









# COMPLIANCE, GOOD CORPORATE GOVERNANCE AND ETHICAL CULTURE

*Inditex has developed an ethical corporate culture as an essential element of its Compliance Model, which not only seeks to establish a regulatory compliance system, but to also demonstrate a firmer commitment to good governance and social and environmental sustainability. Through this Model, the Company also transmits its ethical corporate culture to all of its stakeholders, promoting a respect for Human Rights throughout the Supply Chain of Inditex.*

**Photo:** Employee in the Paris offices of Inditex.

SDG	TARGETS	INDITEX'S CONTRIBUTION
	5.1	Gender equality is a firmly held principle within the culture of Inditex, reflected in the Code of Conduct and Responsible Practices and in the Code of Conduct of Manufacturers and Suppliers. Additionally, Inditex employs a Policy of Diversity and Inclusion that makes a clear commitment to diversity and multiculturalism in the workplace and leaves zero tolerance for gender-based or any other kind of discrimination.
	5.5	
	8.5	Inditex's commitment to decent work is formalized in the Conduct and Responsible Practices and the Code of Conduct of Manufacturers and Suppliers. Both include a series of commitments on conduct and responsible practices, including compliance with applicable law, internal standards, and accords to which Inditex has adhered.
	16.5	The Code of Conduct and Responsible Practices outlines a series of commitments to conduct and responsible practices, which include the establishing of lawful, ethical, and respectful relationships with suppliers and public authorities that are aligned with international regulations on the prevention of corruption and bribery. Additionally, a robust Compliance Model that conveys an authentic ethical corporate culture to all of the organisation's interest groups has been implanted.
	16.7	
	17.17	The Social Advisory Board of Inditex, the governing body on sustainability, is comprised of people and institutions external to and independent from the Group. Its principle duty is to formalize and institutionalize dialogue with key civil-society partners.

 More information on pages 294 and 295 of this Annual Report.



# A) Compliance

## Foreword

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

## Compliance Function

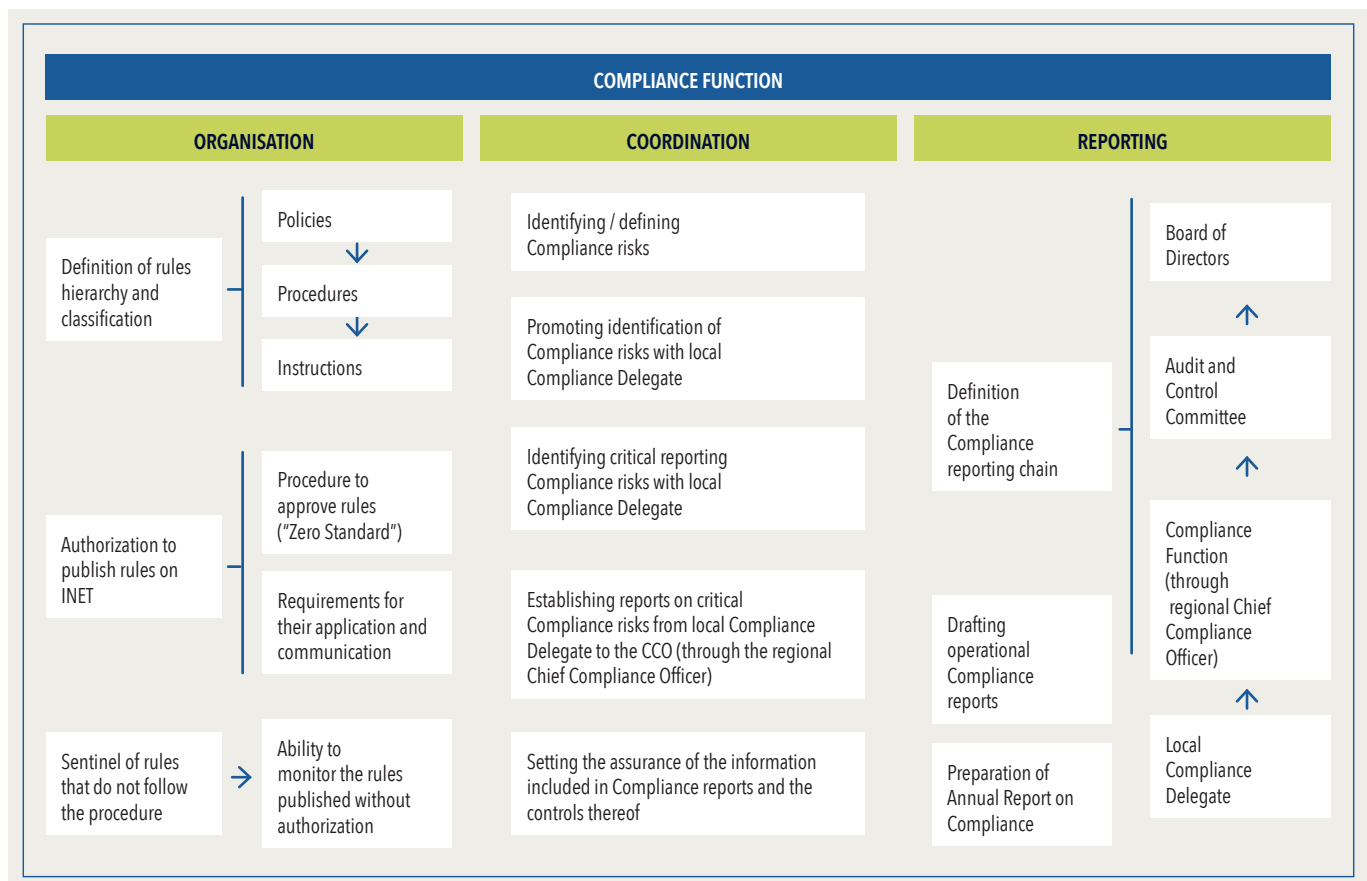
Inditex's Compliance Model is transversal, meaning that it is a corporate function that serves all the commercial formats of the Inditex Group.

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 (hereinafter, "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 oversees the process to draft internal regulations (Policies, Procedures and Instructions) and approves them, as the case may be.
- Coordination: the GCO-OCCO collaborates with the different areas and departments with compliance functions, with the identification of potential risks of noncompliance, and with the definition and implementation of controls to prevent their materialization.
- Reporting: all departments entrusted with compliance functions regularly report any critical aspects which may have an impact on Inditex, from a Compliance perspective, to the GCO-OCCO. GCO-OCCO consolidates the information gathered in a report, which is approved on a biannual and annual basis by the Committee of Ethics. Such report is tabled to the Board of Directors through the Audit and Control Committee:

Compliance Function is covered in two internal regulations: 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 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 should be mentioned first, aimed at preventing or, as the case may be, reducing a potential perpetration of offences:

- **The Policy on Criminal Risk Prevention**, 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** 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** sets out the criminal risks and controls established to prevent the materialization 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 a continuous process of verification (internal and external), update and improvement, to bring it into line with the development and growth of the Inditex Group, thus ensuring its effectiveness and the appropriate operation of the controls which are part of the Scoping Matrix of Criminal Risks and Controls. Likewise, any amendments of the Criminal Code are considered in the above-referred process of verification, update and improvement.

Within the scope of such Model of Criminal Risk Prevention, 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 existing 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.
- **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 policies.

- **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.

Additionally, 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 in the area, the **Anti-Money Laundering and Terrorist Financing Policy** was approved in 2018. Such Policy defines the due diligence processes implemented within the Company taking into account the different business it conducts. Such processes are:

- 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.

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. Financial Risk Management Policy.
- b. Enterprise Risk Management Policy.
- c. Corporate Social Responsibility Policy.
- d. Environmental Sustainability Policy.
- e. Tax Policy and Strategy.
- f. Internal Regulations of Conduct regarding Transactions in Securities (IRC).
- g. Policy on Internal Control over Financial Reporting System (IFRS).
- h. Health and Safety Policy.
- i. Director Selection Policy.
- j. Remuneration Policy for Directors.
- k. External Financing Policy.
- l. Diversity and Inclusion Policy.
- m. Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorized Markets.

## 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. In turn, these later 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 a new Code of Conduct for the USA and Puerto Rico, in line with the regulations in force and the existing best practices in the field in such country.

## Information, Awareness-raising and Training on Compliance

Inditex has implemented a repository of regulations duly arranged, easy to find and available on the Company's intranet. 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, and on the suppliers' web.

On the other hand, 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. To achieve this, Inditex provides training (both on-site and through the e-learning platform) fit for the different recipients thereof, which takes into account the activity they carry out at the Company as well as the risks they may be faced with.

The Compliance Function is responsible for coordinating the different training and awareness-raising initiatives and actions in the field of Criminal Compliance (namely, regarding the Code of Conduct and Responsible Practices and the Whistle Blowing Channel), carried out by the different areas and departments with compliance and joint reporting duties, pursuant to certain guidelines set out in the 2018 Training Plan on Criminal Compliance, launched during the year.

## 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 between all shareholders, namely the 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 value of the Company may only be understood as an ongoing process of building value for 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 an ongoing dialogue and that 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 2018 (from 1 February 2018 through 31 January 2019) approved by

Inditex's Board of Directors, available on the corporate website ([www.inditex.com](http://www.inditex.com)) and on CNMV's<sup>1</sup> website ([www.cnmv.es](http://www.cnmv.es)) provides full and reasoned information about the structure and governance practices of the Company. In 2018, the degree of compliance with the applicable recommendations of CNMV' Unified Good Governance Code of Listed Companies (hereinafter, CGB [Spanish acronym]) stands at 99%.

### 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	19-07-2016
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	14-07-2015
Board of Directors' Regulations	Board of Directors	19-07-2016
Audit and Control Committee's Regulations	Board of Directors	19-07-2016
Nomination Committee's Regulations	Board of Directors	09-06-2015
Remuneration Committee's Regulations	Board of Directors	09-06-2015
Internal Regulations of Conduct regarding transactions in Securities (IRC)	Board of Directors	19-07-2016
Code of Conduct and Responsible Practices	Board of Directors	17-07-2012
Code of Conduct for Manufacturers and Suppliers	Board of Directors	17-07-2012
Regulations of the Committee of Ethics	Board of Directors	17-07-2012
Whistle Blowing Channel Procedure	Board of Directors	17-07-2012
Policy on Criminal Risk Prevention	Board of Directors	19-07-2016
Criminal Risk Prevention Procedure	Board of Directors	19-07-2016
Zero Standard	Board of Directors	19-07-2016
Compliance Policy	Board of Directors	13-12-2016
Integrity Policies: Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies and Policy on Dealings with Public Servants	Board of Directors	19-09-2017
Diversity and Inclusion Policy	Board of Directors	12-12-2017
Anti-Money Laundering and Terrorist Financing Policy	Board of Directors	13-03-2018
Remuneration Policy for Directors	General Meeting of Shareholders	17-07-2018

<sup>1</sup> CNMV stands for Comisión Nacional del Mercado de Valores, the Spanish Securities and Exchange Commission.

## 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 2018 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:

1. Ownership structure.
2. General Meeting of Shareholders.
3. Board of Directors.
4. Board of Directors' Committees and other governing bodies.
5. Remuneration.
6. Senior Executives.
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).

## 1. Ownership Structure

### 1.1. Share capital

As at 31 January 2019, Inditex's share capital amounts 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.

### 1.2. 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 2019, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was €24.35 per share.

### 1.3. Ownership structure of the share capital

The Company issues bearer shares, represented by the book-entry method. Notwithstanding the foregoing, pursuant to the provisions of section 497 of the revised text of the Spanish Companies Act approved by Real Decreto Legislativo 1/2010, of 2 July, (hereinafter, the "Companies Act" or "LSC" [*Spanish acronym*]), in FY18, Inditex has kept the contract entered into with 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. As at 31 January 2019, board members had a 59.364% 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	0.062%	-	0.007% <sup>(1)</sup>	-	0.069%	-	-
Mr Amancio Ortega Gaona	-	59.294% <sup>(2)</sup>	-	-	59.294%	-	-
Mr José Arnaú Sierra	0.001%	-	-	-	0.001%	-	-
PONTEGADEA INVERSIONES, S.L.	50.010%	-	-	-	50.010%	-	-
Bns. Denise Patricia Kingsmill	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-

In addition to board members, according to the Company's Register of Shareholders, and as it is inferred from the public information recorded with CNMV, the owners of significant holdings in the Company, excluding the directors, 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>3</sup> (owner of 157,474,030 shares, representing 5.053% of the share capital).

## 1.4. Rights on shares

Under the 2016-2020 Long-term Incentive Plan, addressed to members of management and other employees of the Inditex Group, pursuant to the terms approved by the Annual General Meeting held on 19 July 2016 (the full text of the resolution is available on [www.inditex.com](http://www.inditex.com)), Mr Pablo Isla Álvarez de Tejera, the Executive Chairman, might receive up to a maximum number of 215,405 shares.

The first cycle (2016-2019) of the above-referred Plan accrued on 31 January 2019. Under such first cycle, Mr Isla has received an incentive in shares which materialized in 38,596 shares, after the relevant withholding tax was applied, and an incentive in cash in the gross amount of €1,348k. The settlement of the above-referred first cycle took place in the month following the statement by the Board of Directors of the annual accounts for FY18, i.e. in April 2019.

The second cycle (2017-2020) of the Plan remains in force in 2019. Under such cycle, the Executive Chairman might acquire up to a maximum number of 95,651 shares.

## 1.5. Para-social agreements

Inditex has not received any notice regarding the existence of any para-social 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.

## 1.6. Own shares

The authorization granted by the Annual General Meeting on 19 July 2016 remains in force, by virtue of which the Board of Directors is authorized to acquire the Company's own shares (the full text of this resolution is available on [www.inditex.com](http://www.inditex.com)).

As at 31 January 2019, Inditex's entire treasury stock stands at 2,950,143 own shares, which represents 0.095% of the share capital. No changes have occurred in 2018.

## 2. 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.

<sup>1</sup> Pursuant to the 2016-2020 Long-term Incentive Plan, the Executive Chairman may receive up to 215,405 shares, i.e. 0.007% of the Company's share capital. Further information on this issue is provided in section "Rights on shares".

<sup>2</sup> Through Pontegadea Inversiones S. L. (50.010%) and Partler S. L. (9.284%).

<sup>3</sup> Ms Sandra Ortega Mera and Mr Marcos Ortega Mera are the indirect owners of significant holdings through such company.

## 2.1. Authorities

The General Meeting of Shareholders is authorized 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:

- (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 such 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 authorization 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 authorize 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 pre-emptive 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, as well as any other amendment whatsoever of the Articles of Association.
- (i) To authorize the derivative acquisition of own 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 dependent entities 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 to another

company of essential assets; 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 auditors.
- (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 authorization 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.

## 2.2. Proceedings

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 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 Organizations of the Stock Exchanges where the company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be available on the Company's website (www.inditex.com).

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.

## 2.3. 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, the General Meeting shall be validly established regardless of the share capital attending the same.	Attendance of shareholders representing at least 25% of the subscribed share capital with the right to vote shall be required.

## 2.4. Passing of resolutions

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

## 2.5. Attendance to the Annual General Meeting held in FY18 and the two previous years

Date AGM	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	others	
19-07-2016	0.07%	85.92%	0.94% <sup>(1)</sup>		86.93%
18-07-2017	0.08%	86.56%	0.68% <sup>(2)</sup>		87.32%
17-07-2018	0.08%	88.15%	0.002% <sup>(3)</sup>	0.013% <sup>(3)</sup>	88.245%

(1) One hundred and forty-eight shareholders cast their vote through distance communication means, by post, or electronic vote.

(2) One hundred and fourteen shareholders cast their vote through distance communication means, by post, or electronic vote.

(3) One hundred and nineteen shareholders cast their vote through distance communication means, by post, or electronic vote, which represents 0.015% of votes cast through distance communication means shown in the table (i.e., 0.002% electronic vote + 0.013% Others).

## 2.6. Resolutions passed

The full text of the resolutions passed by the Annual General Meeting held in FY2018 and the result of the votes thereof are available on www.inditex.com. All resolutions were passed by majorities of votes for ranging from 99.36% to 100%.

Specifically, resolutions were passed regarding the items below:

*“First.- First.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Shareholders’ Equity Statement, Cash Flow Statement and Annual Report) and Management Report of Industria de Diseño Textil, Sociedad Anónima, (Inditex, S.A.) for financial year 2017, ended 31 January 2018.*

*Second.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders’ Equity Statement, Cash Flow Statement and Annual Report) and Management Report of the consolidated group (“Inditex Group”) for financial year 2017, ended 31 January 2018, and of the management of the Company.*

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

*Fourth.- Re-election and appointment of members of the Board of Directors.*

*a) Re-election of Mr Rodrigo Echenique Goardillo, as non-executive independent director.*

*b) Appointment of Ms Pilar López Álvarez as non-executive independent director.*

*Fifth.- Approval of the Directors’ Remuneration Policy for FY2019, FY2020 and FY2021.*

*Sixth.- Re-election of Deloitte, S.L., as Statutory Auditor of the Company and its Group for financial year 2018.*

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

*Eighth.- Granting of powers to implement resolutions.”*

## 2.7. 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 exist either to the right to cast vote through distance communication means, which may be exercised by any shareholder.

## 2.8. Encouragement of informed participation of shareholders

The information on the Annual General Meeting of Shareholders held in 2018 is included in the section headed "General Meeting of Shareholders" of the Company's web page (<https://www.inditex.com/en/investors/corporate-governance/annual-general-meeting>), available to shareholders from the date the notice calling the AGM has been posted, encouraging the participation of all shareholders pursuant to the provisions of the Companies Act.

## 2.9. Relationship with investors

Information on the relationship with investors 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.

## 3. Board of directors

Except for such issues whose transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of Inditex's day-to-day business 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 senior executives, 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

maximization 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 the interests 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 such yardstick, trying to achieve a reasonable balance between the proposals chosen and the risks taken.

## 3.1. 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 risks control and management policy, including tax risks, and the periodic monitoring of the internal information and control systems;
  - (vi) The definition of the tax strategy of the Company;
  - (vii) The corporate governance policy; and
  - (viii) The corporate social responsibility policy.
- (b) Approval of the following decisions:
  - (i) The drafting of the annual accounts, the management report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and management 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 recommended 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, are considered strategic or deemed to have a special tax risk, unless the approval thereof falls 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, after report of the Audit and Control Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or 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, including namely:

- . The approval and amendment of the Board of Directors' Regulations;
- . The appointment, on the proposal or after report of the Nomination Committee, as the case may be, of the internal offices within the Board of Directors, and the members and internal offices 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 favours 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 to whom executive duties are assigned;

(v) Overseeing and evaluating on an annual basis:

- . The quality and efficiency of the proceedings of the Board of Directors itself and its delegated bodies;
- . 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 Committees of the Board of Directors.

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 it will propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minute of the meeting of the Board of Directors or attached thereto as an annex.

(d) The following issues regarding senior executives:

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

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

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

(e) The remaining responsibilities reserved by the Board of Director' Regulations and the applicable laws and regulations.

### 3.2. Composition

9 members sit on the Board of Directors: 5 non-executive independent directors, 3 non-executive proprietary directors and 1 executive director.

As at 31 January 2019, the Board of Directors is comprised of the following members:

Name (person or company) of the director	Representative	Director category	Office on the Board	Date first appointed	Date last appointed	Election procedure
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	14-07-2015	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	14-07-2015	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	18-07-2017	AGM
PONTEGADEA INVERSIONES, S.L.	Flora Pérez Marcote	Proprietary	Ordinary member	09-12-2015	19-07-2016	Board of Directors
Bns. Denise Patricia Kingsmill		Independent	Ordinary member	19-07-2016	19-07-2016	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	14-07-2015	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	17-07-2018	AGM
Ms Pilar López Álvarez		Independent	Ordinary member	17-07-2018	17-07-2018	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	13-07-2010	14-07-2015	AGM



### 3.3. Profile of directors

#### - **Mr Pablo Isla Álvarez de Tejera**

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

He is a Law graduate from Universidad Complutense in Madrid (1987) and 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 S.A.

He was re-elected to the Board of Directors of Inditex by the AGM held on 13 July 2010 and 14 July 2015.

#### - **Mr Amancio Ortega Gaona**

Founder of Inditex. He began his textile manufacturing operations in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex and three years later he founded Zara España, S.A. the first retailing company of the Group. He was the Chairman of Inditex from the date of incorporation in 1985 to 2011. He was re-elected to the Board of Directors by the AGM held on 30 June 1990, 31 July 1995, 20 July 2000, 15 July 2005, 13 July 2010 and 14 July 2015.

#### - **Mr José Arnau Sierra**

A Law graduate from Universidad de Santiago de Compostela and State Tax Inspector on leave. He has been Deputy Chair of Grupo Pontegadea and its Chief Executive since its incorporation in 2001 and Deputy Chair of Fundación Amancio Ortega Gaona. Before joining Inditex in 1993 as head of the Tax Department, he held different positions in the Tax Administration.

He was appointed to Inditex's 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.

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

Pontegadea Inversiones, S.L. is represented in Inditex's Board of Directors by Ms Flora Pérez Marcote. It holds 1,558,637,990 shares in the Company, which represents 50.01% of the share capital.

M. Flora Pérez Marcote is the Legal representative of Pontegadea Inversiones S.L. She has spent her entire professional career within the Inditex Group, where she held different positions in areas related to design and purchase of products. In addition, she has a broad experience as company director since 1992. She has been

a member of Inditex's Board of Directors since 2005 as representative of Pontegadea Inversiones, S.L., where she holds the position of Deputy Chair. Additionally, she has been Deputy Chair of the Board of Trustees of Fundación Amancio Ortega Gaona since October 2005 and a member of such Board since March 2003.

She was appointed to the Board of Directors on 9 December 2015 and ratified on 19 July 2016.

#### - **Mr José Luis Durán Schulz**

He has been an independent director since July 2015. He 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 Rodrigo Echenique Gordillo**

He has been an independent director since July 2014. He is a Law graduate from Universidad Complutense in Madrid and Spanish State Attorney, currently on leave. From 1973 through 1976 he held several positions in the State Administration. From 1976 through 1983 he was Head of Legal Services and subsequently Deputy General Manager at Banco Exterior de España. From 1984 to 1994 he held different positions at Banco Santander, where he became a member of the Board of Directors in October 1988, being appointed at the same time Chief Executive Officer and member of the Executive Committee where he served until September 1994. From October 1994 through January 1999, he was a member of the Board of Directors, the Executive Committee and all Board Committees of Banco Santander, chairing the Audit and Control Committee, and was Deputy Chairman of Banco Santander de Negocios and Santander Investment. He serves on the Board of Directors, the Executive Committee and the Executive Committee of Risks since January 1999. He has been Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and Chairman 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. From July 2001 through February 2008, 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, and Metrovacesa, S.A.

He is Executive Deputy Chairman of Banco Santander, member of the Executive Committee and Chairman of Santander España.

Likewise, he is the Chairman of Fundación Banco Santander, Deputy Chairman of the Chamber of Commerce of Spain. Member of the Board of Trustees of Fundación Consejo España-EE.UU, of the Board of Trustees of Teatro Real, of the Board of Trustees of Escuela Superior de Música Reina Sofía, of Fundación Empresa y Crecimiento and of Fundación ProCNIC and CNIC.

He was re-elected to the Board of Directors at the Annual General Meeting held on 17 July 2018.

#### - **Bns. Denise Patricia Kingsmill**

Baroness Kingsmill has been an independent director of Inditex since July 2016. In 2000 she was awarded a CBE for services to Employment Law and Competition. In June 2006 she 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. She is currently a member of the Advisory Board for the Global Sustainability Forum, the International Advisory Board of IESE Business School and is the founding chair of Aspen Initiative UK.

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.

#### - **Ms Pilar López Álvarez**

She has been an independent director since July 2018. She 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), as well as 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.

#### - **Mr Emilio Saracho Rodríguez de Torres**

He has been an independent director since June 2010. A Graduate in Economics from Universidad Complutense in 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 J.P. 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 J.P. 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 J.P. Morgan for Europe, the Middle East and Africa, and sat on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan 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 JPMorgan Chase & Co and from February to June 2017, he chaired the Board of Directors of Banco Popular. At present, he holds the office of director on the Board of International Consolidated Airlines Group, S.A. (IAG) and is Senior Advisor of Altamar Capital Partners.

He was re-elected to the Board of Directors at the Annual General Meeting held on 14 July 2015.

### 3.4. 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.

### 3.5. 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 and ensure that, when filling up any new vacancies and when appointing new directors, selection process 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 529 bis(2) of the Companies Act, the Board of Directors shall ensure that diversity of gender, experience and knowledge is fostered in recruitment processes of directors, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

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 within 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.

The Annual General Meeting approved on 17 July 2018, on the proposal of the Board of Directors, the appointment of Ms Pilar López Álvarez to the Board as non-executive independent director. Thus, as at 31 January 2019 three female directors sit on the Board of Directors: Ms Flora Pérez Marcote (legal representative of Pontegadea Inversiones, S.L., non-executive proprietary director), Baroness Kingsmill (non-executive independent director) and Ms Pilar López Álvarez (non-executive independent director). This represents 33.33% of the total number of members of the Board of Directors, Inditex being above average of the companies listed on IBEX35 on this parameter. With the appointment of Ms López, the goal of having at least 30% of total board places occupied by female directors, addressed in the Director Selection Policy and in Recommendation 14 CGB, has been achieved ahead of schedule.

In addition, Baroness Kingsmill and Ms Pilar López Álvarez sit on the Audit and Control Committee, the Nomination Committee and the Remuneration Committee, which also represents a 33.33% presence of female directors on such board committees. In turn, Ms López is also a member of the Executive Committee.

### 3.6. Membership of Directors on Board of Directors of other listed companies

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

As at 31 January 2019, Directors who hold offices in listed companies in Spain other than Inditex are shown below:

Name or company name of director	Name of listed company	Office
Mr Pablo Isla Álvarez de Tejera	Nestlé, S.A.	Independent director
Mr Rodrigo Echenique Gordillo	Banco Santander	Executive Vice-Chairman of the Board of Directors
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A	Non-executive director

### 3.7. Selection, appointment, re-election and removal of directors

The system for the selection, appointment and re-election of members of the Board of Directors constitutes a formal and transparent procedure, 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.

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 experience 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.

The Nomination Committee 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.

It is incumbent on the Nomination Committee to establish and ensure the effective independence of the experts referred to in the paragraph above.

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, pursuant to statute and the corporate governance regulations of the Company.

The motions on the 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 are legally reserved to it, 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 and report shall be prepared by the Nomination Committee and include the category to which the relevant director belongs, this classification being duly supported.

The motion for 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/her dedication to office during his/her mandate, as well as his/her observance of the company's corporate governance rules.

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 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.

The Annual General Meeting approved on 17 July 2018, on the proposal of the Board of Directors, the re-election of Mr Rodrigo Echenique Gordillo to the Board of Directors as non-executive independent director, and the appointment of Ms Pilar López Álvarez as new non-executive independent director.

The re-election and appointment process of the two directors above-mentioned, was based upon the prior analysis of the needs of the Company and of the Board of Directors itself, as provided in the relevant explanatory reports issued by the Nomination Committee on 11 June 2018, in accordance with Recommendation 14 CBG.

Mention should be made of the fact that upon reviewing the needs of the board, the Nomination Committee considered:

- The commitments undertaken by the Company pursuant to Inditex's Director Selection Policy regarding: (i) diversity of knowledge, skills, experience and gender within the Board of Directors; and (ii) the achievement of the representation goal for the least represented gender on the Board of Directors, as provided in Recommendation 14 CBG.
- The findings of the annual evaluation of the performance of the Board in FY17, carried out in December 2017, on the advice of an external facilitator, whereby the director's profiles whose presence on the board needed to be reinforced were identified. Namely, the following measures were highly valued and consequently proposed: (i) the addition of other directors with experience in the digital sector; and, (ii) an increasing presence of female directors.

Motions on the re-election and appointment of Mr Echenique and Ms López respectively as independent directors, were accompanied with the relevant explanatory reports issued by the Board of Directors, considering their qualifications, experience and merits. As regards Mr Echenique, such explanatory report included the evaluation of his performance as director and the dedication to office during his tenure, as well as the observance of the company's corporate governance regulations.

Both reports, and the explanatory report on the needs of the Board of Directors were posted on the corporate website at the time the Annual General Meeting was called.

Considering the foregoing, the motions to re-elect and appoint directors that the Board of Directors tabled to the Annual General Meeting, were found to be consistent with the analysis of board needs carried out. On the one hand, as explained in the foregoing section, with the appointment of the new director, the goal of having 30% female directors sitting on the Board of Directors, provided in the Director Selection Policy and in Recommendation 14 CBG, is reached before the scheduled date (2020).

On the other hand, as a result of the removal of Mr Espinosa de los Monteros, former affiliate director, the re-election of Mr Rodrigo Echenique and the appointment of Ms

Pilar López, respectively, as non-executive independent directors, a large majority of non-executive directors continue sitting on the Board, and the presence of independent ones is reinforced. In addition, the average seniority of independent directors is reduced from 4.25 to 3.5 years, as well as their average age.

All of the foregoing took place in accordance with the provisions and yardsticks of Inditex's Director Selection Policy, as the Audit and Control Committee has established upon conducting the periodic evaluation of the Company's corporate governance system, which scope included the verification of compliance with such Policy. The findings of such evaluation are included in a report issued on 10 December 2018 and submitted to the Board of Directors in the meeting held on 11 December 2018.

### 3.8. 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 grounds of incompatibility or prohibition foreseen in statute, in the Articles of Association or in the Board of Directors' Regulations, including if they suddenly come 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 Control Committee for having breached their duties as directors.
- e) When their remaining on the Board might have an impact on the reputation or name of the Company or otherwise jeopardize the interest of the Company. 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 consequences.
- f) When the reasons for their appointment cease to exist.

For their part, proprietary directors must resign 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.

Mr Carlos Espinosa de los Monteros Bernaldo de Quirós stepped down from the Board of Directors and consequently, from the Executive Committee, the Audit and Control Committee, the Nomination Committee and the Remuneration Committee, upon expiry of the 4-year term for which he had been re-elected at the Annual General Meeting held on 15 July 2014.

### 3.9. 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 be represented exclusively by another non-executive member of the Board of Directors.

#### Attendance to meetings

Directors' attendance data, both in person or by proxy, to meetings held in 2018 are shown below:

Governing body	Number of meetings	% Directors' attendance
Board of Directors	5	100%
Audit and Control Committee	5	100%
Nomination Committee	5	100%
Remuneration Committee	3	100%

#### Passing of resolutions

Except for a number of cases provided in Inditex's internal regulations, for resolutions to be passed, an absolute majority of votes for by the directors attending the meeting shall be required.

Notwithstanding the above, it shall be necessary that two-thirds of the members of the Board vote for in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the Chief Executive Officer, should there be one, and to appoint the directors who have to fill such positions.

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 engage 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 proves that: a) such engagement is not necessary for the proper performance of the duties entrusted to the 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 jeopardized.

### 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, the attendance of officers and supervisors with a recurrent presence in the meetings is encouraged, 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: obtain information on any issue of the Company (and its subsidiaries); examine 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 on site.

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 they belong to.

### Evaluation proceedings

It is incumbent on the Nomination Committee to establish and oversee an annual programme for evaluating the performance of the Board of Directors, its Chairman and its supervisory and control committees. The evaluation system in respect of the Board of Directors, its members, its committees and its Chairman, is carried out as follows:

1. The Nomination Committee prepares an annual programme for the evaluation of the performance of the Board of Directors, the Chairman, and the Committees.
2. Based upon this annual programme, each committee will 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 in respect of the Board of Directors, the Chairman, 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 the 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 sent to all its members through the Chair of the Nomination Committee.

3. The Lead Independent Director shall be responsible for coordinating the evaluation of the Chairman.

4. Finally, the Board of Directors shall assess the performance of the Board itself, the Directors and the Committees, 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 the performance of the Board of Directors, its members and committees and the Executive Chairman, into line with best practices on good governance. Noteworthy developments this year include the evaluation of whether the Board sufficiently drives compliance culture. Additionally, the role and contribution of the Lead Independent Director and the Secretary of the Board of Directors are assessed since 2017.

The Company has been advised by external consultant Spencer Stuart in such self-evaluation process for 2018.

As a result of such self-evaluation process, a number of improvements in the internal organisation and in the procedures followed has been noted:

(i) It has allowed identifying professional profiles required on the board.

Thus, the re-election and appointment of directors approved by the Annual General Meeting in 2018 have contributed to reinforce the balanced composition of the Board of Directors, namely:

- the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees;
- a more balanced distribution of male and female directors, the 30% representation goal for female directors on the total board membership having been achieved ahead of schedule; and
- The addition of a new director with experience in the technology and digital sector, in accordance with the Company's digitalization strategy.

In line with the foregoing the average seniority in office and the average age of directors has been reduced.

(ii) An annual schedule of dates and business to be transacted by the Audit and Control Committee

has been approved. Such schedule allows arranging the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted at certain meetings.

(iii) Proceedings aimed at promoting Compliance culture have increased, through the quarterly follow-up on a number of issues by the Audit and Control Committee.

## 4. Board of directors' committees and other governing bodies

### 4.1. Audit and Control Committee

#### Regulations

Article 28 of the Articles of Association, section 15 of the Board of Directors' Regulations, and namely the Audit and Control Committee's Regulations approved on 14 June 2016 (hereinafter, the "Regulations"), set out the regulations governing the proceedings of the Audit and Control Committee.

The Regulations are available on Inditex website.

#### Composition

Name	Office	Category	Office held since (as at 31/01/2019)
Mr José Luis Durán Schulz	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 Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	14-07-2015
Ms Pilar López Álvarez	Ordinary Member	Non-executive independent	17-07-2018
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 Audit and Control Committee.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, the majority of whom must be independent directors. At present, five members of the Audit and Control Committee, entirely made up of non-executive directors, are independent, which represents 83.33% 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.

The Chair of the Audit and Control Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He 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 Control Committee on 19 July 2016.

## Duties and powers

Section 5 of the Regulations sets forth the mission of the Audit and Control Committee and its powers are set out in sections 6 to 15 and 27 to 30 thereof.

The Audit and Control Committee is mainly entrusted with powers regarding supervision of (i) the process to prepare the regulated financial information; (ii) the Statutory Audit; (iii) the Internal Audit, and; (iv) the internal control and risk management. Namely, it is entrusted with the following duties:

- To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Control Committee, and namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Control Committee in this process;
- To oversee the effectiveness of the internal control system of the Company, the internal audit and the risks management systems, including tax risks, and to review with the auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without jeopardizing its independence; for such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;
- To oversee the process for preparing and disclosing the regulated financial information regarding the Company and, as the case may be, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting criteria, and to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;
- To table to the Board of Directors, for the subsequent submission thereof to the General Meeting of Shareholders, the motions on recruitment, appointment, re-election and replacement of the external auditors, taking charge of the recruitment

process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them and to regularly gather from the external auditors information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;

- To liaise with the external auditors in order to receive information on those matters that could represent a threat to its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorization of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall receive every year from the external auditors, the statement of its independence regarding the entity or those entities directly or indirectly related thereto, as well as the detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above-mentioned entities to the external auditors or by the persons, natural or legal related to such external auditors, pursuant to the provisions of the prevailing regulations on the audit activity;
- To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardized. Such report must address at any rate, the reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and regarding the independence system or the regulations on the audit activity;
- To advise beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;

Additionally, pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 5 to 15 of the Audit and Control Committee's Regulations, the Committee shall also assume duties in the following fields:

- Corporate governance: (i) evaluate the appropriateness of the corporate governance system; (ii) oversee and receive information about the degree of compliance with the Internal Regulations of Conduct regarding transactions in securities (IRC) and other corporate governance rules;

- Compliance with internal regulations of the Company: (i) establish and oversee the mechanisms allowing to report any irregularity or noncompliance with internal regulations (i.e., Whistle Blowing Channel); and, (ii) receive information on a half-yearly basis on the degree of compliance with the Codes of Conduct and the proceedings of the Whistle Blowing Channel; (iii) prepare and submit the Annual Corporate Governance Report; and, (iv) oversee the proceedings and suitability of the corporate website.
- Corporate social responsibility: (i) oversee the CSR Policy, and (ii) follow-up on its strategy and practices.
- Environmental sustainability: (i) oversee the Policy, and (ii) follow-up on its strategy and practices.
- Tax issues.
- Oversee the strategy and relationship processes with the different stakeholders and, namely, with shareholders and investors.

## 4.2. 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 must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof 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 Control 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 Control Committee is called after such preparatory meeting is held.

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 Control 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 auditors.

## Activities of the Audit and Control Committee

The Audit and Control Committee held 5 meetings in 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Audit and Control Committee in 2018 stands at 100%.

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

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Audit and Control Committee for financial year 2018 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 2018, the main lines of action of the Audit and Control Committee have focused on the following:

### A. Powers regarding the process to prepare the periodic financial information, annual accounts and audit report

#### The process to prepare and release financial information

The Audit and Control Committee reviews Inditex's economic and financial information 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 Control Committee also meets with the Company's Management to review the enforcement of the accounting standards, the estimates made upon stating the financial statements, etc.

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 standards upon stating the annual accounts.

The Audit and Control Committee reviewed on 12 March 2018 the results for full year 2017. It reviewed the quarterly results of 2018 and the relevant Results Releases and Press Releases in the meetings held on 11 June (first quarter), 10 September (first half) and 10 December 2018 (third quarter). 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 2017 annual accounts and management reports, both individual and consolidated, and the 2017 Audit Report were also reviewed. The Committee verified that an unqualified Audit Report was issued.

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

The Committee has overseen the effectiveness of the Internal Control over Financial Reporting (ICFR) System. This is accounted for in section F of the 2017 Annual Corporate Governance Report approved on 12 March 2018. The Company's ICFR system has been verified by the statutory auditors, who issued an unqualified report.

The Committee gave a favourable report to the new Policy on Internal Control over Financial Reporting System (ICFR) on 10 December 2018.

**B. Powers regarding statutory audit**

- Overseeing the effectiveness of the statutory audit and compliance with the audit contract

The audit conducted in 2017 was reviewed at the meeting of the Audit and Control Committee held on 12 March 2018, 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 2018 and auditing the individual financial statements of certain Group companies, also as at 31 January 2018. They issued an unqualified report. Likewise, they also issued in 2018 a limited review report on the financial statements.

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

Members of the Audit and Control Committee met with external auditors on 12 March, 11 June and 10 September 2018, 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 10 December 2018 upon special invitation of the Committee, to address the 2019 audit plan.

- Verifying the independence of Statutory Auditors

Pursuant to the provisions of the Procedure to Contract an Auditor for the Provision of Non-audit Services, approved by the Audit and Control Committee on 18 July 2016, such Committee evaluated and approved in all the meetings held in 2018 the engagement of external auditors by the Company and Group companies of non-audit services.

On 12 March 2018, the Committee approved the report on the independence of the external auditors, which also addressed the provision of non-audit services.

Pursuant to Recommendation 6 CBG, 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 above-referred meeting, having established that independence requirements are met, and assessed the performance of the auditors regarding the statutory audit for the previous year, the Audit and Control Committee gave a favourable report to the re-election of statutory auditors, to be approved by the Board and subsequently submitted to the Annual General Meeting.

**C. Powers regarding Internal Audit**

The Chief Audit Officer attended all the meetings of the Audit and Control Committee held in 2018 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 12 March 2018, the Audit and Control Committee raised to the Nomination Committee the motion to appoint Ms Paula Mouzo Lestón as new CAO of the Inditex Group replacing Mr Carlos Crespo González.

**D. Powers regarding Compliance**

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

The Audit and Control Committee reviewed and approved the 2017 Annual Report of the Committee of Ethics on 12 March 2018, and the Half-Yearly Report for FY2018 in the meeting held on 10 September 2018. During this last meeting, the Committee acknowledged the Report on the Model of Criminal Prevention issued and approved by the Committee of Ethics on 5 March 2018.

The above reports address a number of issues, including, without limitation, 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 Inditex Group's Model of Criminal Risk Prevention, and proceedings to implement the corporate Compliance model at domestic

and international level (circulation and communication of such model, proceedings regarding the acceptance of the Code of Conduct and Responsible Practices, and training on corporate compliance).

Likewise, the Audit and Control Committee followed-up on the progress of the degree of implementation of the Group's corporate Compliance model in the meetings held on 10 June and 11 December 2018.

#### - 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 2018 the Audit and Control Committee gave a favourable report to the following corporate policies:

- The Anti-Money Laundering and Terrorist Financing Policy, in the meeting held on 12 March 2018. Such Policy was subsequently approved by the Board of Directors in the meeting held on the following day.
- The Policy on Internal Control over Financial Reporting System (ICFR) and the Policy on Management of Insurable Risks, in the meeting held on 10 December 2018. Both policies were subsequently approved by the Board of Directors in the meeting held on the following day.

#### - Annual and half-yearly Compliance report

By way of the annual and semi-annual Compliance report, the Compliance Function informed the Audit and Control Committee of the most relevant Compliance issues reported on in the various Markets and, where appropriate, on action plans for resolution or mitigation at its March 12 and September 10 sessions in 2018.

### **E. Overseeing control and risk management function**

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

#### - Risks Map

In this regard, in the meeting held on 10 September 2018 the Head of the ERM Department apprised the Audit and Control Committee of the main risks affecting business development and control measures established to manage and monitor such risks. The Committee gave a favourable report to the updated 2018 Risks Map.

#### - Assessment of other risks

Pursuant to sections 5(j) and 9(f) of the Audit and Control Committee's Regulations and 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 its duty to oversee the effectiveness of risk control systems.

The Committee encourages the attendance of officers and supervisors at its meetings, to receive regular reports on the operation of the systems established, namely regarding the following:

#### - Report on Tax Policies

Pursuant to the provisions of the Company's Tax Policy, the Audit and Control Committee acknowledged the tax policies followed in the year in the meeting held on 12 March 2018.

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

In the meetings held on 11 June and 10 December 2018, 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.

#### - Report on IP litigation

In the meeting held on 10 December 2018, the Committee acknowledged the report submitted by the Head of the IP Department regarding, without limitation, cases seen, proceedings associated with IP assets management and the outcome thereof, and the evolution of the main litigation.

#### - Report of the Data Protection Officer

In the meeting held on 11 June 2018, 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.

### **F. Powers regarding Corporate Governance**

The most relevant proceedings carried out in 2018 regarding observance of statutory and good governance requirements have been:

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

The Audit and Control Committee approved on 12 March 2018 the 2017 Annual Corporate Governance Report, drafted as regards its format, contents and structure, in accordance with the provisions of CNMV's Circular 7/2015 of 22 December. The ACGR was submitted by the Committee to the Board of Directors, which approved it

on 13 March 2018, and subsequently sent 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 Code Compliance Supervisory Board and the Office of the Chief Compliance Officer

The Audit and Control Committee reviewed in the meetings held on 12 March and 10 September 2018 the quarterly reports prepared by the Office of the Chief Compliance Officer in respect of the enforcement of the Internal Regulations of Conduct, and the half-yearly reports issued by the Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

- Evaluation of the appropriateness of the corporate governance system

In the meeting held on 10 December 2018, the Audit and Control 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 12 March 2018, the Audit and Control 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 CBG, such report was made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) upon posting the notice calling the Annual General Meeting.

- Report on a potential conflict of interest

Pursuant to section 229 LSC, as amended by Act 31/2014 of 3 December to improve corporate governance, the Audit and Control Committee gave a favourable report to a potential conflict of interest.

- Report on treasury stock

The Committee acknowledged in the meeting held on 12 March 2018 the report on treasury stock, issued by the Capital Markets Director pursuant to 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 Audit and Control Committee issued the annual report on its activities on 11 June 2018. It was published in the 2017 Annual Report and is available on [www.inditex.com](http://www.inditex.com).

**G. Other powers**

The Audit and Control Committee is charged with overseeing and coordinating the report on social information and diversity, pursuant to the applicable regulations and the international standards of reference. In this regard, it has engaged in the following proceedings:

- Report on non-financial information and diversity

The Committee gave a favourable report to the Group's report on non-financial information and diversity for FY17 in the meeting held on 12 March 2018. Such report covered the description of the group's business model, and the most significant priorities embedded in its strategy, those associated with: (i) Human Rights; (ii) social and staff-related issues; (iii) anti-corruption and anti-bribery; and, (iv) environmental issues, as well as the review and description of the policies approved regarding each of the topics and due diligence procedures enforced to identify and evaluate the risks affecting the same.

Such report was reviewed by an external facilitator, and the Audit and Control Committee established that the report was unqualified and was an integral part of the management report for FY17.

All the foregoing pursuant to Real Decreto-ley 18/2017 of 24 November, amending the Code of Commerce, the Revised Text of the Companies Act, approved by Real Decreto-legislativo 1/2010 of 2 July and Act 22/2015 of 20 July on Statutory Audit, regarding non-financial information and diversity.

- Inditex's Annual Report

The Audit and Control Committee gave a favourable report to the 2017 Annual Report in the meeting held on 11 June 2018. Such Report provided information on the activities of the Company and its Group over recent years, namely in 2017 regarding three specific areas: financial, social and environmental.

### 4.3. Annual report on the proceedings and activities of the Audit and Control Committee

The Audit and Control 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.

### 4.4. 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 (hereinafter, the "Regulations"), set out the regulations governing the proceedings of the Nomination Committee. The Nomination Committee's Regulations are available on Inditex website.

#### Composition

Name	Office	Category	Office held since (as at 31/01/19)
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
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	14-07-2015
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018

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 three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, five of the directors sitting on the Nomination Committee are independent, which represents 83.33% of all its members.

Mr Saracho was appointed Chair of the Nomination Committee on 14 July 2015.

#### Duties and powers

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

- To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, it shall define the functions and qualifications required of candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties.
- To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target.
- To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the nonexistence of any manner of discrimination.
- To table to the Board of Directors the motions on the election of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders.
- To issue a report regarding the motions to elect the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder.
- To issue a report regarding the motions to appoint and to remove senior executives.
- To review and arrange for the succession of the Chairman of the Board of Directors and of the Chief Executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and planned manner.

#### Proceedings

The Nomination Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized by the signature of the Chair. A quorum will be present at any meeting of the Nomination 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.

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 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Nomination Committee during financial year 2018 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 Nomination Committee for financial year 2018 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 2018, 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 11 June 2018, the Nomination Committee proposed the re-election of Mr Rodrigo Echenique Gordillo and the appointment of Ms Pilar López Álvarez to the Board of Directors as independent directors. Such motion was subsequently tabled by the Board of Directors to the Annual General Meeting.

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

The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) from the date the Annual General Meeting was called.

Subsequently, in the meeting held on 17 July 2018, the Nomination Committee gave a favourable report to: (i) the motion to appoint Ms Pilar López Álvarez as ordinary member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee; and, (ii) the motion to re-elect and appoint Mr Rodrigo Echenique Gordillo and Ms Pilar López Álvarez, respectively, as ordinary members of Inditex's Executive

Committee. Such motions were approved by the Board in the meeting held on that same date.

#### B. Powers regarding appointment of officers

In the meeting held on 12 March 2018, the Nomination Committee gave a favourable report to: (i) the motion to appoint Mr Carlos Crespo González as Chief Operating Officer of the Inditex Group, and; (ii) on the proposal of the Audit and Control; Committee, the motion to appoint Ms Paula Mouzo Lestón, as new Chief Audit Officer of the Inditex Group replacing Mr Crespo. Such appointments were subsequently approved by the Board of Directors in the meeting held on 13 March 2018.

Additionally, in the above-referred meeting of 12 March, the Nomination Committee gave a favourable report to the motion to appoint Mr Antonio Flórez de la Fuente, as Director of Bershka, which was subsequently approved by the Board of Directors. Consequently, the appointment of this latter was already taken into account to all intents and purposes in the Annual Corporate Governance Report for FY17.

In the meeting held on 11 December 2018, the Nomination Committee gave a favourable report to the appointment of Ms Lorena Mosquera Martín, as new Director of Zara Home, replacing Ms Eva Cárdenas Botas. Such appointment was subsequently approved at the meeting of the Board of Directors held on that same day.

#### 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, the Nomination Committee's Regulations and, in line with the Recommendations of the Good Governance Code, in the meeting held on 10 September 2018, the Nomination Committee submitted to Board of Directors 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 establishment and supervision of the annual evaluation of the performance of the advisory committees of the Board.

Likewise, pursuant to Inditex' internal regulations and best practices in the field of corporate governance, the Nomination Committee approved on 11 December 2018 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 that same day.

The outcome of the evaluation conducted in FY18 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. The Audit and Control Committee remains the best valued committee, in respect of all aspects reviewed.

In 2018, the Nomination Committee has been advised by external consultant Spencer Stuart in the self-evaluation process of the Board of Directors, its members and its committees.

## 4.5. 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.

## 4.6. 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 approved on 9 June 2015 set out the regulations governing the proceedings of the Remuneration Committee. The Remuneration Committee's Regulations are available on the corporate website.

### Composition

Name	Office	Category	Office held since (as at 31/01/2019)
Mr Rodrigo Echenique Gordillo	Chair	Non-executive independent	14-07-2015
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Ms Pilar López Álvarez	Ordinary Member	Non-executive independent	17-07-2018

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 three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, five directors sitting on the Remuneration Committee, entirely made up of non-executive directors, are independent, which represents 83.33% of all its members.

Mr Echenique was appointed Chair of the Remuneration Committee on 14 July 2015 and re-elected to such office 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:

- To propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out Senior Management duties directly reporting to the Board, the executive committees or the chief executive officers.
- To propose to the Board of Directors the individual remuneration and the remaining terms and conditions of the employment agreements of executive directors, ensuring that they are observed.
- To propose the basic terms and conditions of the contracts with senior executives, including their remuneration and severance pay, where appropriate.
- To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders.
- To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents.
- To verify that the remuneration policy fixed by the Company is observed.

- To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee.
- To propose to the Board of Directors the cancellation of payment or, if appropriate, the refund of variable items which make up the remuneration of directors based upon results, where such items have been paid on the basis of information later shown clearly to be inaccurate; likewise, to propose the termination of the relation with the relevant supervisor(s) and the filing of the relevant claims.

## Proceedings

The Remuneration Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Remuneration Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized 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.

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 3 meetings in 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Remuneration Committee during financial year 2018 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 2018 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 2018, 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 12 March 2018 the motion regarding the remuneration of the Executive Chairman for the discharge of executive duties to be subsequently submitted to the Board of Directors, which approved it in the meeting held on 13 March 2018.

### **B. 2017 Annual Report on Remuneration of Directors**

The Remuneration Committee resolved in the meeting held on 12 March 2018 to table the Annual Report on Remuneration of Directors for FY17 to the Board of Directors for approval. 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 FY17 was approved by the Annual General Meeting held on 17 July 2018, having been put to the advisory say-on-pay vote.

In 2018, the Remuneration Committee has been advised by Willis Towers Watson, an independent consultant, regarding the preparation of the Annual Report on Remuneration of Directors for FY2018.

### **C. Remuneration Policy**

Pursuant to the provisions of section 529 novodecies (2) LSC, and consistent articles of the Articles of Association, the Board of Directors' Regulations and the Remuneration Committee's Regulations, the Board of Directors approved in the meeting held on 12 June 2018 to table the Remuneration Policy for Directors for FY19, FY20 and FY21, to the advisory say-on-pay vote by the Annual General Meeting, following a reasoned report on such Policy issued by the Remuneration Committee.

The Remuneration Policy for Directors was subsequently approved by the Annual General Meeting held on 17 July 2018.

The Remuneration Policy and the reasoned 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.

### **D. Remuneration of Senior Executives**

The Remuneration Committee gave a favourable report to the remuneration of Senior Executives in the meeting held on 12 March 2018 and submitted it to the Board of Directors, which approved it on 13 March 2018.

Additionally, in the meetings held on 12 March, 11 June and 11 December 2018, the Committee gave a favourable report to the motions regarding the economic terms and conditions of the Senior Executive contracts entered into with Mr Antonio Flórez de la Fuente, Mr Carlos Crespo González, Ms Paula Mouzo Lestón and Ms Lorena Mosquera Martin.

#### E. Plan for Employees participating in the increase of economic benefits of the Inditex Group

The defunct Nomination and Remuneration Committee gave a favourable report to the extraordinary plan for employees participating in the increase of economic benefits of the Inditex Group in the meeting held on 16 March 2015. Such plan is addressed to certain employees of the Group worldwide and seeks to boost and reward, on an exceptional basis, their contribution to the improvement of results and their permanence with the Inditex Group within the Plan's term. The Plan was approved by the Board of Directors in the meeting held on 17 March 2015. Subsequently, on 14 March 2017, the Board of Directors approved on an exceptional basis, following a report of the Remuneration Committee, the extension of the duration of such Plan for financial years 2017 and 2018.

On 12 March 2018, the Remuneration Committee gave a favourable report to the result of the first period of the extended term of the Plan for FY17 and to the global incentive. Likewise, it gave a favourable report to the payment of an extraordinary incentive that seeks to cement throughout 2018 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 - 2018 -, and ensuring talent retention within the Company. The above-referred global and extraordinary incentives were approved by the Board of Directors in the meeting held on 13 March 2018.

### 4.7. 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.

## 4.8. Executive Committee

### Composition

Name	Office	Category 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 independent
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent
Ms Pilar López Álvarez	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.

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

The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Secretary of the Board, who may be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chairman of the Executive Committee is held by the Deputy Chairman of the Board of Directors.

### 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 2018.



## 4.9. Other governing bodies

### Internal governing bodies:

In addition, two other Internal Committees exist, which regularly report to the Audit and Control Committee, to wit: the Compliance Supervisory Board and the Committee of Ethics. Each of them is addressed in an independent section.

### External committees: the Social Advisory Board

#### Regulations

In December 2002, the Board of Directors authorized the creation of the Social Advisory Board and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and proceedings and the rules of conduct of its members. Such Regulations were amended in 2015 and 2017.

#### 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 2018, the Social Advisory Board held three meetings. The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Social Advisory Board in 2018 stands at 100%.

The main lines of action of the Social Advisory Board have focused on the following: (i) in the meeting held on 22 February 2018, it gave a favourable report to the non-financial information and information on diversity of the Inditex Group for FY2017; (ii) in the meeting held on 14 June 2018, it gave a favourable report to the social and environmental sections of the 2017 Annual Report; and, (iii) in the meeting held on 10 December 2018, it gave a favourable report to the main lines of the new 2019-2022 Strategic Sustainability Plan.

## 5. Remuneration

### 5.1. Remuneration of Directors

In 2018, the aggregate remuneration of the Board of Directors amounted to €11,419k.

Included in such remuneration is the amount corresponding to: (i) the incentive in shares and in cash accrued by the Executive Chairman under the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan addressed to members of management and other employees of the Inditex Group; and, (ii) the remuneration accrued in 2018 by Mr Carlos Espinosa de los Monteros and Ms Pilar López Álvarez, on a pro-rata basis for the period during which they held their respective offices as member of the Board of Directors and members of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee.

### 5.2. Annual Report on Remuneration of Directors

The Board of Directors approved on 12 March 2019 the Annual Report on Remuneration of Directors for FY2018 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 in CNMV's Circular 2/2018 amending Circular 4/2013 of 12 June, that establishes the template of the Annual Report on Remuneration of Directors of listed companies. This report is available on [www.inditex.com](http://www.inditex.com).

The remuneration policy for directors addressed in the 2014 Annual Report on Remuneration of Directors expired on 31 January 2019. Such policy was approved by the Annual General Meeting on 14 July 2015 for the following three financial years, i.e., 2016, 2017 and 2018.

In light of the foregoing, the Board of Directors approved on 12 June 2018, on the proposal of the Remuneration Committee, to submit the new Remuneration Policy for Directors for financial years 2019, 2020 and 2021 to an advisory say-on-pay vote, by the Annual General Meeting held on 17 July 2018, as a separate item on the agenda. The Remuneration Policy was approved with 99.38% of votes for.

## 6. Senior Executives

As at 31 January 2019, Inditex's Senior Executives, excluding the Executive Chairman are:

Name (person or company)	Office
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Ms Lorena Alba Castro	Chief Logistics Officer
Mr Carlos Crespo González	Chief Operating 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
Mr Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernada	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	General Services and Infrastructures Director
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 Felix Poza Peña	Chief Sustainability Officer
Mr Ramón Reñón Tüñez	Deputy General Manager [Director General Adjunto al Presidente y Consejero Delegado]
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

### 6.1. Remuneration of Senior Executives

In 2018, the aggregate remuneration accrued by Senior Executives above amounted to €44.936k.

Included therein is the amount corresponding to: (i) an incentive in shares and in cash accrued by senior executives under the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan addressed to members of management and other employees of the Inditex Group; and (ii) the remuneration accrued in 2018 by Ms Paula Mouzo Lestón, Ms Eva Cárdenas Botas and Ms María Lorena Martín Mosquera, on a pro-rata basis for the period during which they performed Senior Management duties.

### 6.2. Severance or golden parachute clauses

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

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

### 7.1. 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, it is incumbent on the Audit and Control Committee to 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 previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions.

As regards transactions with significant shareholders, the Audit and Control Committee shall examine them also from the standpoint of an equal treatment between all shareholders.

In the case of transactions within the ordinary course of Company business and being of a customary or recurrent nature, a general authorization 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 trade of the Company or are not carried out in normal market conditions.

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

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

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.

## 7.2. Mechanisms to prevent conflict of interest situations

The definition of "conflicts of interest" situations is provided in the Board of Directors' Regulations, which also lay 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 interests (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 executives; namely, and with the due nuances: the duty of confidentiality; the conflicts of interest, in connection with the duty of informing 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 Control 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 Control Committee, approval of the transaction, where appropriate, falls on the Board of Directors.

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

## 8. Transparency, independence and good governance

### 8.1. Financial information

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

The Audit and Control Committee, mostly made up of non-executive independent directors, meets with the statutory auditors 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, members of the Board of Directors meet with the statutory auditors 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 Control 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 auditors' report on Financial Statements for financial year 2018 has been issued without qualifications.

## 8.2. Auditors' independence

Mechanisms set to preserve the independence of the external auditors are:

- The relationships of the Board of Directors with the statutory auditors of the Company shall be channeled through the Audit and Control Committee.
- The Audit and Control 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, are in excess of the limits provided in the laws on auditing.
- The Audit and Control 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, as well as the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non-renewal of their appointment.
- The Audit and Control Committee shall regularly receive from the statutory auditor information on the audit plan and the results of its implementation; it shall follow-up on the recommendations proposed by the auditor and it may request its collaboration should it deem it appropriate.
- Among the functions of the aforementioned Committee is that of liaising with statutory auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.
- The Committee shall ask the auditor for a statement on its independence with regard to the Company, or its direct or indirect affiliates, as well as for detailed and separate information on any additional services of any type provided by auditors or any related-party thereto, and the relevant fees, pursuant to the provisions of the law on auditing. Likewise, the Audit and Control Committee shall oversee the application of the internal procedures to ensure quality and protect the independence, implemented by the auditor. The Committee shall oversee and authorize, where appropriate, the hiring of the auditor for the provision of non-audit services.
- The Audit and Control Committee shall issue a report every year, prior to the issue of the auditors' report,

expressing an opinion on the independence of external auditors of the Company, and including a reasoned valuation of the provision of each and every additional service other than those covered in the audit agreement.

- The Audit and Control Committee oversees the terms and the enforcement of the agreements entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit agreement.
- The external auditors consult periodically with the Audit and Control Committee, in order to review the annual accounts of the Company that the Board of Directors must provide to the markets and their supervisory boards. On the other hand, the Board of Directors shall meet with the statutory auditors, at least once a year, to be apprised of the work done and of the evolution of the status of accounting and risks of the Company.
- The Company reports in its consolidated annual report and in the Annual Corporate Governance Report on the fees paid to its external auditors for each item other than the auditing of the financial statements.

On the other hand, the Procedure to Contract an Auditor for the Provision of Additional Non-audit Services, approved by the Audit and Control Committee on 18 July 2016, regulates the process that shall be followed so that such Committee may be apprised of and, where appropriate, authorize, the agreements executed by the Company and the entities within its Group with external auditors for the provision of non-audit services, 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 auditor. For the purposes of reinforcing the duty to oversee and establish the independence of Inditex's statutory auditor, the engagement by Inditex's parent company of non-audit services from such auditor shall be subject to the prior authorization of Inditex's Audit and Control Committee.

The Audit and Control Committee approved on 12 March 2018 the report on the independence of the external auditors for FY2017, which also addressed the provision of certain additional non-audit services.

Likewise, on 11 June 2018, the Audit and Control Committee tabled to the Board of Directors the motion on the re-election of the external auditors, to be submitted to the Annual General Meeting.

As regards the mechanisms established to ensure the independence of financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities (IRC), especially

relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or might lead to confusion or deceit. The Company relies on the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, which is available on its website.

### 8.3. External audit fees

	Company	Group	Total
Amount of non-audit work (€k)	40	43	83
Amount of non-audit work / total amount charged by the audit firm (in %)	11.5%	0.6%	1.2%

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

The original wording of the IRC was approved by the Board of Directors in July 2000. It contains, among other things, the rules governing the confidentiality of 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.

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 relevant information, and namely to financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality.

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 (hereinafter, the “CSB”) which reports directly to the Audit and Control Committee of the Board of Directors, 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.

GCO-OCCO is responsible for monitoring compliance with the IRC by directors, officers, employees and any other person to whom the IRC applies. The GCO-OCCO keeps a General Documentary Register of all Affected Persons, and relies on a number of tools to automatically cross-reference information regarding transactions in securities of the Company.



## C) Corporate internal 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 aims at reflecting Inditex's firm commitment to good governance and social and environmental sustainability, and conveying its corporate ethical culture to all its stakeholders, thus promoting respect for fundamental Human and Labour Rights across its supply chain.

This is evidenced by the fact that the conduct policies of the Company and its organizational documents are considered high-level regulations and the main drivers of the Company's Compliance Model. Inditex's main conduct policies 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 the training and the 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 Code of Conduct and Responsible Practices of the Inditex Group is based upon a number of general principles, 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, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships 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 commitments and commitments towards responsible practices, including: (i) compliance with applicable laws and regulations, internal regulations, conventions to which Inditex has acceded; (ii) enforcement of human and labour rights, and of 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), 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.

## The Committee of Ethics and 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 Control Committee and has the following duties:

- Overseeing compliance with Inditex conduct policies 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 Control 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.
- Overseeing the Whistle Blowing Channel and compliance with the Whistle Blowing Channel Procedure.

A Whistle Blowing Channel is available to all employees of Inditex, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographical or functional location, so that they may report any irregular or unlawful conduct related to noncompliance with any internal regulations of the Group covering conduct policies and regulatory compliance they may be aware of, by other employees, manufacturers or third parties engaged in a direct employment, business or professional relationship, by means of a report made in good faith. The Committee of Ethics may also act of its own motion. Additionally, any queries regarding the construction or enforcement of the internal conduct policies, may also be raised through the Whistle Blowing Channel.

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

- The confidentiality of all the information and background received and of the proceedings carried out, unless the disclosure of information is required by law or judicial order.
- The thorough review of any information or document that triggered its action.
- The commencement of appropriate proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence principle.
- The indemnity of any reporting party who has submitted or brought complaints in good faith to the Committee.

Upon receipt of any report, the Committee of Ethics shall verify first whether it falls under its remit. If such were the case, the Committee of Ethics shall refer such report to the relevant department or area so that this latter would launch the relevant investigation. Otherwise, the Committee shall order the closing of proceedings.

In light of the conclusions drawn further to the relevant investigation, and having heard first the interested party, the Committee of Ethics shall take one or more of the following measures, having considered and weighted them where appropriate, with the relevant department or departments:

- The remedy of the breach;
- The relevant sanctions or actions; and/or;
- The closing of proceedings, where no breach whatsoever has occurred.

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

The Committee of Ethics submits a report at least twice a year to the Audit and Control Committee, reviewing its proceedings, the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers, and the results of the supervision of the Model of Criminal Risk Prevention.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as upon its request, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the Group's corporate compliance model from time to time in force.

In 2018, the Committee of Ethics has seen 302 cases, 278 of them further to notice or report and the remaining 24 were launched ex-officio.

Proceedings of the Whistle Blowing Channel are addressed in the Whistle Blowing Channel Procedure.

