GCO-OCCO any critical aspects which may have an impact on Inditex, from a compliance perspective. GCO-OCCO consolidates the information gathered in a report approved on a half-yearly and annual basis by the Committee of Ethics. Such report is submitted to the Board of Directors via the Audit and Compliance Committee.

The Compliance Function is governed by the Compliance Policy and the Compliance Management Procedure.





## Structure of the Compliance Model

Based upon the guidelines provided in the regulatory framework, namely the provisions on criminal liability of legal persons of the Spanish Criminal Code, as amended, Inditex has set in train a structure of (high level) core regulations which constitute the key points of the Company's Compliance Model. Such core regulations at the basis of the Model are:

- **The Code of Conduct and Responsible Practices**, which reflects Inditex's business culture and sets forth the ethical lines of action that must be followed by all employees of the Inditex Group upon engaging in their occupation.
- **The Code of Conduct for Manufacturers and Suppliers**, which defines the minimum standards for an ethical behaviour which must be met by all manufacturers and suppliers of the Inditex Group.

In addition to such core regulations (and their respective organisational documents), Inditex has approved a number of regulations which are also deemed to be high-level and cross-cutting.

The regulations at the basis of the Model of Criminal Risk Prevention of the Inditex Group, that seeks to prevent or, as the case may be, reduce a potential perpetration of offences should be mentioned first:

- **The Policy on Criminal Risk Prevention** that associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent.
- **The Criminal Risk Prevention Procedure** that sets out the duties of the Committee of Ethics in the field of criminal risk prevention, and the organisational measures of the Company in this area.
- **The Scoping Matrix of Criminal Risks and Controls** that sets out the criminal risks and controls established to prevent the materialisation of such risks.

The Model of Criminal Risk Prevention is the cornerstone of the Compliance Model.

The Model of Criminal Risk Prevention is subject to an ongoing process of verification (internal and external), update and improvement, to bring it into line with the development and growth of the Inditex Group, and statutory requirements, recommendations and best practices

from time to time existing in the field, thus ensuring its effectiveness and the appropriate operation of the controls which are part of the Scoping Matrix of Criminal Risks and Controls

Within the scope of such Model of Criminal Risk Prevention, a number of regulations have been approved further to statutory obligations comprising the regulatory framework applicable to Inditex. Namely, for the purposes of ensuring that all Inditex employees and those third parties with whom they are engaged in any business relationship comply with the main anti-bribery and anti-corruption regulations applicable in the markets where the Group is present, the so-called **Integrity Policies** have been approved. Such Policies endorse the provisions set out in ISO 37001 standard and implement the ethical values of the Group, defined in the Codes of Conduct. The Integrity Policies consist of:

- **The Policy on Donations and Sponsorships**, which covers the requirements that donations and sponsorships must meet to be made and/or accepted.
- **The Policy on Gifts and Business Courtesies**, which covers the requirements that must be met for the offering and/or acceptance of gifts and business courtesies to be valid and compatible with Inditex's conduct regulations.
- **The Policy on Dealings with Public Servants**, which (i) expressly forbids bribes in the public or private sectors; (ii) covers extortion payments; (iii) expressly forbids facilitation payments; and (iv) establishes due diligence processes implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

Furthermore, the so-called Conflicts of Interest Policy was approved in 2019. Such Policy sets out the principles and yardsticks that must be considered to prevent, detect, disclose and manage such conflicts of interest which may affect Inditex employees in the performance of their job, jeopardising their requisite objectivity or professionalism.

As a demonstration of Inditex's unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and its will to work with the competent authorities, Inditex relies on the Anti-Money Laundering and Terrorist Financing Policy. Such Policy defines the due diligence processes in the field implemented within the Company taking into account the different business it conducts, that is:

- The process to limit cash payments at stores; and
- The process to identify and review business partners, suppliers and other third parties, with whom Inditex has a business relationship.

Such due diligence processes have been made a part of the Company's internal regulations in particular via:

- The Due Diligence Policy, which addresses the due diligence process which consists of identifying and reviewing all business partners and third parties with whom Inditex has trade relations, in the field of corruption, fraud, international trade sanctions and/or any other risks of a similar nature. Therefore, this is a process independent from any other social, environmental, operational, financial, commercial review or otherwise, that the Group may carry out in respect of suppliers or other third parties.

Likewise, the Due Diligence Procedure covers the organisational measures implemented by the Company to duly monitor third parties with which it is associated. In 2019, work has been done to implement the third-parties due diligence project which will be fully operational in FY2020.

- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets, which sets out restrictions to hire suppliers, as only suppliers who have their registered office in markets authorised by the Group and which meet statutory and business operability criteria can be hired.

[Further and more detailed information on Inditex's Model of Criminal Risk Prevention and its management and oversight bodies is provided in the Statement on Non-Financial Information of the Group, which is in an integral part of the Directors' Report, as Annex IV.]

Pursuant to the provisions of the above-referred Integrity Policies and to Inditex's work and ethical culture, the Company does not make any direct or indirect contributions to any political parties, foundations related to them or candidates to public offices.

Other internal regulations with a significant weight within Inditex, are:

- a. The Financial Risk Management Policy.
- b. The Enterprise Risk Management Policy.
- c. The Corporate Social Responsibility Policy.
- d. The Environmental Sustainability Policy.

- e. The Tax Policy and Strategy.
- f. The Internal Regulations of Conduct regarding Transactions in Securities (IRC).
- g. The Policy on Internal Control over Financial Reporting System (IFRS).
- h. The Health and Safety Policy.
- i. The Standard for Procurement Management.
- j. The Policy on Human Rights.
- k. The Corporate Citizenship Policy.
- l. The Diversity and Inclusion Policy.
- m. The Occupational Health and Safety Policy.

## International roll-out of the Compliance Model

Inditex has encouraged the international roll-out and implementation of the Compliance Model across all Group's companies and all the markets where it operates.

The global management of the Compliance Model is led by the corporate Compliance Function, with the support of regional Compliance Officers appointed in Europe, Asia and America, who in turn rely on local Compliance delegates in each market where the Company is present.

As part of this international roll-out process, different local policies have been implemented that seek to comply with the legal requirements and the recommendations existing in the different jurisdictions. In this regard, special mention should be made of the approval of the Code of Conduct for the USA, Puerto Rico and Canada, in line with applicable regulations and existing best practices in the field in such countries.

Specific anti-corruption models have been implemented for the purposes of meeting statutory requirements existing in certain jurisdictions. Such models are also subject to an ongoing process of verification (internal and external), update and improvement.

## Information, Awareness-raising and Training on Compliance

### a) Communication, and internal and external circulation

Inditex has implemented a repository of regulations duly arranged, easy to find and available on the Company's intranet, under the "Compliance" section, which can be accessed from any device. Such repository allows the appropriate circulation of the Company's regulations and helps monitor, implement and assess the Compliance Function.

Likewise, the Company's main regulations are also available to the different stakeholders, on the corporate website ([www.inditex.com](http://www.inditex.com)), under the new "Compliance" tab, as well as on the suppliers' web.

For the purposes of further ensuring at the highest level, the Company's formal commitment to an ethical and responsible behaviour as part of the Group's business culture and especially, to the Model of Criminal Risk Prevention, GCO-OCCO is responsible for:

- apprising and keeping members of the Board of Directors duly updated, by means of a quarterly follow-up, on the following issues: (i) the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; (ii) the findings of the supervision of the Model of Criminal Risk Prevention of the Group; and, (iii) the proceedings to implement such Model, both at domestic and international level (i.e., proceedings relating to the acceptance of the Code of Conduct and Responsible Practices, and the circulation, communication and training in the field).
- timely disclosing any and all corporate internal regulations approved to this end, to all officers and supervisors of area and activities of the Group (i.e., brand directors, heads and supervisors of corporate areas, heads of subsidiaries in other markets and their chief financial officers, and other heads and supervisors of activities and departments), reminding them of their obligation to circulate the communication and the regulations to all the relevant staff members within their purview. Upon determining any other potential recipients, GCO-OCCO also considers the specific scope of application of each policy and procedure subject to communication.

Other communication and internal circulation initiatives addressed to Group employees are also carried out (e.g. displaying posters about the Code of Conduct and the Ethics Line at stores of the different formats and markets, with direct access thereto in local language, via a QR code; posting online highlights on the intranet, etc.). Special

mention should be made of the email sent from the Ethics Line address to all officers and middle managers of the Group, and to such Group employees in Spain, who on account of their relationship with suppliers and/or third parties, must be expressly aware of the risks relating to private-to-private corruption or business corruption, reminding them of the provisions of the Code of Conduct and Responsible Practices and the Policy on Gifts and Business Courtesies regarding acceptance and receipt of gifts from suppliers.

## b) Training

Inditex pays special attention to training as a key tool to raise awareness and consolidate its corporate ethical and compliance culture among its employees and stakeholders. In this regard, Inditex provides training (both onsite and through the e-learning platform) fit for the different recipients thereof.

The Compliance Function is responsible for coordinating the different training and awareness-raising initiatives and proceedings in the field of Criminal Compliance (namely, regarding the Code of Conduct and Responsible Practices and the Ethics Line – formerly known as the “Whistle Blowing Channel” –), carried out by the different areas and departments entrusted with compliance duties, and for the joint reporting in the relevant annual report, pursuant to certain guidelines set out in the new Training Plan on Criminal Compliance for 2020. The Plan seeks to provide training on the different risk events which are relevant for the Company. The Plan has been drafted based upon the Map of Criminal Risks and Controls, stemming from the Scoping Matrix, further to its review and update.

The Committee of Ethics approved in 2019 the Report on Training on Criminal Compliance for 2019 that reviews the training, dissemination and communication proceedings carried out in the year and addresses the relevant plans for improvement.

The most relevant training and dissemination proceedings carried out in 2019 include:

- Training on the Code of Conduct and Responsible Practices, the Committee of Ethics and the Ethics Line run to all new hires both: (i) onsite, during the “Welcome Day” at Inditex headquarters and at the Group brands; and (ii) online, via OnAcademy, an e-learning platform.

On the other hand, it should be mentioned that upon being hired, all employees are imparted specific training on the Code of Conduct and Responsible Practices, which they undertake to comply with either when they sign the employment agreement, which includes an adherence to the Code clause, or via the relevant statement.

Consequently, considering the number of hires registered in 2019 versus the average staff, 29% of all Group employees have received training on the Code of Conduct and Responsible Practices in the year (29% of employees in 2018) as broken down below:

	% TOTAL	
GEOGRAPHIC AREA	2019	2018
Spain	14.9%	13.7%
Rest of Europe	31.5%	33.2%
America	34.2%	42.0%
Asia and Rest	44.9%	45.6%
<b>TOTAL</b>	<b>29%</b>	<b>29%</b>

	% TOTAL	
JOB CLASSIFICATION	2019	2018
Manager	1.8%	3.3%
Supervisor	1.6%	4.2%
Specialist	34.6%	33.9%
<b>TOTAL</b>	<b>29%</b>	<b>29%</b>

- The implementation of the plan for the circulation and acceptance of the Code of Conduct and Responsible Practices for the US has continued in 2019, with 99.99% of the US staff having adhered to such Code and received training on the same as at 31 December 2019 (vs 99% of staff as at 31 December 2018).

Special mention should be made of the circulation, awareness-raising and internal training campaign on the Code of Conduct and Responsible Practices for Canada following its launch in August 2019.

Following the publication of the Code by the management of the subsidiary and its posting on the corporate website and the local intranet, an intensive plan for the circulation of the Code and the acceptance thereof by the employees has been launched: (i) posters of the Code of Conduct and the Ethics Line are on display at the stores of the different brands in the market, as well as at headquarters, with a QR code to have direct access thereto; and, (ii) training on the Code has been run during the “Morning Meetings” held at the stores of the different brands in the market.

As at 31 January 2020, 86% of the employees of the Canadian subsidiary had adhered to and received training on the Code of Conduct and Responsible Practices.

- Also noteworthy is the training on the Code of Conduct and Responsible Practices campaign launched in 2019 at all the stores of all Group brands in China, France and Turkey. A module on anti-corruption and the Ethics Line was included in such training.

As at 31 January 2020, training on the Code of Conduct and Responsible Practices had been imparted in 550, 265 and 230 stores in China, France and Turkey, respectively. This means that, as at 31 January 2020, 95%, 56% and 99% of store staff in China, France and Turkey, respectively, had received training on the Code of Conduct and Responsible Practices.

- Onsite training addressed to the following groups which are, on account of their position and responsibility, or the type of activity they carry out, exposed to a higher risk of perpetrating offences relating to private-to-private corruption:

- Governing bodies of the Group:

- Managers of Group brands in Spain and other corporate supervisors, and supervisors of areas have received training on the Code of Conduct and Responsible Practices, the Integrity Policies and the Conflicts of Interest Policy.
- Onsite training and training via video conference has been run to subsidiaries' directors, brand managers, corporate supervisors and supervisors of other areas of the different subsidiaries of the Group in Europe (France, Italy and UK) and America (Argentina, Canada, Chile, USA and Mexico) on a number of topics, including without limitation, the Code of Conduct and Responsible Practices, the Integrity Policies and the Conflicts of Interest Policy, and in particular in France, Italy, Mexico and UK, the relevant anti-corruption or criminal risk prevention models.

- Specific training on the 3rd parties Due Diligence Policy and Procedure has been imparted to 10 Chief Financial Officers of foreign subsidiaries.

This means that 20.20% of Group officers and in particular 33.33% of senior managers have received training on Criminal Compliance (in 2018, 34.7% of officers and 100% of senior managers, respectively).

- Other groups of employees:

- Employees of Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Zara Home, Oysho, Uterqüe and Tempe who, on account of their job, are often in contact with suppliers and/or civil servants or public administrations (namely, commercial teams), have received training on the Code of

Conduct and Responsible Practices - in particular, on corruption, fraud and bribery prevention, and on conflicts of interest -, and the Ethics Line (94.2% of Zara's commercial teams in 2018).

This is one of the most relevant training proceedings since: (i) members of commercial teams of the above referred brands represent 30% on aggregate number of commercial teams' staff of the Group (36.9% in 2018); and (ii) such training is addressed to a larger number of groups, as it is also imparted to employees of departments or areas other than commercial teams who are also exposed to a high risk of corruption.

This initiative is expected to be further implemented in 2020 at Lefties, the commercial team of e-commerce and other groups of employees who are, on account of their job, highly exposed to this type of risk.

- Purchase team of ITX Trading subsidiary in China has received training on the Code of Conduct and Responsible Practices, and in particular, on corruption and bribery, conflicts of interest and the Ethics Line.

Inditex has a number of product purchase offices not based at the headquarters of the Group brands. The purchase office in China represents approximately 30% of the aggregate number of employees of such offices, and the employees of this specific purchase office to whom training was run represent 16% of total number of staff members of such offices (35% in 2018, including the employees of the purchase office in Turkey who received training).

This initiative is expected to extend to the remaining purchase offices of the Group throughout 2020.

- Specific training on the 3rd parties Due Diligence Policy and Procedure has been imparted to 21 Chief Accounting Officers of foreign subsidiaries and to all legal heads of the Group.



*To ensure maximum transparency, Inditex posts all relevant communications on its corporate website, as well as the results releases, reporting on the meetings and other proceedings with institutional investors.*

## B) Good Corporate Governance

Corporate Governance can be defined as the manner in which companies are organised, managed and controlled. Therefore, it qualifies as a general and cross-cutting branch within the scope of Compliance management and organisation, that seeks to ensure compliance at all times and at the highest level, to wit, by members of management and members of the Board of Directors, with regulations, recommendations and best practices in the field.

In this context, good corporate governance is in place, when directors and officers responsible for governance, proceed diligently, ethically and with transparency in the performance of their duties, are held accountable for their deeds, which are subject to verification and monitoring, both internal and external, and ensure balance of powers, respect and equal treatment of all shareholders, namely of minority ones.

Section 5.4. of the Board of Directors' Regulations reads as follows: *"The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company's value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other "stakeholders" of the Company: employees, customers, suppliers and the civil society in general. The Board of Directors shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed."* Thus, the enhancement of the Company's value may only be understood as an ongoing building value process with regard to each and every stakeholder therein involved: employees, shareholders, customers, business partners, suppliers and the society at large, i.e., a socially responsible business model that allows ongoing dialogue and serves

the common interests of all the groups associated with the Company.

The concept of good corporate governance is an essential part of the corporate Compliance model and a strategic tool to implement the ethical, effective and competitive business model.

### Annual Corporate Governance Report

In line with the foregoing, the Annual Corporate Governance Report for financial year 2019 (from 1 February 2019 through 31 January 2020) approved by Inditex's Board of Directors, available on the corporate website ([www.inditex.com](http://www.inditex.com)) and on CNMV's website ([www.cnmv.es](http://www.cnmv.es)) provides full and reasoned information about the structure and governance practices of the Company. As regards its format, contents and structure, the 2019 Annual Corporate Governance Report has been filed in accordance with the provisions of applicable regulations, and of CNMV's Circular 2/2018, of 12 June, which amended (i) Circular 5/2013 of 12 June, that established the standard forms for the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading on official securities market; and (ii) Circular 4/2013 of 12 June that established the standard forms for the annual report on remuneration of directors of listed public companies, and of members of the board of directors and control committees of savings banks issuing securities admitted to trading on official securities markets ("**Circular 2/2018**"). This Report has been filed in a free format, in accordance with the provisions of Circular 2/2018, above referred.

In 2019 the degree of compliance with the applicable recommendations of CNMV' Unified Good Governance Code of Listed Companies (GGC) stands at 99%.

(1) CNMV stands for Comisión Nacional del Mercado de Valores, the Spanish Securities and Exchange Commission

## Regulations on corporate governance

Inditex's corporate governance regulations are listed below, together with the date when they were last amended:

INTERNAL REGULATIONS	COMPETENT GOVERNING BODY	DATE OF APPROVAL / LAST AMENDMENT
Articles of Association	General Meeting of Shareholders	16-07-2019
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	14-07-2015
Board of Directors' Regulations	Board of Directors	16-07-2019
Audit and Compliance Committee's Regulations	Board of Directors	16-07-2019
Nomination Committee's Regulations	Board of Directors	16-07-2019
Remuneration Committee's Regulations	Board of Directors	16-07-2019
Sustainability Committee's Regulations	Board of Directors	16-07-2019
Internal Regulations of Conduct regarding transactions in Securities (IRC)	Board of Directors	16-07-2019
Remuneration Policy for Directors	General Meeting of Shareholders	16-07-2019

## Transparency and information

Good governance requires that stakeholders may have regular and timely access to any relevant, appropriate and reliable information, both as regards governance regulations and exercise, and the results achieved.

Therefore, in order to achieve maximum transparency, in addition to disclosing all relevant information and communications on its corporate website ([www.inditex.com](http://www.inditex.com)), Inditex has kept the market regularly posted in 2019 by submitting the relevant "Results releases" and by means of meetings and other proceedings with institutional investors.

A summary of the most relevant issues of Inditex's Corporate Governance is included in this section of the Annual Report:

Ownership structure.

2. General Meeting of Shareholders.

3. Board of Directors.

4. Board Committees and other governing bodies.

5. Remuneration.

6. Senior managers.

7. Related-party transactions and conflict of interest situations.

8. Transparency, independence and good governance.

9. Internal Regulations of Conduct regarding Transactions in Securities (IRC) and Compliance Supervisory Board (CSB).



# 01/ Ownership structure

## 01.01/ Share capital

As at 31 January 2020, Inditex's share capital amounted to €93,499,560.00 represented by 3,116,652,000 shares.

All shares are of the same class and series, are represented by the book-entry method and are fully paid-up and subscribed. All of them carry the same voting and economic rights.

## 01.02/ Market capitalization

Inditex has been listed on the different Spanish Stock Exchanges since 23 May 2001 and has been part of the selective Ibex 35 index since July 2001. In addition, it has been part of the Stoxx Europe 600 since September 2001, of the selective Morgan Stanley Capital International index since November 2001, of the Dow Jones Sustainability index since September 2002, of the FTSE4Good index

since October 2002 and of the FTSE ISS Corporate Governance index, since its launching in December 2004.

As at 31 January 2020, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was €31.38 per share.

## 01.03/ Share capital ownership

The Company issues bearer shares, represented by the book-entry method. Notwithstanding this, pursuant to section 497 of the revised text of the Spanish Companies Act approved by Real Decreto Legislativo 1/2010, of 2 July, (the "Companies Act" or "LSC" [Spanish acronym]), the contract entered into by Inditex and Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) [Spanish Central Securities Depository in charge of the Register of Securities, and the Clearing and Settlement of all trades] regarding the daily share ownership notification service has remained in effect in 2019. As at 31 January 2020, board members had a 59.371% equity interest in the Company's share capital, broken down as follows:

NAME OR COMPANY NAME OF DIRECTOR	% OF SHARES CARRYING VOTING RIGHTS		% OF VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS		% OF TOTAL VOTING RIGHTS	% VOTING RIGHTS THAT CAN BE TRANSMITTED THROUGH FINANCIAL INSTRUMENTS	
	DIRECT	INDIRECT	DIRECT	INDIRECT		DIRECT	INDIRECT
Mr Pablo Isla Álvarez de Tejera	0.063%	-	0.0081%	-	0.071%	-	-
Mr Amancio Ortega Gaona	-	59.294%	-	-	59.294%	-	-
Mr Carlos Crespo González	0.001%	-	0.0042%	-	0.005%	-	-
Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
PONTEGADEA INVERSIONES, S.L.	50.010%	-	-	-	50.010%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-

(2) With regard to the second cycle of the 2016-2020 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum of 95,651 shares, i.e. 0.003%. Likewise, with regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares, i.e. 0.005%.

(3) With regard to the second cycle of the 2016-2020 Long-term Incentive Plan, the CEO may receive up to a maximum of 20,666 shares, i.e. 0.001%. Likewise, with regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the CEO may receive up to a maximum of 106,752 shares, i.e. 0.003%.

In addition to board members, according to the Company's Register of Shareholders, and as it is inferred from the public information filed with CNMV, the owners of significant holdings in the Company, excluding board members, were:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% of the share capital)
- Rosp Corunna Participaciones Empresariales, S.L.U<sup>4</sup>. (owner of 157,474,030 shares, representing 5.053% of the share capital).

## 01.04/ Rights on shares

The second and last cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan accrued on 31 January 2020. Such Plan was approved by the Board of Directors on 8 March 2016, on the proposal of the Remuneration Committee, and by the Annual General Meeting held on 19 July 2016.

Under such Plan, executive directors have accrued the following incentive, respectively:

### Executive Chairman:

- An incentive in cash in the gross amount of €769k.
- An incentive in shares equivalent to 31,888 shares

### CEO

- An incentive in cash in the gross amount of €46k. This is the amount accrued from the date of his appointment as CEO on 16 July 2019, through 31 January 2020.
- An incentive in shares materialised in 1,259 shares. Such number corresponds to the part accrued from the date of his appointment as CEO on 16 July 2019 through 31 January 2020.

With regard to the above-referred second cycle of the plan, the incentive was delivered within the month following the statement by the Board of Directors of the annual accounts for 2019, i.e., in April 2020.

The new 2019-2023 Long-Term Incentive Plan addressed to members of management and other employees of Inditex and its Group is in effect in 2020. The Plan was approved by the Annual General Meeting held on 16 July 2019.

Pursuant to the terms and conditions of such Plan approved by the Annual General Meeting on 16 July 2019 (full text of the resolution is available on [www.inditex.com](http://www.inditex.com)), the Executive Chairman and the CEO might obtain a maximum number of 390,000 and 260,000 shares, respectively.

## 01.05/ Shareholders' agreements

No notice has been received by Inditex regarding the existence of any shareholders' agreements in respect of voting rights in annual general meetings, or which may limit the free transfer of shares, nor has it learned about any concerted actions between its shareholders.

## 01.06/ Own shares

The authorisation granted by the Annual General Meeting on 16 July 2019, by virtue of which the Board of Directors is authorised to acquire the Company's own shares, is in effect (the full text of this resolution is available on [www.inditex.com](http://www.inditex.com)). Such authorisation superseded the previous one, approved by the Annual General Meeting on 19 July 2016.

As at 31 January 2020, Inditex was the owner of 2,125,384 treasury shares representing 0.068% of the share capital.

# 02/ General meeting of shareholders

The General Meeting of Shareholders duly convened and with a quorum present, pursuant to statutory provisions 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 shareholders, including absent or dissenting shareholders, without prejudice to any remedies they may have at law.

## 02.01/ Authorities

The General Meeting of Shareholders is authorised to pass all kinds of resolutions concerning the Company. In particular, without prejudice to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

(4) Ms Sandra Ortega Mera and Mr Marcos Ortega Mera are the indirect owners of significant holdings through such company.



- (a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.
- (b) To appoint, re-elect and remove directors, as well as, confirm or revoke interim appointments of directors made by the Board of Directors, and to review their management.
- (c) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors.
- (d) To approve the directors' remuneration policy pursuant to statutory terms.
- (e) To conduct, as a separate item on the agenda, an advisory say-on-pay vote on the Annual Report on Remuneration of Directors.
- (f) To authorize the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the authorisation to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.
- (g) To authorise the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.
- (h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the preemptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, and generally, any other amendment whatsoever of the Articles of Association.
- (i) To authorise the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.
- (j) To approve such transactions which entail a structural amendment in the Company, and namely: (i) the transformation of listed companies into holding companies, through "subsidiarization" or the assignment to subsidiaries of core activities theretofore carried out by the Company, even though the Company retains full control of such entities; (ii) the acquisition, disposal or contribution of essential assets to another company; and, (iii) such transactions which entail an effective amendment of the corporate objects and those having an effect equivalent to the liquidation of the Company.
- (k) To appoint, re-elect and remove the statutory auditor.
- (l) To appoint and remove, where appropriate, the Company's liquidators.
- (m) To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof.
- (n) To resolve on the matters submitted to it by a resolution of the Board of Directors.
- (o) To give directions to the Board of Director or to submit to its prior authorisation the passing by the Board of Directors of decisions or resolutions on certain management matters; and
- (p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues.

## 02.02/ Proceedings of the General Meeting of Shareholders

The Board of Directors must call the Annual General Meeting once a year, within the first six months of the closing of each financial year in order to, at least, review the Company's management, approve, where appropriate, the financial statements of the previous year and 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 representing at least 3% of the share capital so request, expressing in the request the business to be transacted. In this latter case, the General Meeting of Shareholders must be convened to be held within the term provided in the applicable regulations and the agenda of the meeting must necessarily include the matters that were the subject of the request.

In the resolutions regarding the notice calling of the Annual General Meeting, the Board of Directors shall require the presence of a Notary to take up the minutes of the Meeting.

General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register or in one of the newspapers with the largest circulation in Spain, on the Company's website ([www.inditex.com](http://www.inditex.com)) and on CNMV's website ([www.cnmv.es](http://www.cnmv.es)), at least one month in advance of the day scheduled for the meeting to be held, or within any longer period required by statute, where appropriate, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call. There must be at least a 24-hour period between the first and the second call. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

No later than the date of publication, or at any rate, on the business day that immediately follows, the Company shall send the notice calling the meeting to CNMV, and to the Governing Organisations of the Stock Exchanges where the Company's shares are listed for its insertion in the relevant Listing Bulletins.

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and a quorum shall be deemed to be present to transact any business, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

## 02.03/ Quorum required to hold a valid General Meeting of Shareholders

CALL	GENERAL RULE (SEC. 193 LSC)	SPECIAL CASES (SEC. 194 LSC)
First	Attendance of shareholders, present or by proxy, owning at least 50% of the subscribed share capital with the right to vote shall be required.	
Second	Generally, a quorum shall be present regardless of the share capital attending the meeting	Attendance of shareholders representing at least 25% of the subscribed share capital with the right to vote shall be required.

## 02.04/ Passing of resolutions

The system regarding passing of resolutions is that provided in the Companies Act.

## 02.05/ Attendance to the Annual General Meeting held in FY2019 and the two previous years:

DATE AGM	ATTENDANCE DATA				
	% PHYSICALLY PRESENT	% PRESENT BY PROXY	% DISTANCE VOTING		
			ELECTRONIC VOTING	OTHERS	TOTAL
18-07-2017	0.08%	86.56%	0.68% <sup>(1)</sup>	87.32%	
17-07-2018	0.08%	88.15%	0.002% <sup>(2)</sup>	0.013% <sup>(2)</sup>	88.245%
16-07-2019	0.08%	87.19%	0.001% <sup>(3)</sup>	0.349% <sup>(3)</sup>	87.619%

- (1) One hundred and fourteen shareholders cast their vote through distance communication means, by post, or electronic vote
- (2) One hundred and nineteen shareholders cast their vote through distance communication means, by post, or electronic vote
- (3) Three hundred and sixty-one shareholders cast their vote through distance communication means, by post or electronic vote

## 02.06/ Resolutions passed

The full text of the resolutions passed by the Annual General Meeting held in FY2019 and the result of the votes thereof are available on [www.inditex.com](http://www.inditex.com). All resolutions were passed by majorities of votes for ranging from 99.10% to 100%.

Specifically, resolutions were passed regarding the items below:

*"1.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Notes to the accounts) and Directors' Report of Industria de Diseño Textil, Sociedad Anónima, (Inditex, S.A.) for financial year 2018, ended 31 January 2019.*

*2.- Review and approval, where appropriate, of the Consolidated Annual Accounts (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the consolidated accounts) and Consolidated Directors' Report of the Inditex Group for financial year 2018, ended 31 January 2019.*

*3.- Review and approval, where appropriate of the Statement on Non-financial Information (Act 11/2018, of 28 December, on mandatory disclosure of non-financial information).*

*4.- Distribution of the income or loss of the financial year and declaration of dividends.*

*5.- Determining the new number of directors.*

6.- Re-election and appointment of members of the Board of Directors:

- a) Re-election of Mr Pablo Isla Álvarez de Tejera to the Board of Directors, as executive director.
- b) Re-election of Mr Amancio Ortega Gaona to the Board of Directors, as non-executive proprietary director.
- c) Appointment of Mr Carlos Crespo González to the Board of Directors, as executive director.
- d) Re-election of Mr Emilio Saracho Rodríguez de Torres to the Board of Directors, as non-executive independent director.
- e) Re-election of Mr José Luis Durán Schulz to the Board of Directors, as non-executive independent director.

7.-Amendment of the Articles of Association to bring them into line with the latest amendment of the Companies Act, the renaming of the Audit and Control Committee (hereinafter, "Audit and Compliance Committee") and the formation of a new Sustainability Committee:

- a) Amendment of article 13 ("The General Meeting of Shareholders") in Part I ("General Meeting of Shareholders") Chapter III ("Governing Bodies of the Company").
- b) Amendment of article 22 ("Board of Directors"), article 28 ("Audit and Compliance Committee"), article 29 ("Nomination Committee") and article 30 ("Remuneration Committee", and addition of a new article 30bis ("Sustainability Committee"), all of them in Part II ("Board of Directors") Chapter III ("Governing Bodies of the Company").
- c) Amendment of article 34 ("Annual Accounts. Accounting documents. Review of the annual accounts"), article 37 ("Declaration of dividends") and article 38 ("Filing of accounts"), in Chapter IV ("Financial year, annual accounts: verification, approval and publication. Distribution of income or loss").

8.- Re-election of Deloitte, S.L. as Statutory Auditor of the Company and its Group for FY2019.

9.- Approval, where appropriate, of a long-term incentive plan in cash and in shares, addressed to members of management, including the executive directors, and other employees of the Inditex Group.

10.- Authorisation to the Board of Directors for the derivative acquisition of own shares, superseding the authorisation approved by the Annual General Meeting in 2016.

11.- Partial amendment of the remuneration policy for directors for financial years 2019, 2020 y 2021, in order to add the annual fixed remuneration of Mr Carlos Crespo González for the performance of executive functions.

12.- Advisory vote (say on pay) on the Annual Report on the Remuneration of Directors.

13.- Granting of powers to implement resolutions.

14.- Reporting to the Annual General Meeting on the amendment of the Board of Directors' Regulations and the formation of a new Sustainability Committee.

## 02.07/ Shareholders' rights

Any shareholder may attend the General Meeting of Shareholders regardless of the number of shares they hold.

All shares of the Company carry the same voting and economic rights, without there being any statutory or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that provided in section 83.1 of the Companies Act, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

No restrictions to the right to cast vote through distance communication means exist either, which may be exercised by any shareholder.

## 02.08/ Encouragement of informed participation of shareholders

The information on the Annual General Meeting of Shareholders held in 2019 is included in the new section "Compliance", "Good Corporate Governance", "General Meeting of Shareholders" on the Company's website (<https://www.inditex.com/en/investors/corporate-governance/annual-general-meeting>), available to shareholders from the date the notice calling the Annual General Meeting has been posted, facilitating the participation of all shareholders pursuant to the provisions of the Companies Act.

## 02.09/ Investors relations

Information on investors relations and namely the "Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors" is provided in the section headed "Investors and Stock Market indexes" of this Annual Report.

## 03/ Board of directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and monitoring body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding Inditex's policy, monitoring the management bodies, evaluating the performance of officers, making the most relevant decisions for the Company and liaising with the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have decision power within the Company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its duties in accordance with the corporate interest, it being understood as the viability and maximisation of the Company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activity, and especially those of the other "stakeholders" of the Company (employees, customers, suppliers and civil society at large), determining and reviewing its business and financial strategies pursuant to said criterion, trying to achieve a reasonable balance between the proposals chosen and the risks taken.

### 03.01/ Authorities

The Board of Directors shall directly exercise the following powers

- (a) Approval of the general policies and strategies of the Company, and namely:
  - (i) The strategic or business plan as well as the annual management goals and budget;
  - (ii) The investment and financing policy;
  - (iii) The dividends and treasury stock policy and namely, the limits thereof, pursuant to statute;

- (iv) The design of the structure of the corporate group of which the Company is the controlling company;
  - (v) The enterprise risk management policy, including tax risks, and the periodic follow-up of the internal information and control systems;
  - (vi) The definition of the Company's tax strategy;
  - (vii) The Corporate Governance Policy; and
  - (viii) The Corporate Social Responsibility Policy.
- (b) Approval of the following decisions:
- (i) The statement of the annual accounts, the directors' report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and directors' report to be submitted to the General Meeting of Shareholders;
  - (ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;
  - (iii) The approval of the financial information that the Company, being a listed company, must periodically release;
  - (iv) The approval of the Annual Corporate Governance Report, the Annual Report on Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommend or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;
  - (v) The approval of any manner of investments or transactions, which considering their value or features, are considered strategic or deemed to entail a special tax risk, unless the approval thereof is incumbent on the General Meeting of Shareholders;
  - (vi) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and,
  - (vii) The approval, following report of the Audit and Compliance Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or their related parties.



(c) The following internal proceedings of the Board of Directors:

(i) To decide on the organisation and proceedings of the Board of Directors, and namely:

- The approval and amendment of the Board of Directors' Regulations;
- The appointment, on the proposal or following report of the Nomination Committee, as the case may be, of the internal positions within the Board of Directors, and the members and internal positions of its committees;
- The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and
- Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.

(ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors and that encourages diversity of knowledge, experience and gender;

(iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee and pursuant to the Articles of Association and the remuneration policy for directors approved by the General Meeting of Shareholders;

(iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors entrusted with executive duties;

(v) Overseeing and evaluating on an annual basis:

- The quality and efficiency of the proceedings of the Board of Directors itself and its committees;
- The diversity in the composition and skills of the Board of Directors;
- The performance of duties by the Chairman of the Board of Directors and by the chief executive of the Company;

- The performance of its supervisory and control committees based upon the reports furnished by the same, and

- The performance and contribution of each director, especially that of the chairs of the different board committees.

Where the Chairman of the Board of Directors would discharge executive duties, his evaluation shall be led by the Lead Independent Director.

To proceed to such evaluation, the Board of Directors may rely on the support of external advisors and on such internal resources which it may, from time to time, deem fit. Notwithstanding the foregoing, the Board of Directors shall be assisted every three years, by an external advisor, once the Nomination Committee has established his/her independence, to proceed to such evaluation. Upon evaluating the independence of the external advisor, the relations that such advisor, or any company within its Group, may have with the Company or with the Group shall be considered. Such relations shall be detailed, as the case may be, in the Annual Corporate Governance Report.

The Board of Directors shall carry out an annual evaluation of its proceedings and of that of its committees and propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minutes of the meeting of the Board of Directors or attached thereto as an annex.

(vi) The authorisation or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;

(d) The following issues regarding senior managers:

(i) The appointment and dismissal of senior managers after report of the Nomination Committee;

(ii) The approval of the basic terms and conditions of the contract with senior managers, including their remuneration and, where appropriate severance clauses, after report of the Remuneration Committee;

(iii) Overseeing the proceedings of the senior managers appointed by the Board of Directors.

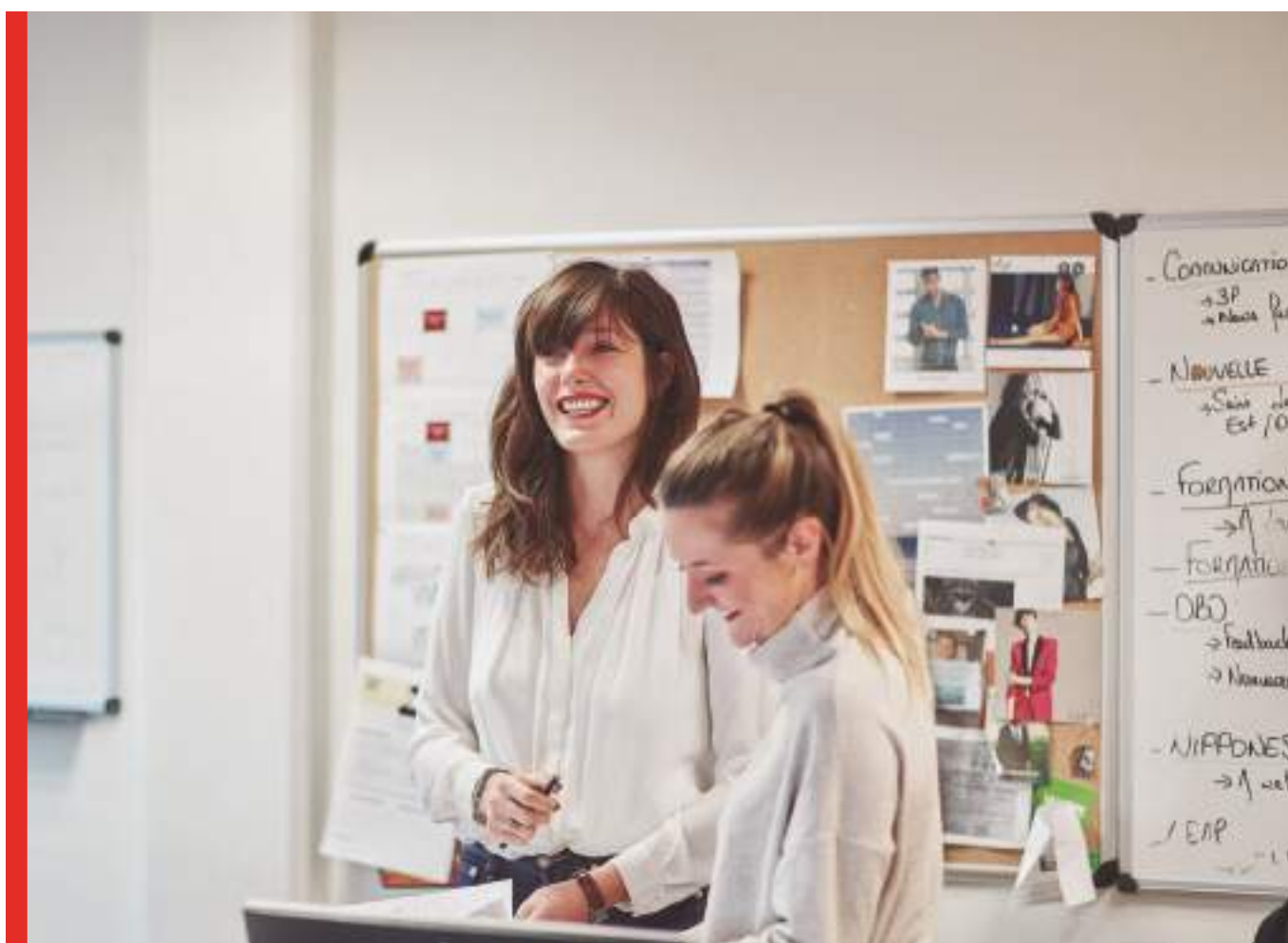
- (e) Supervising the process of drafting and submitting financial information and the directors' report, which shall include non-financial information as legally required, and making recommendations or proposals aimed to safeguard the integrity thereof.
- (f) The remaining responsibilities reserved by the Board of Director' Regulations and the applicable laws and regulations.

## 03.02/ Composition

11 members sit on the Board of Directors: 6 non-executive independent directors, 3 non-executive proprietary directors and 2 executive directors.

The composition of the Board of Directors as at 31 January 2020 is shown in the table below:

NAME (PERSON OR COMPANY) OF THE DIRECTOR	LEGAL REPRESENTATIVE	TYPE OF DIRECTOR	POSITION ON THE BOARD	DATE FIRST APPOINTED	DATE LAST APPOINTED	ELECTION PROCEDURE
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	16-07-2019	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	16-07-2019	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	18-07-2017	AGM
Mr Carlos Crespo González		Executive	CEO	16-07-2019	16-07-2019	AGM
PONTEGADEA INVERSIONES, S.L.	Ms Flora Pérez Marcote	Proprietary	Ordinary member	9-12-2015	19-07-2016	Board of Directors;
Bns. Denise Patricia Kingsmill		Independent	Ordinary member	19-07-2016	19-07-2016	AGM
Ms Anne Lange		Independent	Ordinary member	10-12-2019	10-12-2019	Board of Directors
Ms Pilar López Álvarez		Independent	Ordinary member	17-07-2018	17-07-2018	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	16-07-2019	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	17-07-2018	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	13-07-2010	16-07-2019	AGM



### 03.03/ Profile of directors

#### - Mr Pablo Isla Álvarez de Tejera

Executive Chairman since 2011. He previously served as Deputy Chairman and CEO since 2005.

A law graduate from Complutense University of Madrid (1987), he became Spanish State Attorney [Abogado del Estado] in 1988, ranked #1 of its class. From 1992 to 1996 he was Group General Counsel of Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005 he was Chairman of Altadis Group. He currently is an independent director on the board of directors of Nestlé.

He was re-elected to the Board of Directors by the Annual General Meetings held on 13 July 2010, 14 July 2015 and 16 July 2019.

He is the direct holder of 1,972,156 shares in the Company.

#### - Mr Amancio Ortega Gaona

Founder of Inditex. Mr Ortega began his business career in the textile manufacturing sector in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex and 3 years later he founded Zara España, S.A. the first retailing company of the Group. He was re-elected to the Board of Directors by the Annual General Meetings held on 30 June 1990, 31 July 1995, 20 July 2000, 15 July 2005, 13 July 2010, 14 July 2015 and 16 July 2019.

Mr Ortega is the controlling shareholder of the Company where he owns 1,848,000,315 shares through Pontegadea Inversiones S.L. and Partler 2006, S.L.

#### - Mr José Arnau Sierra

Deputy Chairman since June 2012. Non-executive proprietary director since 2012, representing the founder, Mr Amancio Ortega Gaona.

A law graduate from University of Santiago de Compostela and State Tax Inspector, he has been the chief executive of Group Pontegadea since 2001.

He was the head of the Tax Department and a member of Inditex's Steering Committee from 1993 to 2001, and served on its Board of Directors from 1997 to 2000. He had previously held different positions within the Tax Administration. He has been a member of different boards of directors as legal representative of Pontegadea Inversiones, S.L. From 1993 to 1996, he taught Tax Law at the University of A Coruña. He has been a member of the Board of Trustees of Fundación Amancio Ortega from inception and its Executive Deputy Chair since 2017.

He was appointed to the Board of Directors in June 2012, ratified by the AGM held on 17 July 2012 and re-elected at the AGM held on 18 July 2017.

He is the direct holder of 30,000 shares.

#### - Mr Carlos Crespo González

Chief Executive Officer since 2019.

Mr Carlos Crespo González has a degree in Business Administration, majoring in Business Management, from the University of A Coruña. From 1996 to 2001, he worked as an auditor at Arthur Andersen (currently Deloitte).

He joined the Inditex Group in 2001 as a member of the Financial Administration Department, where he held different positions, including Corporate Head of Financial Stock Management. In September 2005, he was appointed Chief Audit Officer of the Inditex Group.

Mr Crespo, who is also a chartered accountant and is registered with the Registro Oficial de Auditores de Cuentas (ROAC) [Official Registry of Statutory Auditors of Spain], was a member of the Steering Committee of the Spanish Institute of Internal Auditors (IAI) from 2008 until 2017, where he chaired the Nomination Committee.

In March 2018, he was appointed Chief Operating Officer of the Company.

Mr Crespo was elected as a director by the Annual General Meeting held on 16 July 2019.

He is the direct holder of 26,258 shares in the Company.

#### - Pontegadea Inversiones, S.L.

The Company is represented on the Board of Directors of Inditex by Ms. Flora Pérez Marcote. It owns 1,558,637,990 shares in the Company, which represents 50.01% of the share capital.

Ms. Flora Pérez Marcote is the legal representative of Pontegadea Inversiones S.L., where she holds the position of First Deputy Chair. She has spent her entire career within the Inditex Group, where she held different positions in areas relating to both design of products and the supply chain. In addition, she has broad experience as company director since 1992. She has been a member of the Board of Directors of Inditex since 2005 representing Pontegadea Inversiones, S.L. Additionally, she has been a member of the Board of Trustees of Fundación Amancio Ortega Gaona since March 2003 and its Deputy Chair since October 2005.

Pontegadea Inversiones, S.L. was appointed to the Board of Directors on 9 December 2015 and ratified by the Annual General Meeting on 19 July 2016.

### - Bns. Denise Patricia Kingsmill

Independent director since July 2016. In 2000 she was awarded a CBE for services to Employment Law and Competition. In June 2006, Baroness Kingsmill was appointed to the House of Lords as a Labour Peer. She is a Member of the Select Committee on Economic Affairs.

After a 20 year legal career she became deputy chair of the Competition Commission between 1996 and 2004. She has 5 honorary Doctorates from universities in the United Kingdom. Baroness Kingsmill has been a Chair/member of the Remuneration committees of many international companies. As a lawyer she has advised in relation to remuneration schemes. In 2001 she was invited by the Government to head a task force looking at women's employment and remuneration in the UK.

In 2003 she was appointed Chairman of the Department of Trade and Industry's Accounting for People task force. She headed a second Government enquiry ("Accounting for People") into how companies should evaluate and measure the contribution of their work forces and specifically as to how they should communicate their progress in this area of "Human Capital Management" to all their stakeholders ([www.accountingforpeople.gov.uk](http://www.accountingforpeople.gov.uk)). In 2013 she was the co-chair of the Design Commission report into Design and Public Services ("Re-starting Britain").

Until May 2018, Baroness Kingsmill was the Chair of Monzo Bank and a Member of the Supervisory Board of E. ON SE and until March 2019, she was the founder and Chair of Aspen Initiative UK. She is currently a member of the Advisory Board for the Global Sustainability Forum and the International Advisory Board of IESE Business School. Baroness Kingsmill has been an adviser to a number of international companies and has been a non-executive director of various British, European and American boards, including International Consolidated Airlines Group, S.A. and Telecom Italia.

A diverse and varied career spanning fashion and design, the law and regulation, as well as politics and people have given Baroness Kingsmill a unique perspective on the contemporary boardroom."

Baroness Kingsmill was elected as a director on 19 July 2017 by the Annual General Meeting.

### - Ms Anne Lange

Independent director since December 2019. A French citizen, Ms Lange is an entrepreneur and a sought after C-level business advisor with over 25 years of experience in technology innovation, both private & public sectors. She is graduated of French Grandes Ecoles, Institut

d'Etudes Politiques in Paris and Ecole Nationale d'Administration (ENA).

Her career began at the French Prime Minister's office as head of department for state-owned broadcasting companies until she joined Thomson, a high-tech champion, where she built up a new generation of consumer internet access devices. Anne worked in diverse global executive functions with Cisco since 2004, based out of France and Silicon Valley. As a C-level executive, her engagements centered on adoption and innovation of technological, organisational and business processes to drive business transformation. Anne is the co-founder and former CEO of Mentis Services, an IoT Data Intelligent Software provider of urban space services, recently sold. She is currently the founder and managing partner of Adara, a consulting company that provides senior-level advice in transformation strategy and an investor in start-ups.

She currently serves on the executive boards of Orange (French leading service provider), Pernod-Ricard (second largest wine and spirits company in the world) and FFP (Peugeot's family holding)

### - Ms Pilar López Álvarez

Independent director since July 2018. Ms López has a Bachelor of Science in Business Administration and a Major in Finance from ICADE.

She has worked in a variety of roles at J.P. Morgan in Madrid, London and New York (1993-1999). She joined Telefónica in 1999, where she held the following positions: Head of Management Planning and Control (1999-2001), Financial Controller in Telefónica Móviles (2001-2006), Strategy Director in Telefónica de España (2006-2007), Chief Financial Officer of O2 Plc., based in the UK (2007-2011) and for Telefónica Europa based in Madrid (2011-2014), and Head of the Operational Simplification Program of Grupo Telefónica (2014-2015). She is a member of the Board of Trustees of Fundación ONCE, and of Fundación Junior Achievement, and a member of the Board of Directors of Asociación para el Progreso de la Dirección (APD).

She has served as Supervisory Board member of Telefónica Czech Republic AS (2007-2014), and as Vice Chairman of the Supervisory Board of Telefónica Deutschland Holding AG (2012-2015). She was a member of the Board of Tuenti Technologies and non-executive director of Ferguson Plc (2013-2018).

At present, she is Country Manager of Microsoft Ibérica S.R.L.

Ms López was elected as director on 17 July 2018 by the Annual General Meeting.

She is the direct holder of 4,000 shares in the Company.



### - Mr José Luis Durán Schulz

Independent director since July 2015. Mr Durán holds a degree in Economics and Management from ICADE (Instituto Católico de Administración y Dirección de Empresas). From 1987 through 1990, he was an auditor at Arthur Andersen. In 1991, he joined Carrefour Group, where he held the following positions: Head of Management Control (Spain, Europe and Latin America) (1991-1997); Chief Financial Officer for Spain (1997-2001); Group Chief Financial Officer (2001-2005) and Group Chief Executive Officer (2005-2008).

In July 2009, he joined Maus Frères International Group, based in Switzerland, where he held the following positions, until January 2015: Chief Executive Officer of Lacoste, Executive Chairman of Gant and Board member of Aigle, S.A. Until 4 October 2015, he was member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and member of the Board of Directors of such company. Until 30 June 2017, he was an independent director and member of the Audit Committee of Orange. At present, he is the CEO of Value Retail Management.

Mr Durán was elected as a director by the Annual General Meeting held on 14 July 2015 and re-elected by the Annual General Meeting on 16 July 2019.

He is the direct holder of 3,106 shares.

### - Mr Rodrigo Echenique Gordillo

Independent director since July 2014. Mr Echenique is a law graduate from Complutense University of Madrid and Abogado del Estado [State lawyer].

He has been a member of the Board of Directors of Banco Santander, S.A. since 1987. At present, he is the Chair of Santander España, the Chair of the Board of Trustees of Fundación Banco Santander and member of the Board of BSI (Banco Santander Internacional) and of Directorio Santander Chile.

He is a member of the Board of Trustees of Fundación Consejo España-EE.UU, Deputy-Chair of the Board of Trustees of Teatro Real, member of the Board of Trustees of Escuela Superior de Música Reina Sofía, of Fundación Empresa y Crecimiento and of Fundación ProCNIC y CNIC. He has been CEO, Deputy Chairman and Executive Director of Banco Santander, S.A., and has chaired Banco Popular. He also served as Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and of SPREA. He has been a member of the Board of Directors of Banco Santander International and Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A.

He chaired the Social Advisory Board of University Carlos III of Madrid. Additionally, he was first member and then Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been the Chairman of Vallehermoso, S.A., Vocento, S.A., NH Hotels Group, Metrovacesa, S.A., Merlin Properties, and SOCIMI, S.A.

Mr Echenique was elected as a director by the Annual General Meeting held on 15 July 2014 and re-elected by the Annual General Meeting held on 17 July 2018.

### - Mr Emilio Saracho Rodríguez de Torres

Independent director since June 2010. Mr Saracho is a Graduate in Economics from the Complutense University of Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of Banco Santander de Negocios, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of Grupo Santander and Deputy General Director. He has been a director of FISEAT, Santander de Pensiones and Santander de Leasing. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined JP Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 through 1 January 2008, he was Chief Executive Officer of JP Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He was in charge of Investment Banking operations of JP Morgan for Europe, the Middle East and Africa, and sat on the Executive Committee of the Investment Bank and on the Executive Committee of JP Morgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. From 2015 to the end of 2016, he was Vice Chairman of JP Morgan Chase & Co and from February to June 2017, he chaired the Board of Directors of Banco Popular. At present, he sits on the Board of Directors of International Consolidated Airlines Group, S.A. (IAG) and is Senior Advisor of Altamar Capital Partners.

Mr Saracho was elected as director on 13 July 2010 by the Annual General Meeting and re-elected at the Annual General Meetings held on 14 July 2015 and 19 July 2019.

### 03.04/ General Counsel and Secretary of the Board of Directors

Mr Antonio Abril Abadín is the General Counsel and Secretary of the Board of Directors. Likewise, he is the Secretary of all board committees.

The appointment and removal of the Secretary of the Board must be approved by the Board of Directors in plenary session, following a report of the Nomination Committee. The Secretary needs not be a director.

The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board of Directors by taking particular care to provide directors with the necessary advice and information, keep the documents of the Company, enter the proceedings in the minutes' books and certify the Board's resolutions. When directors or the Secretary himself/herself should express concern about any motion or, in the case of directors, about the Company's performance, and such concerns are not resolved by the Board, they will be acknowledged in the minutes at the request of the person expressing them. Likewise, the Secretary shall devote particular attention to the formal and material legality of the Board's proceedings and ensure that the corporate governance principles and the Company's internal rules and regulations, are observed.

### 03.05/ Gender diversity

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, the Nomination Committee must set a representation target for the least represented gender on the Board of Directors and prepare guidelines on how to reach such goal as well as ensure that, upon filling new vacancies and appointing new directors, the selection procedures encourage diversity and conform to the prohibition of any manner of discrimination.

Pursuant to Inditex's "Director Selection Policy", efforts will be made so that by 2020, the number of female directors sitting on the Board would represent at least 30% of the total number of members of the Board of Directors.

Additionally, pursuant to the provisions of section 529bis(2) of the Companies Act, the Board of Directors shall ensure that diversity of gender, experience and knowledge is encouraged in director selection processes,

which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

In this regard, the Board of Directors' Regulations and the own sets of rules of board committees have been reviewed and amended in 2019, for the purposes, without limitation, of reinforcing Inditex's commitment to diversity. In this regard, the number of topics to be considered in terms of diversity have been increased regarding background, education and professional experience, age, gender or disability, and the recommendation about a diverse composition of board committees has been embraced, taking into account the limits arising from their smaller size.

Likewise, the Nomination Committee has been entrusted with the power to ensure that upon filling new vacancies or appointing new directors, selection procedures encourage diversity.

Meanwhile, pursuant to the Code of Conduct and Responsible Practices of the Inditex Group, no one who is employed at Inditex shall be discriminated against because of their gender, and all employees shall be bound to interact with other employees, pursuant to criteria of respect, dignity and justice, taking into account the different cultural background of each individual, without allowing any manner of violence, harassment or abuse at the workplace, or any manner of discrimination on account of race, religion, age, nationality, gender or any other personal or social condition beyond qualifications and capacity.

Finally, Inditex's Diversity and Inclusion Policy, approved by the Board of Directors on 12 December 2017 seeks to fully endorse the regulatory requirements, the recommendations and the best practices in the area of diversity, and to mark Inditex's commitment to diversity and multiculturalism in the working environment, in all positions and levels within the Company, including on the Board of Directors, as well as the Company's unbreakable zero tolerance policy against any kind of discrimination. The principles and lines of action of the Diversity and Inclusion Policy govern all the proceedings in the area of human resources, such as, without limitation, recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other, disciplinary actions.

Throughout 2019, certain changes have been made to the structure and size of the Board of Directors based on the prior analysis of the needs of the Company and the Board of Directors itself, the findings of which were written up in the relevant explanatory report issued by the Nomination Committee, in accordance with recommendation 14 of the Good Governance Code and sections 3, 4 and 5 of Technical Guide 1/2019 on Nomination and Remuneration Committees ("Technical Guide 1/2019").

As shown in the above-referred report issued by the Nomination Committee, further to the review of the size, composition, skills and effectiveness of the Board of Directors at the time, the Nomination Committee considered that the number of board members should be increased, for the purposes of keeping a majority of independent directors, thus ensuring compliance by the Company with the applicable regulations and with best practices in the field of corporate governance. It was further pointed out that in the framework of the enlargement of the board, motions on the appointment of new directors should aim at reinforcing diversity of background, experience and skills, namely, of gender, and reinforcing the presence of female directors, still the least represented gender on the board.

Considering the foregoing, it was resolved by the Annual General Meeting held on 16 July 2019, to increase the number of members of the Board of Directors from 9 to 11 and to appoint Mr Carlos Crespo González as new executive director, with a vacant seat on the Board pending filling.

In order to fill the above-referred vacancy, further to a selection process driven by the Nomination Committee, on the advice of an external consultant, the Board of Directors approved in the meeting held on 10 December 2019, following a motion raised by the Nomination Committee, the co-option of Ms Anne Lange to the board of directors as non-executive independent director, until the ratification of her appointment by the Annual General Meeting.

Thus, the appointment of Ms Lange has contributed to the achievement of the targets set by the Nomination Committee in the above-referred report.

Consequently, as at 31 January 2020, 4 women sit on the Board: Ms Flora Pérez Marcote (legal representative of Pontegadea Inversiones, S.L., proprietary director), Bns. Denise Patricia Kingsmill (independent director), Ms Pilar López Álvarez (independent director) and Ms Anne Lange (independent director). This represents an increase of the presence of female directors on the board as compared to the previous year, currently standing at

36.36% on total number of directors. Thus, Inditex is above the average in respect of IBEX35 companies.

In addition, independent female directors sit on the following board committees:

- Bns. Denise Patricia Kingsmill is an ordinary member of the Audit and Compliance Committee and the Remuneration Committee, and chairs the Sustainability Committee.
- Ms Pilar López Álvarez is an ordinary member of the Executive Committee, as well as of the Audit and Compliance, Nomination and Sustainability Committees.
- Ms Anne Lange is an ordinary member of the Audit and Compliance, Nomination and Sustainability Committees.

[Considering the foregoing, female directors represent 42.85%, 40%, 20% and 60% on membership of the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee, respectively]

### 03.06/ Membership of Directors on Board of Directors of other listed companies

The Board of Directors may not propose or appoint any persons to fill a vacancy on the Board who already are directors in more than four listed companies other than the Company.

As at 31 January 2020 Directors who served on the boards of listed companies other than Inditex are shown below:

NAME OR COMPANY NAME OF THE DIRECTOR	NAME OF LISTED COMPANY	POSITION
Mr Pablo Isla Álvarez de Tejada	Nestlé, S.A.	Independent director
	Pernod-Ricard, S.A.	Independent director
	FFP	Independent director
Ms Anne Lange	Orange, S.A.	Non-executive director
	Banco Santander, S.A.	Non-executive director
Mr Rodrigo Echenique Gordillo	Banco Santander Chile	Non-executive director
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A.	Independent director

### 03.07/ Selection, appointment, re-election and removal of directors

The procedure for the selection, appointment and re-election of members of the Board of Directors is formal and transparent and is expressly covered in the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations.

The Director Selection Policy was approved by the Board of Directors in the meeting held on 9 December 2015. According to such Policy, selection processes of prospective directors shall be based upon a prior analysis of the needs of the Company and of the Board of Directors itself. Such analysis shall be carried out by the Board of Directors on the advice of the Nomination Committee.

The outcome of such prior analysis shall be recorded in an explanatory report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements:

- Be honest, suitably qualified persons of well-known ability, competence, experience and merits.
- Be trustworthy professionals, whose conduct and career is in line with the principles laid down in the Code of Conduct and Responsible Practices and with the views and values of the Inditex Group.

Additionally, the Nomination Committee shall define the required duties and skills of candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively discharge their duties.

For such purposes, the Nomination Committee is responsible for reviewing the skills, knowledge, expertise and other positions held by the current directors, and setting up a skills chart of the Board and keeping it duly updated.

In the process for director selection, efforts shall be made so that the Board of Directors would reach an appropriate balance of profiles, knowledge, skills, careers and experiences so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched.

Those persons who are involved in any legal grounds of disqualification to hold the office of director, or who do not meet the requirements laid down by the Company's corporate governance rules to be a director, shall not be eligible to be a director.

Namely, the Board of Directors may not propose or appoint, to fill any vacancy as director, anyone who holds the office of director at the same time in more than four listed companies other than the Company.

Being charged with the selection process, the Nomination Committee shall take into account the motions submitted by any director, and assess if the prospective candidate meets the requirements to be eligible. For such purposes, it shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

The Company may rely on external advisors with regard to the prior analysis of the needs of the Company, the search or assessment of potential candidates or the evaluation of their performance.

In this regard, it is incumbent on the Nomination Committee to assess the convenience of engaging the services of external experts and establish and ensure their effective independence.

Pursuant to the provisions of the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations, directors shall be appointed by the General Meeting of Shareholders or by the Board of Directors, in accordance with statute and the Company's corporate governance regulations.

The motions on election, ratification or re-election of directors that the Board of Directors submits to the Annual General Meeting, and the election resolutions passed by the Board of Directors by virtue of the powers to co-opt that it is reserved by statute, must be preceded by (i) a motion made by the Nomination Committee with regard to independent directors, or by (ii) a report from the Nomination Committee regarding the remaining categories of directors. The above-referred motion or report shall be prepared by the Nomination Committee and include the class in which the relevant director is included, this classification being duly supported.

The motions on the election of directors that the Board of Directors submits to the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the Annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the



explanatory report shall assess the quality of the director's work and his dedication to office during his mandate, as well as his observance of the Company's corporate governance rules. At any rate, the Nomination Committee shall take into account the need for progressive board refreshment.

Where the Board of Directors departs from the motions and reports of the Nomination Committee, it must state the reasons for its actions and place them on the record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the category of such directors, and such classification shall be confirmed or, where appropriate, reviewed on an annual basis in the Annual Corporate Governance Report, after verification by the Nomination Committee.

The Nomination Committee shall verify on an annual basis compliance with the Director Selection Policy, and report it to the Board of Directors, which will acknowledge it in the Annual Corporate Governance Report.

With regard to the removal and dismissal of directors, directors shall vacate office upon expiry of their term of office, or at any time further to a resolution of the General Meeting of Shareholders.

The Board of Directors may only propose the removal of a director before the expiry of his/her term of office when a just cause arises, where the director has incurred in any grounds for dismissal or resignation pursuant to statute or to the Company's corporate governance rules. Such just cause must be considered by the Board, and in case of independent directors, following a favourable report of the Nomination Committee

Likewise, where directors tender their resignation, the Nomination Committee must ensure the transparency of such process, gathering such information as it may deem necessary to this end. The Company shall address the grounds for such resignation in the Annual Corporate Governance Report.

The Annual General Meeting held on 16 July 2019 resolved, pursuant to item 5 on the agenda, to increase the number of members of the Board of Directors from 9 to 11

The Annual General Meeting further resolved, pursuant to item 6 on the agenda, to re-elect Mr Pablo Isla Álvarez Tejera as executive director, Mr Amancio Ortega Gaona,

as proprietary director, and Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, both of them independent directors, and to appoint Mr Carlos Crespo González, as new executive director. Consequently, a vacant seat existed on the Board pending filling.

In order to fill the above-referred vacancy, further to a selection process driven by the Nomination Committee, on the advice of an external consultant, the Board of Directors approved in the meeting held on 10 December 2019, following a motion raised by the Nomination Committee, the co-option of Ms Anne Lange to the board of directors as non-executive independent director, until the ratification of such appointment by the Annual General Meeting.

Both the enlargement of the Board of Directors, and the re-election and appointment of directors, were based on the prior analysis of the Company and the Board of Directors itself, written up in an explanatory report approved by the Nomination Committee on 23 May 2019, in accordance with the provisions of section 3 of the Director Selection Policy, recommendation 14 of the Good Governance Code, and sections 3, 4 and 5 of Technical Guide 1/2019.

In the analysis of board needs, above-referred, the Nomination Committee took into account:

- The commitments undertaken by the Company under the Director Selection Policy regarding: (i) diversity of knowledge, skills, experiences and gender on the Board of Directors; and; (ii) meeting the representation target for the least represented gender on the Board of Directors provided in Recommendation 14 GGC and in section 5 of the Director Selection Policy.
- The findings of the annual evaluation of the performance of the Board in 2018 (on the advice of an independent external consultant), whereby the following requirements were identified: (i) the need to increase the size of the board in line with the Group's dimensions and complexity and so that it is on a par with that of comparable companies; and (ii) the need to appoint profiles with background and experience in the digital and new technologies sector and in sustainability.
- The need to increase the presence of independent directors on the Board above 50%, in line with recommendations 15 and 17 GGC.

Thus considering the provisions and objectives of the Director Selection Policy, and further to the joint review of the above-referred needs and of the size of the Board,

the Nomination Committee determined that in the framework of the enlargement of the board, the motions on the appointment of new directors should seek to ensure diversity of knowledge, skills, experiences and qualifications. In particular, the Committee considered that it would be convenient to reinforce: (i) experience and knowledge in the digital and new technologies sector, as well as in sustainability; (ii) the presence of female directors; and, (iii) the majority presence of independent directors.

The Nomination Committee issued the relevant motions and reports on the re-election and appointment, as the case may be, of Mr Amancio Ortega Gaona, as proprietary director, Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, as independent directors, and Mr Pablo Isla Álvarez Tejera and Mr Carlos Crespo González, as executive directors. In turn, the Board of Directors prepared the relevant report in support, assessing the skills, experience and merits of the proposed directors and candidate. With regard to Messrs. Ortega, Isla, Saracho and Durán, their performance as director, their dedication to the office during their tenure, as well as the observance of the Company's corporate governance regulations were also assessed.

Such motions and reports, and the report on the analysis of board needs were posted on the corporate website at the same time as the notice calling the Annual General Meeting.

Considering the foregoing, it can be found that the motions on the re-election and appointment of directors raised by the Board to the Annual General Meeting, and the subsequent co-option of Ms Lange to the Board were consistent with the prior analysis of board needs. Thus, the process to re-elect and appoint directors followed in 2019 has contributed as a whole, without limitation, to maintain or reinforce:

- (i) the balanced composition of the supreme governing body of the Company with independent, proprietary and executive directors serving thereon, also ensuring the majority presence of independent directors on the Board;
- (ii) the diversity of background, experiences, origin and gender within the Board, namely the experience in the new technologies sector and in sustainability.

Furthermore, with the appointment of Ms Lange, the average tenure of independent directors on the board has been reduced – in accordance with the principle of progressive board refreshment – and the target of

having 30% female directors sitting on the Board of Directors has been fulfilled in advance as the percentage of female directors on the Board as at 31 January 2020 is higher than the one set in the Director Selection Policy.

All of the foregoing has taken place in accordance with the provisions and yardsticks of the Director Selection Policy, and this has been established by the Audit and Compliance Committee upon conducting the periodic evaluation of the Company's corporate governance system, as the verification of compliance with such Policy was included in its scope. The findings of such evaluation are included in a report issued on 9 December 2019. All of which was duly reported to the Board of Directors in the meeting held on 10 December 2019.

### 03.08/ Resignation of directors

Directors must resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Additionally, directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

- a) When they reach a certain age.
- b) When they cease to hold such executive positions to which their appointment as director was associated.
- c) When they are involved in any of the incompatibility or prohibition cases provided in statute, the Articles of Association or the Board of Directors' Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company.
- d) When they are seriously admonished by the Audit and Compliance Committee for having breached their duties as directors.
- e) When they are involved in any circumstances that may harm the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequence.

- f) When the reasons for their appointment cease to exist.
- g) With regard to proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety, or reduce it up to a limit which requires the reduction of the number of proprietary directors.
- h) With regard to independent directors, when they have continuously held such position in the Company for 12 years.

In 2019, no director has left the Board, either through resignation, dismissal, or on any other grounds.

## 03.09/ Proceedings of the Board of Directors

### Quorum

A quorum will be present at any Board meeting when at least half plus one of its members attend it, whether in person or by proxy. Should the Board of Directors be comprised of an odd number, it will be validly held when it is attended by the whole number of directors immediately above half.

Directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant proxy to another member of the Board of Directors, giving instructions as to its use and communicating the same to the Chairman of the Board of Directors. Non-executive directors may only be represented by another non-executive director.

### Attendance to meetings

Directors' attendance data, both in person or by proxy, to meetings held in 2019 are shown below:

GOVERNING BODY	NUMBER OF MEETINGS	% DIRECTORS' ATTENDANCE
Board of Directors	5	100%
Audit and Compliance Committee	5	100%
Nomination Committee	4	100%
Remuneration Committee	5	100%
Sustainability Committee	0	100%

With regard to the Sustainability Committee, its formation was approved by the Board of Directors on 11 June 2019, and was completed on 10 December 2019 with the appointment of its members. The Sustainability Committee will hold its first meeting in 2020.

### Passing of resolutions

Except for a number of cases provided in Inditex's internal regulations, board resolutions shall be passed when the absolute majority of directors attending the meeting vote for such resolution.

Notwithstanding the above, to permanently delegate any power of the Board of Directors to the Executive Committee or to the executive directors, should there be one, and to appoint the directors who have to fill such positions, the vote for of two-thirds of the members of the Board is required.

Likewise, in order to amend the Board of Directors' Regulations, the resolution must be passed by a majority of two-thirds of the directors present.

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting.

### Proxy granting

Any director can grant proxy to another director in writing to be represented, such proxy having to be granted specifically for each meeting, and this must be communicated in writing to the Chairman. Non-executive directors may only grant proxy to other non-executive directors.

### External advice

In order to be aided in the performance of their duties, non-executive directors may request that legal, accounting, technical, financial, commercial or other experts be engaged at the Company's expense. The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

The decision to hire external experts must be notified to the Chairman of the Board of Directors and it may be open to veto by the Board of Directors if it is proven that: a) such engagement is not necessary for the proper performance of the duties entrusted to non-executive directors; b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; c) the technical assistance obtained may be adequately provided by in-house

experts and staff members; or; d) the confidentiality of the information to be provided to the expert may be jeopardised.

## Information

Pursuant to section 19.2 of the Board of Directors' Regulation, the notice calling ordinary meetings shall be given at least three days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

For such purposes, documentation deemed to be appropriate to prepare the meetings of the board and its committees, according to the agenda including presentations, is made available to directors through a software platform. Through such tool, directors are granted permanent access to such documentation. Additionally, other relevant information for the appropriate performance of their duties is added through the tool.

Meanwhile, attendance of officers and supervisors to the meetings is encouraged, which is recurrent, to give their view on certain issues directly associated to the duties of the Board of Directors and of each of its committees, so that directors have a direct understanding of business concerns.

Likewise, directors have the broadest powers to gather information on any issue of the Company (and its subsidiaries), review its books, registers, documents and other records of the Company's operations and inspect all its facilities, likewise it is also provided that the exercise of the powers of information shall be channeled through the Chairman, the Deputy Chairman or the Secretary of the Board of Directors, who will attend to the requests of directors by providing them with the information directly, offering appropriate spokespersons at the appropriate level in the organisation or establishing such measures that enable them to conduct the desired examinations and inspections *in situ*.

Meanwhile, directors are bound to diligently gather information on the course of business of the Company and to thoroughly prepare the meetings of the Board of Directors and of any committee where they sit.

## Evaluation proceedings

It is incumbent on the Nomination Committee to establish and oversee an annual programme to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman and the CEO, as well as the Lead Independent Director and the Secretary of the Board of Directors. Such evaluation process is carried out as follows:

1. The Nomination Committee prepares an annual programme to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman and the CEO, the Lead Independent Director and the Secretary of the Board.
2. Based upon this annual programme, each committee must prepare its own report assessing its performance and that of its members. Such report shall be sent to the Board of Directors. In parallel, the Nomination Committee will prepare a report to evaluate the performance of the Board of Directors, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board.

To carry out this procedure, separate questionnaires are sent to each director, as described below:

- a) An individual self-evaluation questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.
- b) An evaluation questionnaire in respect of board committees, sent by the Chair of each committee to all the members sitting on it.
- c) An evaluation questionnaire in respect of the Board of Directors, including specific questions about the role of the Lead Independent Director and the Secretary of the Board of Directors, sent to all board members through the Chair of the Nomination Committee.
3. The Lead Independent Director shall be responsible for coordinating the evaluation of the Chairman.
4. The Nomination Committee will also play a part in the evaluation of the performance of the Executive Chairman, the CEO and the remaining executive directors, if any.
5. Finally, the Board of Directors shall assess – pursuant to statute and to the Board of Directors' Regulations –, the performance of the Board itself, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board, based upon the reports issued by these latter, as stated in section 2 above.



The above-referred questionnaire is reviewed and updated every year, to bring the annual evaluation of performance into line with best practices on good governance. In particular, the evaluation process has been subject to a number of updates in 2019 to: (i) bring it into line with the new governance structure of the Company; and, (ii) cover certain editorial improvements, in line with Technical Guide 1/2019.

In accordance with Recommendation 36 of the Good Governance Code, Inditex has relied once again on the advice of external consultant Spencer Stuart with regard to the self-evaluation process.

The findings of the self-evaluation process carried out in 2018 have resulted in a number of improvements in the internal organisation and procedures followed in 2019:

- (i) The number of board members has increased, from 9 to 11, in line with the Group's dimensions and complexity and so that it is on a par with that of comparable companies.
- (ii) In the context of the enlargement of the board of directors, the findings of the self-evaluation of board members have allowed identifying such profiles whose presence on the board was deemed relevant. Thus, in accordance with the strategic objectives marked as a priority by directors, experience and background of board members have been reinforced regarding (i) the digital and new technologies sector, to speed up the digital strategy; and, (ii) sustainability, in line with the strong commitment of the Group in the field.
- (iii) In connection with the above, the governance structure, the experience and background of Directors have been brought into line with the strategic objectives marked as a priority.
- (iv) The balanced composition has been reinforced and the governance structure of the Company has improved, in particular through: (i) the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees; and (ii) the balanced distribution of male and female directors, with an appropriate percentage of female representation on the board.

Meanwhile, as regards the organisation and proceedings of the board and its committees, the following improvements are noteworthy:

- (i) The increased size of the board has resulted in a redistribution of membership on board committees, thus achieving a higher degree of specialisation.

- (ii) An annual schedule of dates and agendas of business to be transacted by the Nomination and the Remuneration Committees in 2020 has been approved.

Such schedule allows to systematically arrange the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted at certain meetings. All of which contributes to a better scheduling of the Committees, and in line with this, to increase the number of meetings of directors with members of management.

- (iii) A meeting of independent directors exclusively was held for the first time, led by the Lead Independent Director, to discuss the most sensitive topics of the Company, thus ensuring and preserving their independence within the board.

Such meeting was deemed very useful as it has served the purposes of determining such issues considered to be a priority, with the subsequent scheduling of meetings and proceedings of the board and its committees.

- (iv) Finally, proceedings aimed at promoting Compliance culture have continued, in particular, by reinforcing the powers of the Audit and Compliance Committee in the field of corporate governance and Compliance.

In the evaluation carried out in 2019 findings have been positive with regard to all evaluated aspects. The following can be pointed out: the capacity and structure, the duties, effectiveness and proceedings, and the planning and arrangement of the meetings of the Board of Directors, the Nomination and the Remuneration Committees, and the contribution and performance of directors, the Executive Chairman, the Lead Independent Director and the Secretary of the Board.

Special mention should be made of the findings regarding the appointment of the CEO and the formation of the new Sustainability Committee, which have been outstanding. In this regard, the appointment of the CEO has been deemed to have contributed to reinforcing the business executive management in the fields of new technologies and sustainability.

## 04/ Board committees and other governing bodies

### 04.01/ Audit and Compliance Committee

#### Regulations

Article 28 of the Articles of Association as amended, section 15 of the Board of Directors' Regulations as amended, and namely the Audit and Compliance Committee's Regulations set out the regulations governing the proceedings of the Audit and Compliance Committee. The Audit and Compliance Committee's Regulations is available on Inditex website ([www.inditex.com](http://www.inditex.com)).

The Audit and Compliance Committee's Regulations was amended in 2019 for the purposes of: (i) expressing its new name, replacing its former name as "Audit and Control Committee"; (ii) bringing certain of its provisions into line with the principles and recommendations set forth in CNMV's Technical Guide 3/2017, on audit committees at public-interest entities, ("Technical Guide 3/2017"); (iii) adapting its provisions as a result of the forming of the new Sustainability Committee; and (iv) reinforcing its powers in the field of Compliance and corporate governance.

#### Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2020)
Mr José Luis Durán Schulz	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Ms Anne Lange	Ordinary member	Non-executive independent	10-12-2019
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	17-07-2012
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	15-07-2014
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	13-07-2010

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

The Audit and Compliance Committee shall be made up of a minimum of 3 and a maximum of 7 directors appointed by the Board itself, a majority of whom must necessarily be independent directors who shall be elected, especially its Chair, taking into account his/her knowledge, qualification and expertise in accounting, audit and risks management matters. At present, 6 members of the Audit and Compliance Committee, entirely made up of non-executive directors, are independent, which represents 85.71% of all its members.

Members of the Committee, and namely its Chair, have knowledge, qualification and expertise in accounting, audit or risks management matters, and the required technical knowledge regarding the business sector to which the Company belongs.

Likewise, at least 1 of them shall be appointed taking into account his/her knowledge, qualifications and experience on accounting, audit, internal control or risks management issues, and at least another one of them (who could be the same as the former if he/she complies with the requirements described) shall be appointed taking into account their knowledge, qualifications and experience in the field of information technology.

The Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

The Chair of the Audit and Compliance Committee, who must be an independent director, shall be elected for a term that does not exceed 4 years and must be replaced at the expiry of the aforementioned term. He/she may be re-elected once a period of one year has elapsed since the date of his/her removal. Mr Durán was appointed Chair of the Audit and Compliance Committee on 19 July 2016.

#### Duties and powers

Section 5 of the Audit and Compliance Committee's Regulations sets forth the mission of the Audit and Compliance Committee and its powers are set out in sections 6 to 13 thereof.

In addition to such powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code, the Audit and Compliance Committee shall be expressly entrusted with the following duties:

- Powers relating to corporate governance: (i) to review and evaluate the appropriateness of the corporate governance system and to propose to the Board of Directors the amendments and updates of the Company's corporate governance regulations; (ii) to oversee the degree of compliance by the Company with recommendations on good governance; (iii) to oversee compliance with the Internal Regulations of Conduct regarding Transactions in Securities, and, in general, with the corporate governance regulations of the Company; (iv) to regularly receive information on issues relating to management of treasury stock; and (v) to prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report.
- Powers relating to Compliance: (i) to issue reports on the policies and procedures of the Company on topics within its remit; (ii) to oversee compliance with the applicable regulations and the effectiveness of the internal policies and procedures of the Company; (iii) to review the recommendations and best practices on Compliance and corporate governance, both domestic and/or international, and to encourage compliance with the most demanding standard; (iv) to oversee compliance with the Annual Compliance Plan and with the Model of Criminal Risk Prevention of the Group; (v) to ensure that the Compliance Function relies on the necessary resources for the appropriate discharge of its duties; and (vi) to receive information, at least every six months, on the level of compliance with the Codes of Conduct and the proceedings of the Ethics Line.
- Powers relating to tax issues: it is incumbent on the Audit and Compliance Committee: (i) to receive from the head of tax issues of the Company prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company in the year, and on the degree of compliance with the Code on Good Tax Practices; and (ii) to apprise the Board of Directors of the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, of the tax consequences thereof, when they represent a relevant factor.
- Powers relating to oversight and assessment of the systems of relations with the different stakeholders regarding all topics within its remit.

Certain provisions of the Audit and Compliance Committee's Regulations have been amended in 2019, and this amendment has affected inter alia, the powers of the Committee. In particular, (i) its powers in the field of corporate governance and Compliance have been increased, pursuant to the terms described above; (ii) it has been divested of the powers in the field of social and

environmental sustainability, which will be hereinafter incumbent on the Sustainability Committee; and, (iii) a number of powers assigned to the Committee by statute or the Recommendations of the Good Governance Code have been worked up, to wit:

- Powers relating to the Internal Audit function: in accordance with Recommendation 46 of the Good Governance Code, Inditex's Internal Audit function directly reports to the Audit and Compliance Committee.

In this regard, in addition to overseeing its effectiveness, the Committee shall assess the performance of the Internal Audit Function and of the Chief Audit Officer.

- Powers relating to statutory audit: the Committee shall be responsible for assessing the performance of the statutory auditor, considering their contribution to the quality of the work done and the integrity of financial information.
- Powers relating to the process of preparing regulated financial information: the supervisory role of the Committee regarding the preparation and reporting of financial information has been extended to also cover regulated non-financial information of the Company. And this, without prejudice to the power incumbent on the new Sustainability Committee regarding the supervision of the preparation process of the regulated non-financial information within its remit. Additionally, the Committee is responsible for overseeing the effectiveness of the internal control over financial reporting (ICFR) system, which is designed by the Management. Likewise, the Committee shall ensure that the financial information released by the Company or that it must release is regularly updated on the corporate website and, as the case may be, on CNMV's website.
- Powers relating to Enterprise Risk Management: the Committee shall assess the effectiveness of internal management and control systems over financial and non-financial risks (including tax risks). To achieve this, in accordance with Recommendation 53 of the Good Governance Code, the Committee shall evaluate any question regarding non-financial risks (including operational, technological, legal, social, environmental, political and reputational).

To discharge the duties it has been entrusted, the Audit and Compliance Committee is expressly authorised (i) to regularly request from the Management reports on the effectiveness of the internal control systems and their weaknesses; (ii) to regularly assess the

effectiveness of alert mechanisms in place within the Company; and (iii) to meet, with the heads of business units at least once a year, who will report to the Committee on recent trends of business and the risks associated thereto.

Last, the Committee must ensure that risks are kept within the accepted levels of risk tolerance, having to re-assess risks at least once a year, and promote a corporate culture wherein risk is a factor upon decision-making at all levels of the Company and its Group.

## 04.02/ Proceedings

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include as part of its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair shall call the Audit and Compliance Committee whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

It should be underlined that the Chair and the Secretary of the Audit and Compliance Committee hold a preparatory meeting with the officers of the main areas directly related to the Committee on account of their duties, at any rate the Chief Financial Officer and the Chief Audit Officer, for the purposes of reviewing and preparing the items on the scheduled agenda. The meeting of the Audit and Compliance Committee is called after such preparatory meeting is held.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to the provisions of statute.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. Likewise, in order for the Committee to duly discharge its duties, external advisors may attend its meetings.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Members of management or staff members of the Company and its Group are bound to attend the meetings of the Audit and Compliance Committee and provide its members with assistance and access to the information they may have, upon request of the Committee. Likewise, the Committee may also request the presence at its meetings of the Company's auditor.

## Activities of the Audit and Compliance Committee

The Audit and Compliance Committee held five meetings in 2019.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Audit and Compliance Committee in 2019 stands at 100%.

The average duration of each meeting has been of approximately 5 hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Audit and Compliance Committee for financial year 2019 includes a schedule of the meetings held in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2019, the main lines of action of the Audit and Compliance Committee have focused on the following:

A. Powers regarding the supervision of the process to draw up and release the periodic financial information, annual accounts and audit report

- Process to draw up and release financial information

The Audit and Compliance Committee reviews the economic and financial information of the Company before it is approved by the Board of Directors.

To do so, prior to the stating of the quarterly, half-yearly or annual financial statements, the Audit and Compliance Committee also meets with the Company's Management to review, among other things, the enforcement of the accounting principles and the estimates made upon stating the financial statements.



Additionally, the Committee, which is entirely made up of non-executive directors, meets with the external auditors for the purposes of reviewing the Company's annual accounts and certain periodic financial information, reviewing the fulfilment of legal requirements and the appropriate use of generally accepted accounting principles upon stating the annual accounts.

The Audit and Compliance Committee reviewed on 11 March 2019 the results for full year 2018. It reviewed the quarterly results for 2019 and the relevant Results Releases and Press Releases in the meetings held on 10 June (1Q), 9 September (1H) and 9 December 2019 (3Q). Such results – and the respective Results Releases and Press Releases – were provided by the Board of Directors to the market and its supervisory bodies on a quarterly basis pursuant to the Periodic Public Information (PPI) format.

Likewise, the annual accounts and the directors' reports, both individual and consolidated, and the Auditor's Report for 2018 were also reviewed. The Committee verified that an unqualified Auditor's Report was issued.

#### - Statement on Non-financial Information

The Committee gave a favourable report to the Statement on Non-financial Information (SNFI) of the Inditex Group for 2018 in the meeting held on 11 March 2019. In accordance with the provisions of Act 11/2018, the SNFI included a description of the Group's business model as well as the most significant priorities of its strategy, those relating to: (i) Human Rights; (ii) social and staff-related issues; (iii) corruption and bribery; and (iv) environmental issues, as well as the analysis and description of the policies relating to each such issues approved, and of the due diligence processes carried out to identify and assess risks.

The SNFI was subject to an independent review by an external facilitator and the Audit and Compliance Committee verified that it was unqualified. The SNFI was an integral part of the Annual Report for 2018.

#### - Report on the Internal Control over Financial Reporting (ICFR) System

The Committee has overseen the effectiveness of the ICFR System. This is accounted for in section F of the Annual Corporate Governance Report for 2018 approved on 11 March 2019. The Company's ICFR System has been verified by the statutory auditor, who issued an unqualified report.

### B. Powers regarding statutory audit

#### - Overseeing the effectiveness of the statutory audit and fulfilment of the audit engagement

The audit conducted in 2018 was reviewed by the Audit and Compliance Committee in the meeting held on 11 March 2019, with the attendance of the external auditors previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2019 and auditing the individual financial statements of certain Group companies, also as at 31 January 2019. They issued an unqualified report. Likewise, auditors issued a limited review report on the financial statements, and for the first time, they reviewed the consolidated financial statements for the first and third quarter of 2019, on the engagement of the Internal Audit function.

Special mention should be made of the specific audit of the special-purpose consolidated balance sheet as at 1 February 2019. This assignment has consisted of the specific review of the application by the Group as of 1 February 2019 of IFRS 16 lease standard.

Additionally, the main issues, classified in international, domestic, accounting issues and other less relevant ones, were reviewed.

Members of the Audit and Compliance Committee met with external auditors on 11 March, 10 June, 9 September and 9 December 2019, without any member of the management being present, to transact different business under its remit.

Likewise, external auditors were in attendance in the meeting held on 9 December 2018 upon special invitation of the Committee, to address the 2020 audit plan.

#### - Verifying the independence of the statutory auditor

Pursuant to the provisions of the Procedure to Contract an Auditor for the Provision of Non-audit Services approved by the Committee on 18 July 2016, the Audit and Compliance Committee evaluated and approved in all the meetings held in 2019 the engagement by the Company and Group companies of non-audit services from external auditors.

On 11 March 2019, the Committee approved the report on the independence of the external auditors, which also addressed the issue of the provision of non-audit services.

Pursuant to recommendation 6 GGC, such report was made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) at the time the AGM was called.

In the meeting held on 11 March 2019, above referred, having established that independence requirements are met and assessed the degree of fulfilment of the audit engagement, the audit findings, and the terms of the contracts entered into with auditors to perform non-audit services other than those covered in the audit engagement, the Audit and Compliance Committee gave a favourable report to the re-election of statutory auditor, to be approved by the Board and subsequently submitted to the Annual General Meeting.

Finally, the Procedure for the selection of the statutory auditor was approved by the Committee in the meeting held on 9 September 2019, for the purposes of meeting Recommendation 60 of Technical Guide 3/2017. The yardsticks and proceedings to be considered upon selecting or replacing statutory auditor are defined in such Procedure.

#### C. Powers regarding Internal Audit

The Chief Audit Officer attended all the meetings of the Audit and Compliance Committee held in 2019 and took an active part therein.

Different issues within the Committee's remit were addressed in such meetings and the Committee oversaw the work plan of the Internal Audit Department (progress report of the projects and review of the follow-up on the most critical recommendations, both of operational, financial, compliance and systems audits currently in progress), and approved its budget and its activities report.

In the meeting held on 11 March 2019, the Internal Audit Department submitted the Brexit Contingency Plan to the Committee, which it acknowledged.

#### D. Powers regarding Compliance

- Supervision of the Model of Criminal Risk Prevention: review of the reports issued by the Committee of Ethics

The Committee reviewed and approved the Annual Report of the Committee of Ethics for 2018 in the meeting held on 11 March 2019, and the 2019 First-Half Report in the meeting held on 9 September 2019.

The Committee acknowledged in the meeting held on 11 March 2019 the supervision of the Model on Criminal Risk Prevention for 2018 and the findings of the assurance review of such Model with limited assurance scope, carried out by an external facilitator, in order to establish that the controls included in the Scoping Matrix of Criminal Risks and Control are effective and appropriate and that the Model complies with the requirements laid down in the Criminal Code and in UNE 19601 standard.

The above reports address, inter alia, the enforcement of the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, with a description of the cases seen by the Committee of Ethics, the proceedings carried out and the resolutions issued; the outcome of the supervision of the Manual of Criminal Risk Prevention of the Group and proceedings to implement the *Corporate Compliance System* at domestic and international level (circulation and communication of such system, proceedings regarding the acceptance of the Code of Conduct and Responsible Practices and training on corporate compliance).

Likewise, the Audit and Compliance Committee followed-up on the supervision of the Model of Criminal Risk Prevention and the progress of the implementation of the Group's Corporate Compliance System in the meetings held on 11 June, 9 September and 9 December 2019.

- Supervision of the Compliance Function.

In the meeting held on 11 March 2019, the Committee approved the strategic action lines of the Compliance Function and its budget for 2019.

Additionally, the Committee acknowledged the 2018 Annual Compliance Report in the meeting held on 13 March 2019 and the 1H2019 Compliance Report in the meeting held on 9 September 2019.

#### - Corporate policies.

In order to bring the internal regulations of the Company into line with certain regulatory developments, international standards and best practices on corporate governance and corporate compliance, and to implement certain aspects of the internal regulations, in 2019 the Audit and Compliance Committee gave a favourable report to the following corporate policies:

- In the meeting held on 10 June 2019, to the Data Protection Policy, approved by the Board of Directors on 11 June 2019.
- In the meeting held on 16 July 2019, to the Conflicts of Interest Policy, approved by the Board of Directors in the meeting held on that same day.
- In the meeting held on 9 September 2019, to the Occupational Health & Safety Policy and the Due Diligence Policy, both of which were approved by the Board on 10 September 2019.

The Procedure for the Selection of the Statutory Auditor was also approved by the Committee in that same meeting.

- Finally, in the meeting held on 9 December: (i) to the amendment of the Ethics Line Procedure; (ii) to the Travel Management Policy; (iii) to the Information Security Policy; and (iv) to the Product Control Policy in the field of Industrial and Intellectual Property. All of them went on to be approved by the Board of Directors on 10 December 2019.

#### E. Overseeing Enterprise Risk Management Function

The Audit and Compliance Committee is responsible for verifying the level of risk tolerance and its limits, at least by means of an annual review and the reception of periodic reports on the degree of compliance with the Enterprise Risk Management Policy, to be tabled to the Board. Its main proceedings in the field in 2019 were:

#### - Risks Map

In the meeting held on 9 December 2019 the Head of the ERM Department apprised the Committee of the main risks affecting business development and the control measures established to manage and monitor such risks. The Committee gave a favourable report to the update of the 2019 Risks Map

#### - Evaluation of other risks

Pursuant to sections 5.3(j) of the Audit and Compliance Committee's Regulations, and to the Enterprise Risk Management Policy, the evaluation of any question regarding *"non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks)"* is part of the Committee's duty to oversee the effectiveness of risk control systems.

Likewise, pursuant to section 9(h) of the above-referred set of rules, the Audit and Compliance Committee may *"meet with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit."*

Considering the foregoing, the Committee encourages attendance of officers and supervisors of the Company at its meetings, to be regularly apprised of the operation of the risk management systems established, and in particular, with regard to:

#### - Report on Tax Policies

Pursuant to the Company's Tax Policy, the Committee acknowledged in the meeting held on 11 March 2019 the tax policies followed in the year

#### - Brexit Contingency Plan

The Audit and Compliance Committee acknowledged the Brexit Contingency Plan submitted by the Internal Audit Department in the meeting held on 11 March 2019. Such Plan addressed the main significant contingencies identified and the measures raised to mitigate their impact.

#### - Report on the follow-up of projects of IT and Information Security Departments

In the meetings held on 10 June 2019, the Committee acknowledged the reports on Cybersecurity and Information Security addressing the most relevant issues in the field which may have an impact on the Company, and followed-up on the progress of the projects of the Information Security Department.

Likewise, the Committee acknowledged in the meeting held on 9 December 2019 the report of the Data area, within the IT Department, on the status of the project to substantially amend the Group's data architecture system, and followed-up on the progress of the projects and objectives of the 2019-2020 Plan. The

appointment of the new Chief Analytics Officer was also acknowledged in such meeting.

#### - Report of the Data Protection Officer

In the meeting held on 10 June 2019, the Committee acknowledged the report on the degree of implementation of the requirements on Data Protection introduced upon entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council last 25 May 2018, as well as the contents and scope of the Data Protection Policy approved by the Board of Directors on 11 June 2019.

#### - The corporate strategy

As a general rule, the Board of Directors delegates the management of the day-to-day business and the conduct of its strategy to the management team, focusing on performing its general supervisory role and exercising its non-delegable powers, pursuant to statute, the Articles of Association and its own set of rules.

Within the scope of its powers relating to enterprise risk management, the Audit and Compliance Committee will be regularly updated by the Management and the heads of business unities who will attend its meetings for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

Accordingly, the Committee acknowledged the Business Plan update in the meetings held on 11 March and 9 December 2019.

### F. Powers relating to Corporate Governance

The most relevant proceedings of the Committee in 2019 regarding observance of statutory and good governance requirements have been:

#### - Annual Corporate Governance Report (ACGR)

The Audit and Compliance Committee approved on 11 March 2019 the Annual Corporate Governance Report for 2018, drafted as regards its format, contents and structure, in accordance with applicable regulations in force and CNMV's Circular 2/2018 of 12 June which amended Circular 5/2013 of 12 June, that established the standard forms for the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading on official securities markets; and Circular 4/2013 of 12 June that established the standard forms for the Annual Report

on remuneration of directors of listed public companies, and of members of the board of directors and control committees of savings banks issuing securities admitted to trading on official securities markets. The Committee submitted the ACGR to the Board of Directors which approved it on 12 March 2019, and subsequently sent it to the CNMV as a relevant fact. The ACGR is available on CNMV website ([www.cnmv.es](http://www.cnmv.es)).

#### - Review of the reports of the Compliance Supervisory Board and the Office of the Chief Compliance Officer.

The Audit and Compliance Committee reviewed in the meetings held on 11 March and 9 September 2019 the quarterly reports prepared by the Office of the Chief Compliance Officer and the Compliance Supervisory Board on (i) the enforcement of the Internal Regulations of Conduct, and (ii) the measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

#### - Amendment of internal regulations.

The Audit and Compliance Committee gave a favourable report to the amendment of the Articles of Association and the Board of Directors' Regulations in the meeting held on 10 June 2019.

Additionally, the Committee gave a favourable report in the meeting held on 16 July 2019, to the amendment of the respective set of rules of the Audit and Compliance Committee, the Nomination Committee and Remuneration Committee and to the new Sustainability Committee's Regulations.

Finally, the Committee gave a favourable report to the amendment of the Internal Audit Charter on 9 December.

#### - Evaluation of the appropriateness of the corporate governance system.

In the meeting held on 9 December 2019 the Audit and Compliance Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interests taking into account the lawful interests of the different stakeholders.

#### - Related-party transactions

In the meeting held on 11 March 2019, the Audit and Compliance Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout 2018.



Pursuant to the provisions of Recommendation 6 GGC, such report was made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) since the date the notice calling the Annual General Meeting was published.

- Report on treasury stock

The Committee acknowledged in the meeting held on 11 March 2019 the report on treasury stock, issued by the Capital Markets Director pursuant to the provisions of the document headed *"Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares"* dated 18 July 2013.

- Report on its activities

The Committee issued the annual report on its activities on 10 June 2019. It was published in the 2018 Annual Report and is available on [www.inditex.com](http://www.inditex.com)

#### G. Other powers

- Structural and corporate changes

In the meeting held on 9 September 2019, the Committee gave a favourable report to the general terms and conditions of the review of the Group's international corporate structure. Such review was subsequently approved by the Board of Directors on 10 September 2019.

#### H. Inditex's Annual Report

The Committee gave a favourable report to the Annual Report for 2018 in the meeting held on 10 June 2019. Such Report provides information on the activities of the Company and its Group over the past years and in particular in 2018, regarding three specific areas: financial, social and environmental.

## 04.03/ Annual report on the proceedings and activities of the Audit and Compliance Committee

The Audit and Compliance Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website ([www.inditex.com](http://www.inditex.com)) since the date when the notice calling the Annual General Meeting is posted.

## 04.04/ Nomination Committee

### Regulations

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations, and namely the Nomination Committee's Regulations approved on 9 June 2016 set out the regulations governing the proceedings of the Nomination Committee. The Nomination Committee's Regulations are available on Inditex website.

The Nomination Committee's Regulations were amended in 2019 in order to bring some of its provisions into line with the principles and recommendations set forth in Technical Guide 1/2019.

### Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2020)
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	14-07-2015

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

The Nomination Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors who shall be elected, considering the appropriate knowledge, qualifications and expertise based upon the duties they are called upon to discharge. At present, 4 directors sitting on the Nomination Committee are independent, which represents 80% of all its members.

In this regard, pursuant to the Nomination Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience on corporate governance issues, analysis and strategic assessment of human resources, selection of directors and officers and assessment of the suitability requirements legally provided for the discharge of senior management functions.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Mr Saracho was appointed Chair of the Nomination Committee on 14 July 2015 and re-elected as such on 16 July 2019.

## Duties and powers

Section 5 of Nomination Committee's Regulations sets forth the mission of the Nomination Committee and its powers are set out in sections 6 to 9 thereof.

In addition to such powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code, the Nomination Committee is entrusted with the following duties:

- Proposing a diversity of directors and of senior managers policy.
- With regard to the annual evaluation programme, the Nomination Committee is expressly entrusted with the following powers: (i) establishing and overseeing an annual programme for evaluating the performance of the Executive Chairman, the CEO and board committees; (ii) reporting on an annual basis to the Board of Directors on the performance of the Executive Chairman, the CEO and the remaining executive directors; (iii) proposing an action plan or recommendation to amend potential weaknesses detected or to improve the operation of the Board and its committees; and (iv) assessing the convenience of discussing with the directors the findings of their individual evaluations and, if appropriate, the measures to be adopted to improve their performance.

Additionally, the Committee may gather information about the evaluation of senior managers.

- With regard to succession plans, the Committee is expressly entrusted with the power to be regularly apprised of the succession and career plans of senior managers.
- Designing and periodically organising the induction and refresher programmes for directors.

The Nomination Committee's Regulations were amended in 2019 for the purposes, inter alia, of bringing

it into line with the principles and recommendations set out in Technical Guide 1/2019. Such amendment has affected the mission and powers of the Committee. In particular, the following powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code have been worked upon:

- With regard to director selection, the Nomination Committee shall be responsible for setting up a skills chart of the Board on the basis of which the profiles required of candidates that must fill board vacancies will be defined.

Moreover, the Committee shall assess the convenience of outsourcing the search for candidates and, as the case may be, hiring the services of external experts.

- In case of removal of directors: the Committee must ensure the transparency of the process and gather the information it may deem appropriate.

## Proceedings

The Nomination Committee shall meet at least 3 times a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and at any rate whenever it is appropriate for the successful performance of its functions.

Likewise, the Chair may arrange working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the Board thereof. Likewise, in order for the Committee to duly discharge its duties, external advisors may attend its meetings.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

## Activities of the Nomination Committee

The Nomination Committee held 5 meetings in 2019.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Nomination Committee during financial year 2019 stands at 100%.

The average duration of each meeting has been of approximately 2 hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Nomination Committee for financial year 2019 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2019, the main lines of action of the Nomination Committee have focused on the following:

### A. Powers regarding appointment of directors

In the meeting held on 23 May 2019, the Nomination Committee gave a favourable report to the motion raised by the Executive Chairman on the appointment of Mr Carlos Crespo González to the Board of Directors as executive director, to be submitted to the Annual General Meeting and to his subsequent election as CEO and member of the Executive Committee.

The Committee had previously approved an explanatory report on the analysis of prior needs of the Board, for the purposes of re-election and appointment of directors.

Likewise, the Committee resolved in the meeting held on 10 June 2019, to give a favourable report to the motions on the re-election of Mr Pablo Isla Álvarez de Tejera and Mr Amancio Ortega Gaona to the Board of Directors as executive and proprietary directors, respectively, and to propose the re-election of Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz as independent directors.

The motions and reports above referred were subsequently submitted by the Board to the Annual General Meeting and were approved by the latter on 16 July 2019.

The relevant reports issued by the Nomination Committee had been made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) since the

date the notice calling the Annual General Meeting was published.

The motions on (i) the appointment of Mr Crespo as new CEO; and, (ii) the re-election and appointment of members of the Executive Committee were also approved by the ensuing board meeting held after the Annual General Meeting.

The Committee resolved on 9 December 2019 to propose the co-option of Ms Anne Lange to the Board of Directors as independent director. Such appointment was approved by the Board of Directors on 10 December, until it is ratified by the Annual General Meeting.

Finally, also on 9 December 2019, the Committee resolved to raise to the Board of Directors the motions on (i) the appointment of members of the new Sustainability Committee and the ensuing appointment of its Chair and Secretary; and, (ii) the new composition of the Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee.

Such motions were subsequently approved by the Board of Directors in the meeting held on 10 December 2019.

### B. Powers regarding appointment of officers

In the meeting held on 9 December 2019, the Nomination Committee gave a favourable report to the motion on the appointment of Mr Javier Losada Montero as new Chief Sustainability Officer of the Inditex Group replacing Mr Félix Poza Peña.

Such motion was subsequently approved by the Board of Directors in the meeting held on 10 December 2019.

### C. Powers regarding the process to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman, the Lead Independent Director and the Secretary of the board.

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations and, in line with the Recommendations of the Good Governance Code and Recommendation 17 of Technical Guide 1/2019, the Nomination Committee submitted to the Board of Directors on 9 September 2019 the supervision of the "Programme for the Evaluation of the Board of Directors, the Directors, the Committees and the Executive Chairman". Such programme addresses the annual evaluation of the performance of the advisory committees of the Board and the supervision thereof.

Such programme covers the preparation and supervision of the annual evaluation of the performance of the Board, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board. In 2019, the programme has

been updated and improved, in line with the criteria and recommendations of Technical Guide 1/2019 and with the new organisational structure.

Likewise, pursuant to Inditex' internal regulations and best practices in the field of corporate governance, the Nomination Committee approved on 9 December 2019 the report on the evaluation of the performance of the Board of Directors, the Directors, the Nomination Committee and its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. Such report was subsequently approved by the Board in the meeting held on the following day.

The findings of the evaluation conducted in 2019 has been positive in respect of the areas evaluated, highlighting the following, without limitation: the size and structure, the functions, the effectiveness and the proceedings, the planning and organisation of the meetings of the Board of Directors and of the Nomination Committee and the Remuneration Committee, and the contribution and performance of the Directors, the Executive Chairman, the Lead Independent Director and the Secretary of the Board.

In this regard, directors have considered that the appointment of the new CEO has contributed to reinforcing the executive business management in the field of new technologies and sustainability.

Meanwhile, the formation of the Sustainability Committee has been considered to be timely and satisfactory, as its existence and proceedings will contribute to: (i) achieving a higher degree of specialisation and advice in the field; (ii) a better design of objectives and the relevant policies in the field, and of follow up and monitoring of compliance thereof; and (iii) focusing on the decision-making process within the board regarding sustainable management and accountability to stakeholders.

In addition and as part of the findings of the self-evaluation process, the meeting of non-executive directors led by the Lead Independent Director, held on 18 February 2019 has been considered very useful.

#### D. Schedule of dates and agenda of business to be transacted

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Nomination Committee approved in the meeting held on 9 December 2019 the schedule of dates and agenda of business to be transacted by the Committee in 2020.

#### E. Report on its activities

The Nomination Committee issued the annual report on its activities on 10 June 2019. It was published in the 2018 Annual Report and is available on [www.inditex.com](http://www.inditex.com)

## 04.05/ Annual report on the proceedings and activities of the Nomination Committee

The Nomination Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website ([www.inditex.com](http://www.inditex.com)) since the date when the notice calling the Annual General Meeting is posted.

## 04.06/ Remuneration Committee

### Regulations

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and namely the Remuneration Committee's Regulations set out the regulations governing the proceedings of the Remuneration Committee. The Remuneration Committee's Regulations are available on the corporate website.

The Remuneration Committee's Regulations were amended in 2019 in order to bring some of its provisions into line with the principles and recommendations set forth in Technical Guide 1/2019.



## Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2019)
Mr Rodrigo Echenique Gordillo	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr José Luis Duran Schulz	Ordinary Member	Non-executive independent	14-07-2015
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	14-07-2015

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

The Remuneration Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. At present, 4 directors sitting on the Remuneration Committee, entirely made up of non-executive directors, are independent, which represents 80% of all its members.

In this regard, pursuant to the Remuneration Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience to discharge the duties they are called upon to perform, including among others, the analysis and strategic assessment of human resources and the design of remuneration policies and schemes for directors and senior managers.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Mr Echenique was appointed Chair of the Remuneration Committee on 14 July 2015 and re-elected on 17 July 2018. He had previously chaired the defunct Nomination and Remuneration Committee since 15 July 2014.

## Duties and powers

Section 5 of the Regulations sets forth the mission of the Remuneration Committee and its powers are set out in section 6 thereof. Namely:

The Remuneration Committee has been assigned the powers expressly entrusted by statute, and the recommendations set forth in the Good Governance Code.

Notwithstanding this, the Remuneration Committee's Regulations were amended in 2019 for the purposes, inter alia, of bringing them into line with the principles and recommendations of Technical Guide 1/2019, with the result that some of the powers it is entrusted by statute or pursuant to the recommendations of the Good Governance Code have been built up.

## Proceedings

The Remuneration Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair shall call the Remuneration Committee whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions within its remit and, at any rate, whenever this is suitable for the successful performance of its functions.

Likewise, the Chair may arrange working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorised by the signature of the Chair or the Secretary. A quorum will be present at any meeting of the Remuneration Committee when at least half plus one of its members attend it, whether in person or by proxy. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. The Committee may rely on external advisors to duly perform the duties it has been entrusted with.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

## Activities of the Remuneration Committee

The Remuneration Committee held 5 meetings in 2019.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Remuneration Committee in FY2019 stands at 100%.

The average duration of each meeting has been of approximately two hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Remuneration Committee for financial year 2019 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2019, the main lines of action of the Remuneration Committee have focused on the following:

### A. Contract and remuneration of the Executive Chairman

The Remuneration Committee approved in the meeting held on 11 March 2019 the motion regarding the remuneration of the Executive Chairman for the performance of executive functions to be subsequently submitted to the Board of Directors.

The motion was approved by the Board of Directors in the meeting held on 12 March 2019.

The Committee resolved in the meeting held on 16 July 2019 to raise to the Board of Directors the motion on the new terms and conditions of the contract with Mr Pablo Isla Álvarez de Tejera, following his re-election as Executive Chairman.

The motion was approved by the Board of Directors in the meeting held on 16 July 2019.

### B. Contract and remuneration of the CEO

The Committee resolved in the meeting held on 10 June 2019 to raise to the Board of Directors the motion on the remuneration of the new executive director, namely the fixed salary for the performance of executive functions, for the purposes of having it included in the Remuneration Policy for Directors for FY2019, 2020, 2021. The motion was approved by the Board in the meeting held on 11 June 2019.

The Committee resolved in the meeting held on 16 July 2019 to raise the motion on the contract with Mr Carlos Crespo González as CEO to the Board of Directors for

approval. The motion was approved by the Board of Directors in the meeting held on 16 July 2019.

### C. Annual Report on Remuneration of Directors for 2018

The Remuneration Committee resolved in the meeting held on 11 March 2019 to table the Annual Report on Remuneration of Directors for 2018 to the Board of Directors for approval, which it did in the meeting held on 12 March 2019.

Such report was submitted to CNMV as a relevant fact and is available on CNMV's website: ([www.cnmv.es](http://www.cnmv.es)).

Additionally, pursuant to section 541LSC, the Annual Report on Remuneration of Directors for 2018 was approved by the Annual General Meeting held on 16 July 2019, having been put to the advisory say-on-pay vote.

### D. 2016-2020 Long-term Incentive Plan

The Remuneration Committee acknowledged in the meeting held on 11 March 2019, the accrual of the first cycle (2016-2019) of the 2016-2020 Plan.

### E. 2019-2023 Long-term Incentive Plan

The Remuneration Committee gave a favourable report in the meeting held on 11 March 2019 to the objectives and terms of the new 2019-2023 Long-term Incentive Plan addressed to members of management and other employees of the Inditex Group, and tabled it to the Board of Directors.

Likewise, in the meeting held on 16 July 2019, the Committee gave a favourable report to the 2019-2023 Long-term Incentive Plan Regulations, which were raised to the Board of Directors and approved by the latter in the ensuing meeting held on that same day.

The 2019-2023 Long-term Incentive Plan was approved by the Annual General Meeting on 16 July 2019.

The Remuneration Committee acknowledged in the meeting held on 9 September 2019 the list of beneficiaries of the first cycle (2019-2022) of the 2019-2023 Long-term Incentive Plan.

### F. Remuneration Policy

The Committee approved in the meeting held on 10 June 2019 the explanatory report on the motion regarding the partial amendment of the Remuneration Policy for Directors for 2019, 2020 and 2021 to be subsequently tabled to the Annual General Meeting, for the purposes of including the fixed remuneration of the CEO for the performance of executive functions.

The partial amendment of the Remuneration Policy for Directors was approved by the Annual General Meeting on 16 July 2019.

Such report was issued by the Nomination Committee pursuant to section 529*novodecies*(3)LSC, article 30.3.(a) of the Articles of Association, section 17.2.(a) of the Board of Directors' Regulations and section 5.3.(a) of the Remuneration Committee's Regulations.

The Remuneration Policy and the explanatory report issued by the Remuneration Committee have been made available to the shareholders on the corporate website since the date the notice calling the Annual General Meeting was published.

#### G. Remuneration of Senior managers

The Remuneration Committee gave a favourable report to the remuneration of Senior managers in the meeting held on 11 March 2019 and submitted it to the Board of Directors, which approved it on 12 March 2019.

Additionally, in the meeting held on 10 December 2019, the Committee gave a favourable report to the motion regarding the economic terms and conditions of the senior management contract entered into with Mr Javier Losada Montero, which was approved by the Board of Directors in the meeting held on 10 December 2019.

#### H. Extraordinary Employees Profit-Sharing Plan

The Board of Directors approved on 14 March 2017 on an exceptional basis, following a favourable report of the Committee, an Extraordinary Employees Profit-Sharing Plan for Inditex employees worldwide, that seeks to boost and reward, on an exceptional basis, their contribution to the improvement of results and their permanence with the Inditex Group for the duration of the Plan, that is financial years 2017 and 2018.

On 11 March 2019, the Remuneration Committee gave a favourable report to the result of the second period of the Plan for financial year 2018 and to the global incentive, and to the payment of an extraordinary incentive that seeks to cement throughout 2019 the collective commitment, efforts and contribution of the beneficiaries of such plan to the achievement of the objectives set by the Group, in particular, improving the results for such year, 2019, and ensuring talent retention within the Company.

The Remuneration Committee gave a favourable report to the terms and conditions of the new Extraordinary Employees Profit-Sharing Plan, which will be in effect, on an exceptional basis, for one year, from 1 February 2019 through 31 January 2020, and resolved to table it to the Board of Directors for approval.

The objectives and terms of such new Plan were approved by the Board in the meeting held on 12 March 2019.

#### I. Schedule of dates and agenda of business to be transacted

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Remuneration Committee approved in the meeting held on 10 December 2019 the schedule of dates and agenda of business to be transacted by the Committee in 2020.

#### J. Report on its activities

The Remuneration Committee issued the annual report on its activities on 10 June 2019. It was published in the 2018 Annual Report and is available on [www.inditex.com](http://www.inditex.com).

## 04.07/ Annual report on the proceedings and activities of the Remuneration Committee

The Remuneration Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website ([www.inditex.com](http://www.inditex.com)) since the date when the notice calling the Annual General Meeting is posted.

## 04.08/ Sustainability Committee

### Formation

The Board of Directors resolved on 11 June 2019 to form the Sustainability Committee, in line with the Group's corporate strategy and its commitment to sustainability, its composition and own set of rules pending approval.

The Sustainability Committee's Regulations were subsequently approved by the Board of Directors in the meeting held on 16 July 2019, following a favourable report of the Audit and Compliance Committee.

To complete the whole formation process, the Board approved on 10 December 2019, following a favourable report of the Nomination Committee, the appointment of its members and the subsequent election of its Chair and Secretary.

## Regulation

Article 30bis of the Articles of Association, section 17bis of the Board of Directors' Regulations and in particular the Sustainability Committee's Regulations set out the regulations governing the Sustainability Committee. Such set of rules is available on Inditex corporate website ([www.inditex.com](http://www.inditex.com)).

## Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2020)
Bns. Denise Patricia Kingsmill	Chair	Non-executive independent	10-12-2019
Ms Anne Lange	Ordinary member	Non-executive independent	10-12-2019
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	10-12-2019
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	10-12-2019
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	10-12-2019

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Sustainability Committee.

The Sustainability Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom shall be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. At present, 4 directors sitting on the Sustainability Committee, entirely made up of non-executive directors, are independent, which represents 80% of all its members.

In this regard, pursuant to the Sustainability Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience in the field of sustainability, social action initiatives, sustainable management of resources and design of communication policies with stakeholders.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Bns. Denise Patricia Kingsmill was appointed as Chair of the Sustainability Committee on 10 December 2019.

## Duties and powers

The mission of the Sustainability Committee is addressed in section 5 of the Sustainability Committee's Regulations, and its powers are set out in sections 6 to 8 thereof. In particular:

- To follow-up on the Company's sustainability strategy and policies.
- To oversee monitoring of the entire supply chain and compliance by suppliers with Inditex's Code of Conduct for Manufacturers and Suppliers.
- To verify that the goods that the Company sells comply with the product health and safety standard.
- To verify compliance with the most exacting environmental standards, encouraging biodiversity conservation and the sustainable management of natural resources in respect of use of raw materials, production processes, product and store.
- To verify compliance with the Company's Policy on Human Rights across its entire value chain.
- To monitor the Company's relation with its different stakeholders in the field of sustainability and with the Social Advisory Board.
- To verify the reporting process in respect of sustainability information in accordance with applicable regulations and the international standards of reference, in particular regarding the contribution towards achievement of UN Sustainable Development Goals (SDGs).
- To follow-up on any other environmental matters or initiatives which might have an impact on the Company's sustainability.

## Proceedings

The Sustainability Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair of the Sustainability Committee shall call it whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and at any rate whenever it is appropriate for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. The Committee may rely on external advisors to duly perform the duties it has been entrusted with.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

## Activities of the Sustainability Committee

Although the Committee was formed further to a resolution passed by the Board of Directors on 11 June 2019, the formation process was completed with the appointment of its members, resolved by the Board in the meeting held on 10 December 2019. Consequently, the first meeting of the Sustainability Committee will be held in 2020

## 04.09/ Executive Committee

### Composition

NAME	POSITION	TYPE OF DIRECTOR
Mr Pablo Isla Álvarez de Tejera	Chairman	Executive
Mr José Arnau Sierra	Deputy Chairman	Non-executive proprietary
Mr Amancio Ortega Gaona	Ordinary member	Non-executive proprietary
Mr Carlos Crespo González	Ordinary member	Executive
Ms Pilar López Álvarez	Ordinary member	Non-executive independent
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Executive Committee.

The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Deputy Chairman of the Board of Directors acts as Deputy Chairman of the Executive Committee.

All types of directors sitting on the Board of Directors are represented on the Executive Committee.

In 2019, Mr Carlos Crespo was appointed as new member of the Executive Committee. Consequently the maximum number of members allowed on the Executive Committee has increased from 7 to 8 for the purposes of adapting its size and structure to that of the Board of Directors, as regards membership of directors of all types.

### Duties and proceedings

The Executive Committee holds in delegation all the powers of the Board, except for those that cannot be delegated by statute or according to the Company's Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

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 for, and may include, at the Board's discretion, all or a part of the powers of the Board itself.

The Executive Committee did not hold any meetings in 2019.



## 04.10/ Other governing bodies

### Internal committees:

In addition, 2 other internal committees exist, which regularly report to the Audit and Compliance Committee, to wit: the Compliance Supervisory Board and the Committee of Ethics. Each of them is addressed herein in its own independent section.

### External committees: the Social Advisory Board

#### Regulations

In December 2002, the Board of Directors authorised the creation of the Social Advisory Board and approved its Regulations, which determine the principles of action, the basic rules governing its organization and proceedings and the rules of conduct of its members.

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

#### Composition

The following members sit on Inditex's Social Advisory Board: Mr Ezequiel Reficco; Ms Cecilia Plañol Lacalle; Ms Paula Farias Huanqui; Mr Francisco Javier Sardina López and Mr Víctor Viñuales Edo.

#### Powers

Reporting to the Board of Directors, the Social Advisory Board is Inditex's advisory body in the field of Sustainability

#### Activities

In 2019, the Social Advisory Board held 3 meetings. The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Social Advisory Board in 2019 stands at 87%.

The main lines of action of the Social Advisory Board have focused on the following: (i) in the meeting held on 20 February 2019, it gave a favourable report to the Statement on Non-Financial Information of the Inditex Group for FY2018 and to the 2019-2022 Environmental Sustainability Strategic Plan; (ii) in the meeting held on 4 June 2019, it gave

a favourable report to the social and environmental sections of the 2018 Annual Report; and, (iii) in the meeting held on 9 December 2019, it gave a favourable report to the main lines of the new Sustainability strategy, the new assessment strategy for suppliers/manufacturers of the Group, and to the 2019-2022 Social Sustainability Strategic Plan.

## 05/ Remuneration

### 05.01/ Remuneration of Directors

In 2019, the aggregate remuneration of the Board of Directors amounted to €9,458k.

Included in such aggregate remuneration is the amount of the remuneration of directors in their status as such, as well as the fixed salary, the short-term variable remuneration and the long-term variable remuneration of executive directors. In particular, with regard to variable components of remuneration:

- Annual variable remuneration: taking into account the exceptional situation created by the global coronavirus pandemic, Inditex's Board of Directors has resolved, on the proposal of the Remuneration Committee, that the annual variable remuneration of the Executive Chairman and the CEO for financial year 2019 be halved.
- Long-term or pluri-annual variable remuneration: included therein are the incentives in cash and in shares accrued by the Executive Chairman and the CEO as at 31 January 2020 under the second cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.

Also included in such aggregate remuneration is the remuneration accrued by the following directors: (i) Mr Carlos Crespo González, in his capacity of executive director, from the date of his appointment as such, i.e., 16 July 2019; and, (ii) Ms Anne Lange, in her capacity of director and member of the following board committees: Audit and Compliance, Nomination, and Remuneration, from the date on which she was appointed, i.e., 10 December 2019.

## 05.02/ Annual Report on Remuneration of Directors

The Board of Directors approved in the meeting held on 17 March 2020 the Annual Report on Remuneration of Directors for FY2019 prepared by the Remuneration Committee pursuant to the provisions of section 541 of the Companies Act; Order EEC/461/2013 of 20 March, whereby the contents and structure of the annual corporate governance report, the annual remuneration report and other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined; and of CNMV's Circular 2/2018. Pursuant to this latter, the Report has been filed in a free format; it is available on [www.inditex.com](http://www.inditex.com).

The Remuneration Policy for Directors in effect for financial years 2019, 2020 and 2021 was approved by the Annual General Meeting held on 17 July 2018, with 99.38% of votes for, and amended in part further to a resolution passed by the Annual General Meeting held on 16 July 2019 (with 99.54% of votes for), exclusively for the purposes of adding thereto the annual fixed remuneration of the CEO for the performance of executive functions. This was done in accordance with section 529novodecies of the Companies Act.

## 06/ Senior Managers

As at 31 January 2020, Inditex's senior managers, excluding the Executive Chairman and the CEO are:

NAME (PERSON OR COMPANY)	POSITION
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Ms Lorena Alba Castro	Chief Logistics Officer
Mr José Pablo del Bado Rivas	Director of PULL & BEAR
Mr Jesús Echevarría Hernández	Chief Communication Officer
Mr Ignacio Fernández Fernández	Chief Financial Officer
Mr Antonio Flórez de la Fuente	Director of BERSHKA
Ms Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernadas	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	General Services and Infrastructures Director
Mr Javier Losada Montero	Chief Sustainability Officer
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Legal Director
Ms María Lorena Mosquera Martín	Director of ZARA HOME
Ms Paula Mouzo Lestón	Chief Audit Officer
Mr Jorge Pérez Marcote	Director of MASSIMO DUTTI
Mr Óscar Pérez Marcote	Director of ZARA
Mr Ramón Reñón Tüñez	Deputy General Manager
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

### 06.01/ Remuneration of senior managers

In 2019, the aggregate remuneration accrued by senior managers amounted to €30,834k.

Included in such aggregate remuneration is the amount of the fixed remuneration, the short-term variable remuneration and the long-term variable remuneration accrued by senior managers. In particular, with regard to variable components of remuneration:

- Annual variable remuneration: taking into account the exceptional situation created by the global coronavirus pandemic, Inditex's Board of Directors has resolved, on the proposal of the Remuneration Committee, that

the annual variable remuneration of senior managers for financial year 2019 be halved.

- Long-term or pluri-annual variable remuneration: included therein are the incentives in cash and in shares accrued by senior managers as of 31 January 2020 under the second cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.

Also included in such aggregate remuneration is the amount of the remuneration accrued in 2019 by the following officers: (i) Mr Carlos Crespo González, in the capacity of Chief Operating Officer of the Inditex Group through 16 July 2019; (ii) Mr Félix Poza Peña, former Chief Sustainability Officer until 10 December 2019, date on which he ceased performing senior management functions; and, (iii) Mr Javier Losada Montero, new Chief Sustainability Officer from this latter date.

## 06.02/ Severance or golden parachute clauses

This type of clause is included in the employment agreements entered into with 23 officers, including the Executive Chairman and the CEO. The main description of these clauses can be found in the Annual Corporate Governance Report, available on [www.inditex.com](http://www.inditex.com).

## 07/ Related-party transactions and conflict of interest situations

### 07.01/ Related-party transactions

The power to approve any transaction between the Company and a director or a significant shareholder is exclusively reserved to the Board of Directors. Prior to such approval, the Audit and Compliance Committee must report on such transactions which entail or might entail any conflict of interest situation, related-party transactions or transactions which entail the use of corporate assets.

Under no circumstance shall the Board of Directors approve the transaction if a report has not been previously issued by the Audit and Compliance Committee evaluating the transaction from the standpoint of market conditions.

As regards transactions with significant shareholders, the Audit and Compliance Committee shall examine them

also from the standpoint of an equal treatment of all shareholders.

In case of transactions within the ordinary course of Company business of a customary or recurrent nature, a general authorisation of the line of transactions and their conditions of execution will suffice.

The Company shall report on the transactions it has conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, with the scope provided in statute for each case. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of business of the Company or are not carried out on an arm's length basis.

No Board authorisation is required for those related-party transactions that meet at the same time the following terms:

- they are conducted under contracts with standard terms and conditions which apply *en masse* to many clients;
- they are conducted at prices or rates generally established by the suppliers of the good or service in question; and.
- their amount is not in excess of 1% of the Company's annual revenues.

Such authorisation has to be granted by the Annual General Meeting where it refers to a related-party transaction with a director which amount is in excess of ten percent (10%) of the corporate assets.

The detail of the transactions carried out by the Inditex Group with related parties, whether natural or legal, and of significant transactions carried out by Inditex with other entities belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company as regards its object and conditions, is provided in section D.2 of the Annual Corporate Governance Report.

### 07.02/ Mechanisms to prevent conflict of interest

The definition of "conflicts of interest" is provided in the Board of Directors' Regulations, which also lays down the rules governing such situations. The following situations which may entail a conflict of interest are addressed

therein: the rendering of professional services in competing companies, the use of corporate assets and/or the use of non-public company information for private purposes, taking advantage of business opportunities of the Company or making undue influence of office. On the other hand, the specific questions regarding which directors must provide information to the Company are covered in the heading "Duties of information of the director" of the Board of Directors' Regulations.

Section 34 of such set of rules also provides the principles which shall govern the proceedings of all the persons affected by a conflict of interest (prevention, information, abstention and transparency).

Additionally, the Board of Directors' Regulations set forth that the rules of conduct provided therein for the Directors shall apply, to the extent that they are compatible with their specific nature, to the Company's senior managers; namely, and with the due nuances: the duty of confidentiality; conflicts of interest, in connection with the duty to inform the Company; the use of corporate assets for private purposes; the confidentiality of non-public information; the business opportunities and prohibition to make undue influence of the office.

Likewise, with regard to significant shareholders, the Board of Directors' Regulations provide the rules which apply to "Transactions with directors and significant shareholders".

Among the duties it is entrusted with, it is incumbent on the Audit and Compliance Committee to report on the transactions which entail or might entail any conflict of interest, related-party transactions or which entail the use of corporate assets, and generally, on those topics covered under Chapter IX of the Board of Directors' Regulations. In light of the report of the Audit and Compliance Committee, the approval of the transaction, where appropriate, falls on the Board of Directors.

Although the system above described exclusively applies to directors and other individuals within the Organisation considered as senior managers, the Company has in place a number of mechanisms to detect, determine and solve potential conflicts of interest which may arise regarding officers and other employees.

In this regard, section 4.8 of the Code of Conduct and Responsible Practices addresses the situations in which employees must disclose to the Committee of Ethics the existence of a conflict between their personal interests and those of the Company.

Moreover, the Board of Directors approved on 16 July 2019 the new Conflicts of Interest Policy, following a favourable report of the Audit and Compliance Committee. Such Policy seeks to supplement and implement the provisions of the Code of Conduct and Responsible Practices on

conflicts of interest, defining the appropriate measures aimed at preventing, detecting, disclosing and managing such conflicts of interest which may affect employees in the performance of their job.

## 08/ Transparency, Independence and Good Governance

### 08.01/ Financial information

The individual and consolidated annual accounts of the Company and its Group that are stated by the Board of Directors are previously certified by the Executive Chairman and the Chief Financial Officer.

The Audit and Compliance Committee, mostly made up of non-executive independent directors, meets with the statutory auditor in order to review the Company's annual accounts as well as certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with legal requirements and correct application of generally accepted accounting principles in the statement of such annual accounts. In such meetings, any disagreement or difference of opinion existing between the Company's management and the external auditors is put forward, so that the Board of Directors can take the appropriate steps to ensure that the auditors' report is issued without qualifications. In line with best practices in the field of corporate governance, the Board of Directors meets with the statutory auditor at least once a year, to be apprised of the work done and the evolution of the accounting and risks situation of the Company, without any officer of the Company being present.

Furthermore, before stating the annual, half-yearly or quarterly financial statements, the management of the Company also meets with the Audit and Compliance Committee and is subjected by the latter to suitable questions as to, inter alia, the application of accounting principles or the estimates made upon preparing the financial statements. Such topics are subject to discussion with the external auditors.

The independent auditor's report on Financial Statements for financial year 2019 has been issued without qualifications.

## 08.02/ Auditors' independence

Mechanisms set to preserve the independence of external auditors are:

- The relationships of the Board of Directors with the Company's statutory auditor shall be channeled through the Audit and Compliance Committee.
- The Audit and Compliance Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an audit firm incurring in any incompatibility in accordance with the legislation on auditing as well as an audit firm where the fees that it expects to pay them, for all services in all areas, in excess of the limits provided in the laws on auditing.
- The Audit and Compliance Committee, mostly made up of independent directors, proposes to the Board of Directors the appointment and re-election of the statutory auditors, to be submitted to the Annual General Meeting, being responsible for the selection process as well as for the terms of the audit engagement, the scope of their professional mandate and, where appropriate, the termination or non-renewal of their appointment.

With regard to such selection process, the Procedure for the Selection of the Statutory Auditor was approved by the Audit and Compliance Committee on 9 September 2019, in accordance with the provisions of Technical Guide 3/2017. For the purposes of ensuring an unbiased, fair, transparent and efficient and non-discriminating process, the selection criteria to be considered are defined in the Procedure, as well as the different proceedings both for the selection and appointment of external auditors, and for their re-election or replacement.

- The Audit and Compliance Committee receives from the statutory auditor on a regular basis information on the audit plan and the results of its implementation, and follows up on the recommendations proposed by the auditor; likewise, it may request its collaboration should it deem it appropriate.
- One of the functions of the Committee consists of liaising with statutory auditor in order to receive information on those matters that could compromise their independence, and on any other matter related to the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards. In particular, the Committee shall:
  - receive from the statutory auditor on an annual basis the statement on their independence regarding the Company or the companies directly or indirectly related thereto.

- Oversee the engagement of the statutory auditor for non-audit services, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services.

For such purposes, the Company relies on the Procedure to Contract an Auditor for the Provision of Additional Non-audit Services, approved by the Audit and Compliance Committee on 18 July 2016, that governs the process that shall be followed so that the Committee may be apprised of and authorise the agreements executed by the Company and the entities within its Group with external auditors for the provision of non-audit services (in particular, when fees are significant), as a mechanism to ensure the due independence of the latter. Additionally, such Procedure lists a number of services that under no circumstances may be provided by external auditors.

Additionally, for the purposes of reinforcing the duty to oversee and establish the independence of the statutory auditor, the engagement by Inditex's parent company (i.e., Pontegadea Inversiones, S.L. and/or any other significant shareholder from time to time existing) of non-audit services from such auditor shall be subject to the prior authorisation of the Audit and Compliance Committee.

- Verify that the Company and the statutory auditor comply with applicable regulations regarding the provision of non-audit services, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the auditors' independence.

To such end, it will receive from the statutory auditor detailed and itemised information on any non-audit service whatsoever rendered as well as the relevant fees paid in this regard to such auditors, or to any of their related parties, whether natural or legal persons, in accordance with the provisions of the regulations on statutory audit.

- Ensure that the remuneration of the external auditors for their work does not compromise their quality and independence.
- Finally, issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the statutory auditor or of the audit firms has been compromised. At any rate, such report must contain the assessment of the provision by external auditors of each and every additional non-audit service, considered both separately and as a whole, and its opinion regarding the auditor's independence system pursuant to statutory audit regulations.



- In the event of resignation of the statutory auditor, examine the circumstances that may have given rise thereto.
- The Company discloses in its consolidated annual report information on total fees paid to the external auditors for each type of non-audit service.

### 08.03/ Auditors' fees for additional non-audit services

	COMPANY	GROUP	TOTAL
Amount of non-audit work (€k)	40	17	57
Amount of non-audit work / total amount charged by the audit firm (in %)	10,1%	0,2%	0,7%

## 09/ Internal Regulations of Conduct regarding transactions in Securities (IRC) and Compliance Supervisory Board

The first version of the IRC was approved by the Board of Directors in July 2000. It contains, among other things, the rules governing the confidentiality of inside information and/or other relevant information, transactions involving securities of Inditex by the persons included in its scope, the treasury stock policy and the communication of relevant facts.

The new IRC was approved by the Board of Directors on 19 July 2016, for the purposes of updating its contents within the European regulatory framework against market abuse, comprising the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014) and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, which seeks to reinforce market integrity and establish mechanisms for a streamlined implementation and supervision within the different Member States of the European Union. The last amendment of the IRC was approved by the Board of Directors on 16 July 2019, answering the need to bring some of its provisions into line with the latest regulatory reform in the field, underscoring: (i) the distinction between inside and relevant information; and, (ii) the increase of the limit of the obligation for persons subject to the IRC and their related parties to disclose their personal transactions.

Pursuant to the IRC, the proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside information and/or other relevant information, shall comply with the following principles: regulatory compliance, transparency, collaboration and confidentiality.

Compliance with the IRC is mandatory for all the persons included in its scope of application. In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be.

The Compliance Supervisory Board (the "CSB") which reports directly to the Audit and Compliance Committee, is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

Likewise, the Office of the Chief Compliance Officer (the "OCCO") exists within the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, inter alia, with enforcing the conduct regulations of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The GCO-OCCO keeps a General Documentary Register of all Affected Persons, and informs Affected Persons that they are subject to the provisions of the IRC and reports any breaches and penalties which may arise, where appropriate, from an inappropriate use of reserved information.

## C) Corporate Ethical Culture

Inditex has implemented a corporate ethical culture, which is at the core of its Compliance Model. Such Model not only seeks to establish a regulatory compliance system, ultimately intended to limit or even prevent any manner of liability for the Company, but it also seeks to reflect Inditex's firm commitment to good governance and social and environmental sustainability, and convey its corporate ethical culture to all its stakeholders, promoting respect for fundamental Human and Labour Rights across its supply chain.

This is evidenced by the fact that the conduct regulations of the Company and its organisational documents are considered high-level regulations and the main drivers of the Company's Compliance Model. Inditex's main conduct regulations are:

### - The Code of Conduct and Responsible Practices

The main goal of the Code of Conduct and Responsible Practices consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which training and personal growth and career development of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group

and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined in the Code.

The principles covered in the Code include, inter alia, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal directly or indirectly engaged in any kind of professional, economic, social or industrial relations with the Inditex Group shall be treated in a fair and honourable manner, and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

Additionally, the Code includes a number of conduct and responsible practices commitments, including: (i) compliance with applicable laws and regulations, internal regulations, conventions to which Inditex has acceded; (ii) observance of human and labour rights, and compliance with the regulations and best practices in the area of employment, health and safety at work; (iii) the obligation to act in accordance with the following principles: respect, dignity and justice, taking into account the different cultural sensitivity of employees and/or customers, their diversity, multiculturalism, not allowing any form of violence,



harassment or abuse, or discrimination; (iv) compliance with the product health and safety standards which ensure that Inditex's goods do not entail any health and/or security hazard; (v) the creation of fair, ethical and respectful relations with suppliers and public authorities, in line with the international provisions on anti-corruption and anti-bribery; (vi) the obligation to prevent and monitor any conflict of interest situations; (vii) the duty to use Inditex's assets and services in an effective manner, to protect the information of the Company, and to enforce the regulations on personal data protection; (viii) the obligation to protect industrial and intellectual property, both of the Group and of third parties; (ix) the duty to clearly and accurately record any transaction of significant financial weight in the appropriate accounting records, and; (x) the conduct of Inditex's business promoting social and environmental sustainability, as a way to build value for all the stakeholders.

### - The Code of Conduct for Manufacturers and Suppliers

As provided in section A) above, the Code of Conduct for Manufacturers and Suppliers defines the minimum standards of ethical and responsible behaviour which must be met across the entire supply chain, in line with the corporate culture of the Inditex Group, firmly rooted in respect for Human Rights.

Compliance with the Code of Conduct for Manufacturers and Suppliers is mandatory for all manufacturers and suppliers involved in purchasing, manufacturing and finishing processes of the goods that the Group sells, and it is based on the general principles which define Inditex's ethical behaviour, as described above. Compliance with all the standards set out in the Code of Conduct for Manufacturers and Suppliers is a pre-requisite for any supplier or manufacturer to become part of Inditex's supply chain.

## 09.01/ The Committee of Ethics and the Ethics Line (formerly, the "Whistle Blowing Channel")

A collegial body, the Committee of Ethics is composed of four (4) members:

- The General Counsel and Chief Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer.
- The Chief Human Resources Officer.

The Committee of Ethics reports to the Board of Directors through the Audit and Compliance Committee and has the following duties:

- Overseeing compliance with Inditex conduct regulations and any other applicable mandatory and/or internal regulations.
- Overseeing compliance with and the effectiveness of the Model of Criminal Risk Prevention.
- Addressing any doubts which may arise regarding the enforcement of the Code of Conduct.
- Proposing to the Board of Directors, following a report of the Audit and Compliance Committee, any explanation and/or any implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- Promoting training plans for employees on internal conduct regulations and the proceedings of the Ethics Line.
- Overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any noncompliance with the Group's internal conduct regulations. The Committee of Ethics may also act of its own motion. Any queries about the construction or enforcement of Inditex's internal regulations of conduct may be raised via the Ethics Line.

In the performance of its duties related to management and supervision of the Ethics Line, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.
- The thorough review of any information or document that triggered its action.
- The commencement of proceedings appropriate to the circumstances, of the case, where it shall always act with independence, fully respecting the right of the parties to be heard, to honour and to the presumption of innocence.
- Prohibition of retaliation, and indemnity of anyone who reports through the Ethics Line in good faith.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the Board of Directors on 17 July 2012 and recently amended on 10 December 2019. The Ethics Line Procedure simplifies and reinforces guarantees and protective measures for all parties in the process.

Further to the launching of appropriate proceedings, the Committee of Ethics will take, as the case may be, the relevant prevention, remediation and/or disciplinary measures, including referring the matter reported to the relevant department for the purposes of taking, and at any rate applying, the remediation measures which may be necessary. Such remediation measures shall be reported to the Committee of Ethics.

Decisions of the Committee of Ethics are binding for the Inditex Group and its employees.

Full information on the Committee of Ethics and the Ethics Line is available on the intranet and on the corporate website ([www.inditex.com](http://www.inditex.com)), under the recently added "Compliance" tab, with direct access to such Line.

The Committee of Ethics submits a report at least twice a year to the Audit and Compliance Committee reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the Board of Directors, on an annual basis

as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance with internal regulations, from time to time in force.

In 2019 the Committee of Ethics has seen 310 cases, 288 of them further to a concern or report while the remaining 22 were launched ex-officio.

The Ethics Line is also available to Group employees and third parties in the US, Puerto Rico and Canada, as an additional channel to report potential breaches of the Code of Conduct and Responsible Practices and of any additional conduct regulations. In accordance with local best practices, management of the Ethics Line has been entrusted to an external facilitator. The Ethics Line is available 24 hours a day 365 days a year via phone calls and the web.

In 2019, 76 cases were reported through the Ethics Line for the US, Puerto Rico and Canada (64 of them in the US and 12 in Canada).

