

**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC COMPANIES**

ISSUER IDENTIFICATION DETAILS

YEAR- END DATE:

31/01/2020

Tax Identification No. [C.I.F.] A-15.075.062

Company name:

INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.)

Registered office:

Avda. de la Diputación, Edificio Inditex, 15142 Arteixo (A Coruña) (Spain)

ANNUAL CORPORATE GOVERNANCE REPORT
OF INDUSTRIA DE DISEÑO TEXTIL, S.A.

In this Annual Corporate Governance Report, the Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (“**INDITEX**”, “**Inditex**”, the “**Group**” or the “**Company**”) has included all the relevant information for financial year 2019, which commenced on 1 February 2019 and ended on 31 January 2020, excepting those cases in which other dates of reference are specifically mentioned.

The revised text of the Ley de Sociedades de Capital [*Spanish Companies Act*] approved by *Real Decreto Legislativo 1/2010* of 2 July, (the “**Companies Act**” or “**LSC**” [*Spanish acronym*]), amended by Act 31/2014 of 3 December to improve corporate governance (“**Act 31/2014**”) and by Act 5/2015 of 27 April, on promotion of corporate financing (“**Act 5/2015**”), represents the basic legal framework of corporate governance in Spain.

In addition, the Good Governance Code of Listed Companies (“**CBG**” [*Spanish acronym*] or “**Good Governance Code**”), approved by the Comisión Nacional del Mercado de Valores [*Spanish Securities and Exchange Commission*] (“**CNMV**” [*Spanish acronym*]) in February 2015 lists a set of principles and practices that must govern corporate governance in listed companies.

This Report is filed in a free format, in accordance with the provisions of CNMV’s Circular 2/2018, of 12 June, which amended (i) Circular 5/2013 of 12 June, that established the standard forms for the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading on official securities market; and (ii) Circular 4/2013 of 12 June that established the standard forms for the annual report on remuneration of directors of listed public companies, and of members of the board of directors and control committees of savings banks issuing securities admitted to trading on official securities markets (“**Circular 2/2018**”). Notwithstanding the foregoing, the contents and structure of this Report meet the requirements laid down in the applicable regulations, as provided in section 540 of the Companies Act, introduced by Act 31/2014 above referred and in Order ECC/461/2013 of 20 March, and is accompanied by the relevant statistical Appendix as provided in Circular 2/2018, above referred.

This Annual Corporate Governance Report will be released as other relevant information contemporaneously with the release of the Annual Report on Remuneration of Directors, and will be available on Inditex’s corporate website (www.inditex.com), and on CNMV’s website (www.cnmv.es).

Corporate governance rules of Inditex are established in the Articles of Association, the Board of Directors’ Regulations, the Regulations of the General Meeting of Shareholders, the Regulations of the Board’s Committees, the Internal Regulations of Conduct regarding Transactions in Securities, the Code of Conduct and Responsible Practices and the Regulations of the Social Advisory Board, as it is explained in more detail below:

Articles of Association. Approved by the Annual General Meeting in July 2000 and amended several times. They were last amended on 16 July 2019 for the purposes of: (i) bringing its contents into line with CNMV’s Technical Guide 1/2019 on nomination and remuneration committees (“**Technical Guide 1/2019**”), and with the latest developments introduced by Act 11/2018 of 28 December regarding non-financial information and diversity, whereby the Code of Commerce, the Companies Act and Act 22/2015 of 20 July on Statutory Audit were amended in the field of non-financial information and diversity (“**Act 11/2018**”); (ii) covering the formation of a new Sustainability Committee and its main

description; and (iii) the renaming of the Audit and Control Committee, which will be hereinafter known as the “Audit and Compliance Committee”.

Board of Directors’ Regulations, Approved by the Board of Directors in July 2000. This set of rules seeks to determine the principles of operation of the Board of Directors, the basic rules for its organisation and proceedings and the rules governing the conduct of its members; they include, among other matters, rules regarding the appointment and removal of Directors, their rights and duties and the relations of the Board of Directors with the shareholders, the markets and the external auditors, all this with the aim of achieving the highest possible degree of efficiency. Amended several times, the last amendments were approved by the Board of Directors on 11 June and 16 July 2019, as detailed in section C.1.15 below.

Regulations of the Committees of the Board of Directors (Audit and Compliance Committee’s Regulations, Nomination Committee’s Regulations, Remuneration Committee’s Regulations and Sustainability Committee’s Regulations):

The sets of rules of the Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee were approved by the Board of Directors in the meeting held on 9 June 2015. They seek to govern the proceedings of these Committees as regards their powers, composition, calling, establishment, decision-making and relationship with the remaining governing bodies of the Company.

All of them have been amended several times, and for the last time on 16 July 2019, on the following grounds:

- The Audit and Compliance Committee’s Regulations were amended for the purposes of: (i) expressing its new name, replacing its former name as “Audit and Control Committee”; (ii) bringing certain of its provisions into line with the principles and recommendations set forth in CNMV’s Technical Guide 3/2017, on audit committees at public-interest entities, (“**Technical Guide 3/2017**”); (iii) adapting its provisions as a result of the forming of the new Sustainability Committee; and (iv) reinforcing its powers in the field of Compliance and corporate governance.
- The Nomination and Remuneration Committees’ Regulations have been amended to bring certain of their provisions into line with the principles and recommendations set forth in Technical Guide 1/2019.

Additionally, for the purposes of adapting its own organisational structure to the highest level of the Organisation and the Group’s strategy, which focuses on Social and Environmental Sustainability, the Board of Directors approved on 11 June 2019 the formation of a new board committee, known as the “Sustainability Committee” and subsequently on 16 July 2019, its own set of rules. The Sustainability Committee’s Regulations implement the provisions of the Articles of Association and the Board of Directors’ Regulations, and seek to govern the proceedings of the Committee, as regards its powers, composition, notice, quorum, passing of resolutions and relations with the remaining governing bodies of the Company.

Regulations of the General Meeting of Shareholders: This text was approved by the Annual General Meeting on 18 July 2003. Its aim is to govern the proceedings of the General Meeting of Shareholders as to calling of meetings, preparation, information, attendance, proceedings and exercise of voting rights, and to inform shareholders of their rights and duties relating to such body. Said Regulations have been subject to different amendments, to adapt its wording to the successive updates of the Articles of Association, the latest one of which was dated 14 July 2015.

Internal Regulations of Conduct regarding Transactions in Securities (the “**Internal Regulations of Conduct**” or “**IRC**”): the original version of the IRC was approved by the Board of Directors in July 2000. This document contains, among other things, the rules governing the confidentiality of inside information and other relevant information of the Company, transactions in Inditex shares carried out by the persons included in its scope, the treasury stock policy and the communication of inside information and/or other relevant information.

The new IRC was approved by the Board of Directors on 19 July 2016 for the purposes of adapting its contents to the European regulatory framework to fight market abuse, made up of Regulation (EU) No 596/2014 of 16 April 2014 on market abuse, and Directive 2014/57/EU of 16 April 2014, that seeks to reinforce the integrity of the market and to set up mechanisms for a streamlined implementation and supervision in the different Member States of the European Union.

The last amendment of the IRC was approved by the Board of Directors on 16 July 2019, answering the need of adapting some of its provisions to the latest reform of the Revised Text of the Securities Market Act, approved by *Real Decreto-ley* 19/2018, of 23 November, on payment services and other urgent financial measures (the “**Securities Market Act**”), underscoring: (i) the distinction between inside and relevant information, pursuant to the provisions of sections 226 and 227, respectively of the Securities Market Act; and, (ii) the increase of the limit of the obligation for persons subject to the IRC and their related parties to disclose their personal transactions.

Code of Conduct and Responsible Practices of the Inditex Group: it was approved by the Board of Directors on 17 July 2012, and provides the action lines which must be followed by the Group in the performance of its professional duties. Its goal 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 and professional career of its employees is based. For such purposes, the principles and values which shall govern the relations between the Group and its main stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined. The Code of Conduct and Responsible Practices is based upon a number of general principles, including, (i) that according to which all the operations of the Inditex Group shall be carried out under an ethical and responsible perspective; (ii) that according to which all persons, whether natural or legal, directly or indirectly engaged in any kind of professional, economic, social or industrial relationship with the Inditex Group, shall be treated in a fair and honourable manner; and (iii) that according to which all the activities of the Group shall be carried out in the most environment-friendly manner, promoting biodiversity preservation and sustainable management of natural resources.

Current full text of all the aforementioned documents is available on the corporate website (www.inditex.com): (i) under the “Compliance” tab, “Corporate Governance” section; and (ii) under the “How we do business” tab.

Regulations of the Social Advisory Board: The Social Board is Inditex’s advisory body in the field of corporate social responsibility and environmental sustainability. In December 2002, the Board of Directors authorised its creation 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.

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

A CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

| Date of last change | Share capital (€) | Number of shares | Number of voting rights |
|----------------------------|-------------------|----------------------|-------------------------|
| 20-07-2000: AGM Resolution | 93,499,560 | 3,116,652,000 shares | 3,116,652,000 |

Please state whether there are different classes of shares with different associated rights:

Yes No

| Class | Number of shares | Par value | Number of votes | Rights and obligations conferred |
|-------|------------------|-----------|-----------------|----------------------------------|
| - | - | - | - | - |

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

INDITEX has been listed on the four 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 600 index 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.

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

The Company issues shares represented by the book-entry method. Notwithstanding the foregoing, pursuant to the provisions of section 497 LSC. Inditex has a contract 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*] for the daily share ownership notification service.

According to the Company's Register of Shareholders and to public information registered with CNMV, the owners of significant holdings in the Company as at 31 January 2020, excluding the Directors, were those shown below:

| Name or company name of shareholder | % of shares carrying voting rights | | % of voting rights through financial instruments (*) | | % of total voting rights |
|-------------------------------------|------------------------------------|----------|--|----------|--------------------------|
| | Direct | Indirect | Direct | Indirect | |
| MS SANDRA ORTEGA MERA. | | 5.053% | - | - | 5.053% |

Breakdown of the indirect holding:

| Name or company name of indirect shareholder | Name of direct shareholder | % shares carrying voting rights | % voting rights through financial instruments | % of total voting rights |
|--|--|---------------------------------|---|--------------------------|
| Ms Sandra Ortega Mera | ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L. | 5.053% | - | 5.053% |

State the most significant shareholder structure changes during the year:

The Company has not received any notices regarding any significant movements in shareholding structure over the year.

A.3. In the following tables, list the members of the Board of Directors (hereinafter “directors”) with voting rights in the company:

As at 31 January 2020, directors with an equity interest in the Company were as follows:

| Name or company name of director | % of shares carrying voting rights | | % of voting rights through financial instruments | | % of total voting rights | % voting rights that can be transmitted through financial instruments | |
|--|------------------------------------|----------|--|----------|--------------------------|---|----------|
| | Direct | Indirect | Direct | Indirect | | Direct | Indirect |
| Mr Pablo Isla Álvarez de Tejera | 0.063% | | 0.008% ¹ | - | 0.071% | - | - |
| Mr Amancio Ortega Gaona | - | 59.294% | - | - | 59.294% | - | - |
| Mr Carlos Crespo González | 0.001% | | 0.004% ² | | 0.005% | | |
| Mr José Arnau Sierra | 0.001% | | | - | 0.001% | - | - |
| PONTEGADEA INVERSIONES, S.L. | 50.010% | - | - | - | 50.010% | - | - |
| Ms Anne Lange | - | - | - | - | | | |
| 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 | - | - | - | - | | - | - |

| | |
|--|----------------|
| Total % of voting rights held by the Board of Directors | 59.371% |
|--|----------------|

¹ With regard to the second cycle of the 2016-2020 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum of 95,651 shares, i.e. 0.003%. Likewise, with regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares, i.e. 0.005%.

² With regard to the second cycle of the 2016-2020 Long-term Incentive Plan, the CEO may receive up to a maximum of 20,666 shares, i.e. 0.001%. Likewise, with regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the CEO may receive up to a maximum of 106,752 shares, i.e. 0.003%.

Breakdown of the indirect holding:

| Name or company name of indirect shareholder | Name or company name of direct shareholder | % of shares carrying voting rights | % voting rights through financial instruments | % of total voting rights |
|---|---|---|--|---------------------------------|
| Mr Amancio Ortega Gaona | PONTEGADEA INVERSIONES, S.L. | 50.010% | - | 50.010% |
| Mr Amancio Ortega Gaona | PARTLER 2006, S.L. | 9.284% | - | 9.284% |

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

The Company has not received any notice of any family, commercial, contractual or corporate relationships existing between the owners of significant holdings that are of a relevant nature or that do not arise from the ordinary course of business, without prejudice to the fact that director Mr Amancio Ortega Gaona is the indirect holder of Inditex shares through two significant shareholders: Pontegadea Inversiones S.L. and Partler 2006, S.L. On the other hand, the company styled Rosp Corunna Participaciones Empresariales, S.L. another significant shareholder of the Company, is the property of Ms Sandra Ortega Mera and Mr Marcos Ortega Mera (this latter with a minority holding), the children of Mr Amancio Ortega Gaona.

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, they are insignificant or arise in the ordinary course of business:

There have been no relationships of a commercial, contractual or corporate nature between significant shareholders and the company that are of a relevant nature or that do not arise from the ordinary course of business, without prejudice to the information provided, for transparency sake, under section D below regarding "Related-party and Intragroup transactions".

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the

nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

| Name or company name of related director or representative | Name or company name of related significant shareholder | Company name of the group company of the significant shareholder | Description of relationship/post |
|--|---|--|--|
| Mr Amancio Ortega Gaona | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INVERSIONES, S.L. | Chair of the Board |
| | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INMOBILIARIA, S.L.U. | Chair of the Board |
| | PARTLER 2006, S.L. | PARTLER 2006, S.L. | Chair of the Board |
| Ms Flora Pérez Marcote (Legal representative of PONTEGADEA INVERSIONES, S.L.) | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INVERSIONES, S.L. | 1 st Deputy Chair |
| | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INMOBILIARIA, S.L.U. | 1 st Deputy Chair |
| Mr José Arnau Sierra | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INVERSIONES, S.L. | 2 nd Deputy Chair ^o |
| | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INMOBILIARIA, S.L.U. | 2 nd Deputy Chair ^o |
| | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA ESPAÑA, S.L.U. | Joint Director |
| | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA 2015, S.L.U. | Sole Director (Legal representative of ESPARELLE 2016, S.L.U.) |
| | PONTEGADEA INVERSIONES, S.L. | PONTEGADEA DIECIOCHO, S.L.U. | Sole Director (Legal representative of PONTEGADEA 2015, S.L.U.) |
| | PONTEGADEA INVERSIONES, S.L. | ESPARELLE 2016, S.L. | Sole Director (Legal representative of PONTEGADEA INMOBILIARIA, |

| | | |
|------------------------------|---|---|
| PONTEGADEA INVERSIONES, S.L. | SOBRADO FORESTAL 2014, S.L. | Sole Director |
| PONTEGADEA INVERSIONES, S.L. | PONTEGADEA FRANCE, S.A.S. | Legal representative of the Chair of the company, PONTEGADEA INMOBILIARIA, S.L. |
| PONTEGADEA INVERSIONES, S.L. | PRIMA CINQUE, S.p.A. | Chair |
| PONTEGADEA INVERSIONES, S.L. | HILLS PLACE, S.a.r.l. | Ordinary member |
| PONTEGADEA INVERSIONES, S.L. | PONTEGADEA UK, Ltd. | Ordinary member |
| PONTEGADEA INVERSIONES, S.L. | PONTEGADEA INMOBILIARIA SA, de C.V. | Chair |
| PONTEGADEA INVERSIONES, S.L. | PONTEGADEA CANADA, Inc. | Chair |
| PONTEGADEA INVERSIONES, S.L. | PONTEGADEA KOREA, Inc. | Ordinary member |
| PONTEGADEA INVERSIONES, S.L. | PONTEGADEA USA, Inc. | Chair |
| PARTLER 2006, S.L. | PARTLER 2006, S.L. | 2 nd Deputy chair |
| PARTLER 2006, S.L. | PONTE GADEA PORTUGAL - INVESTIMENTOS IMOBILIARIOS E HOTELEIROS S.A. | Chair |
| PARTLER 2006, S.L. | ALMACK Ltd | Ordinary member |

| Remarks |
|---|
| As stated in section A.4 above, Mr Amancio Ortega Gaona is the indirect shareholder through two significant shareholders: Partler 2006, S.L. and Pontegadea Inversiones, S.L. This latter is a member of the Board of Directors and Ms Flora Pérez Marcote, the spouse of Mr Amancio Ortega Gaona, is its legal representative. |

- A.7. State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the provisions of sections 530 and 531 of the Companies Act. If so, describe these agreements and list the party shareholders:**

Yes

No

| Parties to the shareholders' agreement | % of affected shares | Brief description of the agreement |
|--|----------------------|------------------------------------|
| - | - | - |

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes

No

| Parties to the concerted action | % of affected shares | Brief description of the agreement | Date of termination of the agreement, if applicable |
|---------------------------------|----------------------|------------------------------------|---|
| - | - | - | |

In the event that during the year any modification or breaking of those pacts or agreements or concerted actions has occurred, state it expressly:

The Company has not received any notices regarding the making of shareholders' agreements nor does it have any proof of the existence of concerted actions among its shareholders.

- A.8. State whether any individual or company exercises or may exercise control over the company in accordance with section 5 of the Ley de Mercado de Valores [Spanish Securities Market Act] or "LMV" (Spanish acronym)]. If so, please identify it/them:**

Yes

No

| Name of individual or company |
|-------------------------------|
| Mr Amancio Ortega Gaona |

| Remarks |
|---|
| Mr Ortega holds a 59.294% stake in the company, through PONTEGADEA INVERSIONES, S.L. and PARTLER 2006, S.L. |

- A.9. Complete the following tables with details of the company's treasury shares:**

At year-end:

| Number of direct shares | Number of indirect shares (*) | total % of share capital |
|-------------------------|-------------------------------|--------------------------|
| 2,125,384 | 0 | 0.068% |

(*) through:

| Name direct shareholder | Number of direct shares |
|-------------------------|-------------------------|
| - | - |
| Total: | - |

Explain any significant changes during the year:

As at 31 January 2019, the Company held an aggregate number of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan (the “**2016-2020 Plan**”) addressed to members of management and other employees of the Inditex Group, was settled in 2019. Such Plan was approved by the Annual General Meeting held on 19 July 2016, and is described in the Annual Report and in the Annual Report on Remuneration of Directors. Upon settling this first cycle, the relevant number of shares were delivered to the beneficiaries thereof. Consequently, as at 31 January 2020, the Company was the owner of 2,125,384 treasury shares representing 0.068% of the share capital.

A.10. Provide a detailed description of the conditions and terms of the authority given by the Annual General Meeting to the Board of Directors to issue, buy back or dispose of treasury shares

At the date of this report, the authorisation granted by the Annual General Meeting held on 16 July 2019 to the Board of Directors to acquire the company’s treasury stock, remains in force. Such authorisation superseded the prior authorisation approved by the Annual General Meeting held on 19 July 2016.

The resolution passed by the aforementioned Annual General Meeting held on 16 July 2019 regarding item 10 on the agenda is transcribed below:

“To authorise the Board of Directors, so that it may, in accordance with the provisions of section 146 of Companies Act, proceed to the derivative acquisition of treasury stock, either directly or through any subsidiaries in which the Company is the controlling company, observing the legal limits and requirements and under the following conditions:

- a) Methods of acquisition: the acquisition shall be done through purchase and sale, exchange or dación en pago [acceptance in lieu of payment].*
- b) Maximum number of treasury stock to be acquired: shares with a nominal value which, added to that of those shares, directly or indirectly in the possession of the Company, do not exceed 10% of the share capital.*
- c) Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.*
- d) Duration of the authorisation: five (5) years from the date of this resolution.*

For the purposes of the provisions of section 146.1(a) of the Companies Act, it is hereby stated that shares acquired under this authority may be used by the Company, among others purposes, to be delivered to employees or directors

of the Company, either directly or as result of the exercise of the option right they may hold, under employees' remuneration schemes in respect of employees of the Company or its Group.

This authorisation supersedes the authorisation approved by the Annual General Meeting held on 19 July 2016”.

A.11 Estimated working capital

| | |
|---------------------------|-------|
| | % |
| Estimated working capital | 35.66 |

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes

No

| Description of the restrictions |
|---------------------------------|
| - |

All shares of the Company carry the same voting and financial rights, and there are no legal 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 LSC, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

There are no restrictions either to distance voting, and this right can be exercised by any shareholder.

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes

No

If so, please explain the measures approved and the terms under which such limitations would cease to apply.

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes

No

If so, please list each type of share and the rights and obligations conferred on each.

B GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders duly convened and with a quorum present in accordance with all statutory requirements and those provided in 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 ones, without prejudice to any remedies they may have at law.

In accordance with the Articles of Association and the Regulations of the General Meeting of Shareholders, the General Meeting is authorised to pass all kinds of resolutions concerning the Company and, in particular, and subject 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 remuneration policy for directors pursuant to statutory terms.
- (e) To conduct, as a separate item of the agenda, an advisory say-on-pay vote on the Annual Report on Remuneration of Directors.
- (f) To authorise the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the authorisation to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.
- (g) To authorise the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.
- (h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the 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 authorise 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 "subsidiarisation" 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 submit to the General Meeting of Shareholders' prior authorisation, the passing by the Board of Directors of decisions or resolutions on certain management matters; and
- (p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues.

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 accounts of the previous year and decide upon the distribution of income or loss.

Pursuant to the provisions of sections 168 and 495.2.(a) of the Companies Act, 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 shall be called to be held within the term provided in the applicable regulations and the agenda of the meeting must include the businesses that were the subject of the request.

In the notice calling the General Meeting of Shareholders, the Board of Directors shall require the presence of a Notary to take up the minutes of the General 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) and on CNMV's website (www.cnmv.es), at least 1 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 of the meeting to CNMV, and to the Governing Organisations of the Stock Exchanges where the company's shares are listed for its insertion in the relevant Listing Bulletins. 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 discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

B.1. State whether there are differences between the quorum established by the LSC for General Meetings of Shareholders and those set by the company and if so, describe them in detail:

Yes No

| | Quorum % different from that contained established in sec. 193 LSC for general matters | Quorum % different from that contained established in sec. 193 LSC for special resolutions |
|---|---|---|
| Quorum required on 1st call | 50% of the subscribed voting stock | - |
| Quorum required on 2nd call | - | - |

Description of differences

Article 18.1 of the Articles of Association and section 16 of the Regulations of the General Meeting provide that a quorum will be present at the General Meeting on first call when shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote. On second call, generally, a quorum will be present at the General Meeting regardless of the capital attending the same. However, if the General Meeting of Shareholders is called to decide on an increase or a reduction of the share capital, the issue of bonds convertible into Company's shares or which entitle bondholders to participate in the company's earnings, the exclusion or restriction of the pre-emptive right, the transformation of the Company, the merger by creation of a new company or by absorption of the Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the substitution of the company's objects as well as any other amendment whatsoever of the Articles of Association, shall require, on second call, the attendance of 25% of the subscribed share capital with the right to vote.

Therefore, the only difference between said rules and the provisions of the Companies Act, both in general and for special cases, lies in the quorum required to hold the General Meeting on first call in accordance with section 193 of the Companies Act, that the Articles of Association and the Regulations of the General Meeting of the company have established as the quorum required to hold valid meetings on first call in accordance with section 194 of the Companies Act (shareholders who are present or represented by proxy possess at least fifty percent of the subscribed share capital with the right to vote). This qualified quorum may not be deemed to be a restriction on the control by the Company, since it is only applicable to first calls.

This is expressly permitted by section 193 of the Companies Act, which, having laid down that the General Meeting of Shareholders shall be validly held on first call when the shareholders present or represented by proxy possess, at least, twenty-five per cent of the subscribed voting share capital, goes on to provide that a higher quorum may be established in the Articles of Association.

B.2. State whether there are any differences in the company's manner of passing corporate resolutions and the manner for passing them described by the LSC, and if so, explain:

Yes No

Describe how it is different from that contained in LSC

| | Qualified majority different from that | Other matters requiring a qualified majority |
|--|---|---|
| | | |

| | | |
|---|---|---|
| | established in section 201.2 LSC for section 194.1 LSC matters | |
| % established by the entity for the passing of resolutions | - | - |
| Describe the differences | | |
| - | | |

B.3. State the rules for amending the company’s Articles of Association. Namely, state the majorities required for amendment of the Articles of Association, and, any provisions in place to protect shareholders’ rights in the event of amendments to the Articles of Association.

Pursuant to the provisions of sections 285 *et seq.* of the Companies Act, it is incumbent on the Annual General Meeting to resolve about any amendment of the Articles of Association.

Rules applicable to the amendment of the company’s by-laws are provided in the Articles of Association and the Regulations of the General Meeting of Shareholders. Article 18 of the Articles of Association and section 16 of the Regulations of the General Meeting of Shareholders provide a special quorum in order to call the Annual General Meeting which has to address any amendment of the Articles of Association.

“The General Meeting of Shareholders shall be validly established on first call when shareholders who are present or represented by proxy hold at least fifty (50) percent of the subscribed share capital with the right to vote. On second call, generally, the General Meeting shall be validly established regardless of the share capital attending same. However, if the General Meeting of Shareholders is called to decide on an increase or a reduction of the share capital, the issue of bonds convertible into Company’s shares or which entitle bondholders to participate in the company’s earnings, the exclusion or restriction of the pre-emptive right, the transformation of the Company, the merger by creation of a new company or by absorption of the Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the transfer of the registered address abroad, the replacement of the company objects as well as any other amendment whatsoever of the Articles of Association, the attendance of twenty-five (25) percent of the subscribed share capital with the right to vote shall be required on second call.”

Section 6.(h) of the Regulations of the General Meeting of Shareholders expressly assigns to the AGM the power to approve any amendment of the Articles of Association: *“In accordance with the provisions of the Articles of Association, the General Meeting of Shareholders is authorised to pass all kinds of resolutions concerning the Company, the following powers being namely reserved thereto, without prejudice to any other powers vested by the applicable regulations: (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.”*

B.4. Give details of attendance at the General Meetings of Shareholders held during the year of this report and the two previous years:

| Date AGM | Attendance data | | | | Total |
|------------|----------------------|--------------------|--------------------------------|-----------------------|---------|
| | % physically present | % present by proxy | % distance voting ³ | | |
| | | | Electronic voting | others | |
| 18-07-2017 | 0.08% | 86.56% | 0.68% ⁽¹⁾ | | 87.32% |
| 17-07-2018 | 0.08% | 88.15% | 0.002% ⁽³⁾ | 0.013% ⁽²⁾ | 88.245% |
| 16-07-2019 | 0.08% | 87.19% | 0.001% | 0.349% ⁽³⁾ | 87.619% |

(1) 114 shareholders cast their vote through distance communication means, by post, or electronic vote

(2) 119 shareholders cast their vote through distance communication means, by post, or electronic vote

(3) 361 shareholders cast their vote through distance communication means, by post, or electronic vote

B.5. State whether any item on the agenda of the General Meetings of Shareholders during the year has not been approved by the shareholders for any reason.

Yes No

| Items on agenda not approved | % votes against (*) |
|------------------------------|---------------------|
| | |

(*) If the non-approval of the item is for a reason other than the votes against, this will be explained in the text part and "N/A" will be placed in the "% votes against" column.

None of the items on the agenda subject to deliberation at the Annual General Meeting held on 16 July 2019 was rejected or not approved for any other reason. All items on the agenda were approved pursuant to the percentages and in the manner available on the Company's corporate web.

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders, or on distance voting.

Yes No

| | |
|---|---|
| Number of shares required to attend the General Meeting | 1 |
| Number of shares required for distance voting | 1 |

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Meeting of Shareholders.

³ Pursuant to the Regulations of the General Meeting of Shareholders of Inditex, shareholders who cast their vote through distance communication systems shall be deemed as present for the purposes of the quorum of the General Meeting of Shareholders in question

Yes

No

Explain the decisions that must be subject to the General Meeting of Shareholders, other than those established by law

The General Meeting of Shareholders has no powers other than those established by law.

In accordance with the Articles of Association and the Regulations of the General Meeting of Shareholders, such governing body is authorised to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, the exercise of the powers listed at the beginning of section B above is reserved to such body.

B.8. State the address and manners of access to the company's website, where one may find information on corporate governance and other information regarding the General Meetings of Shareholders which must be made available to shareholders through the company's website.

The most relevant information on the Company's corporate governance (Articles of Association, Regulations of the General Meeting of Shareholders, Board of Directors' Regulations, the specific set of rules of each board committee, the Internal Regulations of Conduct, the composition of the Board of Directors and its Committees, the Annual Corporate Governance Report, and the Annual Report on Remuneration of Directors) is available on the "Compliance", "Corporate Governance" section of the corporate website: <https://www.inditex.com/en/compliance/corporate-governance/annual-general-meeting>

The information on the Annual General Meeting is included in the "General Meeting of Shareholders" section. Contemporaneously to the notice calling the AGM, a direct access to the information on the AGM called is provided on the corporate website's homepage.

With regard to the Annual General Meeting held on 16 July 2019 (<https://www.inditex.com/en/compliance/corporate-governance/annual-general-meeting>) this section includes: (i) the presentation shown in the course of the Annual General Meeting; (ii) the link to the Electronic Forum of Shareholders; (iii) the link to the electronic voting and voting by proxy platform; (iv) the link to the live broadcast of the Annual Meeting of Shareholders; (v) the agenda; (vi) the notice calling the AGM; (vii) the full text of the proposed resolutions in respect of the items on the agenda; (viii) the annual accounts, the directors' report and the auditor's report of the Inditex Group; (ix) the annual accounts, the directors' report and the auditor's report of Inditex; (x) the statement of liability of the directors about the contents of the annual accounts; (xi) the report of the Nomination Committee on the review of the requirements of the Board of Directors prior to the selection of board members; (xii) the report on the motion to re-elect executive director Mr Pablo Isla Álvarez de Tejera pursuant to item 6a) on the agenda; (xiii) the report on the motion to re-elect proprietary director Mr Amancio Ortega Gaona pursuant to item 6b) on the agenda; (xiv) the report on the motion to appoint executive director Mr Carlos Crespo González pursuant to item 6c) on the agenda; (xv) the motions on the re-election of independent directors Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, pursuant to items 6d) and e) on the agenda, respectively; (xvi) the explanatory report issued by the Board of Directors

evaluating the skills, experience and merits of the above referred directors whose re-election and/or appointment is proposed; (xvii) the report issued by the Board of Directors regarding item 7 on the agenda, including the full text of the proposed amendments to the Articles of Association; (xviii) the report issued by the Board of Directors regarding item 14 on the agenda relating to the amendment of the Board of Directors' Regulations; (xix) the revised text of the Articles of Association, the approval of which is proposed under item 7 on the agenda, and the revised text of the Board of Directors' Regulations, referred to under item 14 on the agenda; (xx) the Remuneration Policy for Directors for financial years 2019, 2020 and 2021; (xxi) the Annual Corporate Governance Report for 2018; (xxii) the Annual Report on Remuneration of Directors for 2018; (xxiii); the vote by proxy and distance voting card; (xxiv) the development of the internal regulations on distance voting and grating of proxy through distance communication means; (xxv) the aggregate number of shares and voting rights at the date of the notice calling the AGM; (xxvi) the document with the FAQ raised by shareholders on the Annual General Meeting; (xxvii) the Annual Report on the proceedings and activities of the Audit and Control Committee for 2018; (xxviii) the Annual Report on the proceedings and activities of the Nomination Committee for 2018; (xxix) the Annual Report on the proceedings and activities of the Remuneration Committee for 2018; (xxx) the Report of the Audit and Control Committee on the independence of the statutory auditor; (xxxi) the report of the Audit and Control Committee on related-party transactions; (xxxii) the 2018 Annual Report; (xxxiii) the resolutions passed, and; (xxxiv) the information on votes cast and the outcome of the voting.

Pursuant to the provisions of recommendation 9 CBG, the Company's requirements and procedures for establishing share ownership, the right to attend general meetings and the exercise of voting rights or the vote by proxy right, are addressed in the notice calling the AGM, developed in the internal regulations, and permanently available on the corporate website (www.inditex.com).

Other relevant information, such as the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers can be found in the "Compliance" tab, "Corporate Ethics" section (<https://www.inditex.com/en/corporate-ethics>) as well as in the "How we do business" tab, "Our Commitment to people/Our employees" section, (<https://www.inditex.com/our-commitment-to-people/our-employees>), and "Our Commitment to people/Our suppliers" (<https://www.inditex.com/en/our-commitment-to-people/our-suppliers>) section. Additionally, the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors is available in the "Investors" tab, "Investors and Shareholders" section (<http://www.inditex.com/en/Investors/contact>).

C ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and monitoring body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of the day-to-day business of Inditex 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, assessing the management by the senior managers, 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 subject to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

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

C.1.1. Maximum and minimum number of directors established in the Articles of Association and the number set by the General Meeting:

| | |
|---|----|
| Maximum number of directors | 12 |
| Minimum number of directors | 5 |
| Number of directors set by the general meeting | 11 |

C.1.2. Please complete the following table on directors:

| Name of director | Natural person representative | Director class | Position on the Board | Date first appointed to the Board | Last re-election date | Method of selection to Board | Date of birth |
|---------------------------------------|-------------------------------|----------------|---------------------------|-----------------------------------|-----------------------|------------------------------|---------------|
| Mr Pablo Isla Álvarez de Tejera | | Executive | Executive Chairman | 09/06/2005 | 16/07/2019 | AGM | 22/01/1964 |
| Mr Carlos Crespo González | | Executive | CEO | 16/07/2019 | 16/07/2019 | AGM | 24/02/1971 |
| Mr Amancio Ortega Gaona | | Proprietary | Ordinary member | 12/06/1985 | 16/07/2019 | AGM | 28/03/1936 |
| Mr José Arnau Sierra | | Proprietary | Deputy Chairman | 12/06/2012 | 18/07/2017 | AGM | 16/09/1956 |
| PONTEGADEA INVERSIONES, S.L. | Flora Pérez Marcote | Proprietary | Ordinary member | 09/12/2015 | 19/07/2016 | Board of Directors; | 14/10/1954 |
| Bns. Denise Patricia Kingsmill | | Independent | Ordinary member | 19/07/2016 | 19/07/2016 | AGM | 24/04/1947 |
| Ms Anne Lange | | Independent | Ordinary member | 10/12/2019 | 10/12/2019 | Board of Directors | 22/05/1968 |
| Ms Pilar López Álvarez | | Independent | Ordinary member | 17/07/2018 | 17/07/2018 | AGM | 13/06/1970 |
| Mr José Luis Durán Schulz | | Independent | Ordinary member | 14/07//2015 | 16/07/2019 | AGM | 08/11/1964 |
| Mr Rodrigo Echenique Gordillo | | Independent | Lead Independent Director | 15/07/2014 | 17/07/2018 | AGM | 17/11/1946 |
| Mr Emilio Saracho Rodríguez de Torres | | Independent | Ordinary member | 13/07/2010 | 16/07/2019 | AGM | 17/08/1955 |

| | |
|----------------------------------|----|
| Total number of Directors | 11 |
|----------------------------------|----|

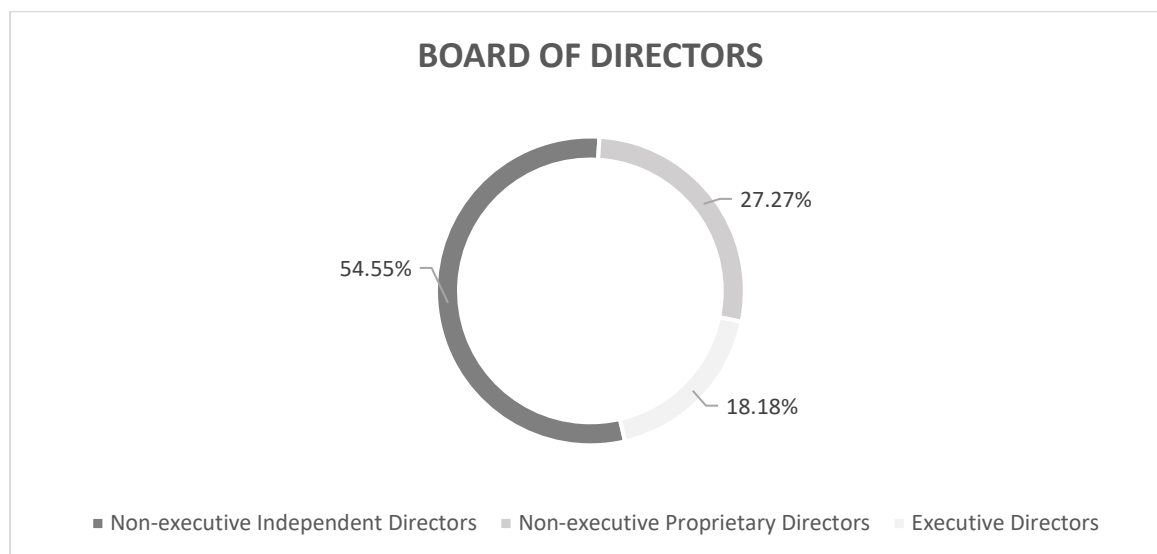
State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

| Name or company name of director | Director class at time of leaving | Last re-election date | Date director left | Specialised committees of which he/she was a member | Indicate whether the director left before the end of the term |
|----------------------------------|-----------------------------------|-----------------------|--------------------|---|---|
| | | | | | |

| Reason for leaving and other remarks |
|--|
| In 2019, no director has left the Board, either through resignation, dismissal, or on any other grounds. |

C.1.3. Complete the following tables regarding the members of the board and their categories:

The structure of the Board of Directors is addressed in detail in the sections below. It is represented in the following image:



EXECUTIVE DIRECTORS

| Name or company name of the director | Post in organisational chart of the company | Profile |
|--------------------------------------|---|---------|
| Mr Pablo Isla Álvarez de Tejera | Executive Chairman | (1) |
| Mr Carlos Crespo González | CEO | (1) |

| | |
|--|--------|
| Total number of executive directors | 2 |
| Total % of Board members | 18.18% |

NON-EXECUTIVE PROPRIETARY DIRECTORS

| Name or company name of director | Name or company name of the significant shareholder represented or that has proposed their appointment | Profile |
|---|---|----------------|
| PONTEGADEA INVERSIONES, S.L. | Mr Amancio Ortega Gaona | (2) |
| Mr Amancio Ortega Gaona | Mr Amancio Ortega Gaona | (2) |
| Mr José Arnau Sierra | Mr Amancio Ortega Gaona | (2) |

| | |
|--|--------|
| Total number of proprietary directors | 3 |
| % of the Board | 27.27% |

NON-EXECUTIVE INDEPENDENT DIRECTORS

| Name of director | Profile |
|---------------------------------------|----------------|
| Mr José Luis Durán Schulz | (3) |
| Mr Rodrigo Echenique Gordillo | (3) |
| Bns. Denise Patricia Kingsmill | (3) |
| Ms Anne Lange | (3) |
| Ms Pilar López Álvarez | (3) |
| Mr Emilio Saracho Rodríguez de Torres | (3) |

| | |
|--|--------|
| Total number of independent directors | 6 |
| % of total Board | 54.55% |

Below is a brief description of the profile of:

- (1) executive directors
- (2) non-executive proprietary directors
- (3) non-executive independent directors

(1) EXECUTIVE DIRECTORS

Mr Pablo Isla Álvarez de Tejera

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

A law graduate from Complutense University of Madrid (1987), he became Spanish State Attorney [*Abogado del Estado*] in 1988, ranked #1 of its class. From 1992 to 1996 he was Group General Counsel of Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy

and Finances. From July 2000 to 2005 he was Chairman of Altadis Group. He currently is an independent director on the board of directors of Nestlé.

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

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

Mr Carlos Crespo González

Inditex's CEO since 2019.

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

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

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

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

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

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

(2) PROPRIETARY DIRECTORS

Mr Amancio Ortega Gaona

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

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

Pontegadea Inversiones, S.L.

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

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

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

Mr José Arnau Sierra

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

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

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

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

He is the direct holder of 30,000 shares.

(3) NON-EXECUTIVE INDEPENDENT DIRECTORS

Mr José Luis Durán Schulz

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

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

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

He is the direct holder of 3,106 shares.

Mr Rodrigo Echenique Gordillo

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

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

He is a member of the Board of Trustees of *Fundación Consejo España-EE.UU*, Deputy-Chair of the Board of Trustees of *Teatro Real*, member of the Board of Trustees of *Escuela Superior de Música Reina Sofía*, of *Fundación Empresa y Crecimiento* and of *Fundación ProCNIC y CNIC*.

He has been CEO, Deputy Chairman and Executive Director of Banco Santander, S.A., and has chaired Banco Popular. He also served as Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and of SPREA. He has been a member of the Board of Directors of Banco Santander International and Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A. He chaired the Social Advisory Board of University Carlos III of Madrid. Additionally, he was first member and then Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been the Chairman of Vallehermoso, S.A., Vocento, S.A., NH Hotels Group, Metrovacesa, S.A., Merlin Properties, and SOCIMI, S.A.

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

Bns. Denise Patricia Kingsmill

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

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

In 2003 she was appointed Chairman of the Department of Trade and Industry's Accounting for People task force. She headed a second Government enquiry ("Accounting for People") into how companies should evaluate and measure the contribution of their work forces and specifically as to how they

should communicate their progress in this area of “Human Capital Management” to all their stakeholders (www.accountingforpeople.gov.uk). In 2013 she was the co-chair of the Design Commission report into Design and Public Services (“Re-starting Britain”).

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

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

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

Ms Anne Lange

Independent director since December 2019. A French citizen, Ms Lange is an entrepreneur and a sought after C-level business advisor with over 25 years of experience in technology innovation, both private & public sectors. She is graduated of French Grandes Ecoles, Institut d’Etudes Politiques in Paris and Ecole Nationale d’Administration (ENA).

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

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

Ms Pilar López Álvarez

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

She has worked in a variety of roles at J.P. Morgan in Madrid, London and New York (1993-1999). She joined Telefónica in 1999, where she held the following positions: Head of Management Planning and Control (1999-2001), Financial Controller in Telefónica Móviles (2001-2006), Strategy Director in Telefónica de España (2006-2007), Chief Financial Officer of O2 Plc., based in the UK (2007-2011) and for Telefónica Europa based in Madrid (2011-2014), and Head of the Operational Simplification Program of Grupo Telefónica (2014-

2015). She is a member of the Board of Trustees of *Fundación ONCE*, and of *Fundación Junior Achievement*, and a member of the Board of Directors of Asociación para el Progreso de la Dirección (APD).

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

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

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

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

Mr Emilio Saracho Rodríguez de Torres

Independent director since June 2010. Mr Saracho is a Graduate in Economics from the Complutense University of Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of *Banco Santander de Negocios*, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of *Grupo Santander* and Deputy General Director. He has been a director of FISEAT, *Santander de Pensiones* and *Santander de Leasing*. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined 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 sits on the Board of Directors of International Consolidated Airlines Group, S.A. (IAG) and is Senior Advisor of Altamar Capital Partners.

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

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year,

whether in his/her own name or as a significant shareholder, director or senior manager of a company that has or has had such a relationship.

Except as explained below, no independent director receives any amount or benefit other than the compensation as a director, nor has or has had any business relationship with the company or any company in the group, either in his/her own name or as significant shareholder, director or senior manager of an entity that maintains or has maintained any such relationship.

Where applicable, include a reasoned statement by the board explaining why it believes that the director in question can perform his/her duties as an independent director.

| Name or company name of director | Description of the relationship | Statement of the Board |
|---|---|--|
| <ul style="list-style-type: none"> - Ms. Pilar López Álvarez - Mr Emilio Saracho Rodríguez de Torres - Mr Rodrigo Echenique Gordillo | Inditex has been engaged for years in a business relationship with Microsoft, International Consolidated Airlines Group and Banco Santander in the ordinary course of business. | Pursuant to section 229 LSC and section 34.1(d) of the Board of Directors' Regulations, the Board of Directors has considered that none of the business relationships with any of the companies referred jeopardises the independence of its directors, as none of them takes part in the negotiation and execution of the relevant agreements, and none of such relationships can be deemed to be a significant or relevant business relationship, pursuant to section 529 <i>duodecis</i> (4)(e)LSC. |

AFFILIATE DIRECTORS

Affiliate directors will be identified and the reasons why they will not be considered proprietary or independent will be listed, as well as their ties, whether with the company, its officers or its shareholders:

| Name of director | Reason | Company, director or shareholder to whom the director is related | Profile |
|------------------|--------|--|---------|
| - | - | - | - |

| | |
|--|--|
| Total number of affiliate directors | |
| % of the Board | |

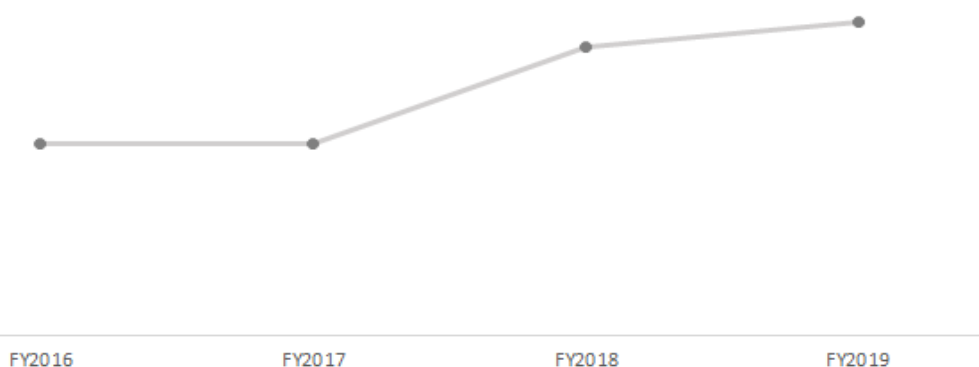
State any changes in status that has occurred during the period for each director:

No changes in status have occurred during the period for any director.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

| | Number of female directors | | | | % of total director of each class | | | |
|--------------------|----------------------------|----------|----------|----------|-----------------------------------|---------------|----------------|----------------|
| | FY19 | FY18 | FY17 | FY16 | FY19 | FY18 | FY17 | FY16 |
| Executive | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proprietary | 1 | 1 | 1 | 1 | 33.3 % | 33.3 % | 11.11% | 11,11 % |
| Independent | 3 | 2 | 1 | 1 | 50%% | 40% | 11.11% | 11.11 % |
| Affiliate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total: | 4 | 3 | 2 | 2 | 36.36% | 33.33% | 22.22 % | 22.22 % |

FEMALE REPRESENTATION ON THE BOARD OF DIRECTORS



C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Statutory Audit Act, will have to report at least the policy they have implemented in relation to gender diversity

Yes No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors. In the event that the company does not apply a diversity policy, explain the reasons why

Inditex's "Director Selection Policy" was approved by the Board of Directors in the meeting held on 9 December 2015, following a favourable report of the Nomination Committee. Such Policy provides guidelines to guide the Board and the Nomination Committee's proceedings in the field of director selection and thus (i) ensure that the processes for the selection of prospective directors

and the motions to appoint, re-elect or ratify directors are based upon a prior analysis of the needs of the Board of Directors; and (ii) a diversity of knowledge, skills, experience and gender within the board is favoured. Additionally, the objective of ensuring that by 2020 female directors would represent at least 30% of the total number of members of the Board of Directors is defined in the Policy. Mention is made of the fact that such objective has been achieved two years ahead of schedule.

The Board of Directors' Regulations and the sets of rules of board committees have been subject to a thorough review and update in 2019, for the purposes, without limitation, of reinforcing Inditex's commitment to diversity. In this regard, the number of topics to be considered as diversity criteria have been increased, and the recommendation about a diverse composition of board committees has been embraced, taking into account the limits arising from their smaller size.

Thus, pursuant to the section 5.3(c)(ii) of the Board of Directors, as amended, the Company's Director Selection Policy shall ensure that the proposed election or re-election of directors is duly supported by a prior analysis of the requirements of the Board of Directors, that favors diversity of aspects such as background, education and professional experience, age, gender or disability. In turn, section 5.3(c) of the Nomination Committee's Regulations, as amended, provides that the Committee shall ensure that upon filling new vacancies or appointing new directors, selection procedures encourage diversity.

Additionally, pursuant to the provisions of section 14.2 of the Audit and Compliance Committee's Regulations, section 10.2 of the Nomination Committee's Regulations, section 7.2 of the Remuneration Committee's Regulations and section 9.2 of the Sustainability Committee's Regulations, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Inditex's Diversity and Inclusion Policy, approved by the Board of Directors on 12 December 2017 following a favourable report of the Audit and Compliance Committee, seeks to fully endorse the regulatory requirements, recommendations and best practices in the area of diversity, and to mark Inditex's commitment to diversity and multiculturalism in the working environment, in all positions and levels within the company, including on the Board of Directors, and its firm zero tolerance policy against any kind of discrimination. The principles and action lines of the Diversity and Inclusion Policy govern all the proceedings in the area of human resources, such as recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other, disciplinary actions.

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 in the work place, or any manner

of discrimination on account of race, religion, age, nationality, gender or any other personal or social condition beyond qualifications and capacity.

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

In said analysis, the Nomination Committee took into account the commitments undertaken by the Company, pursuant to the Director Selection Policy, regarding: (i) the diversity of background, experience, skills and gender on the Board of Directors, and in particular, (ii) meeting the representation target for the least represented gender on the Board.

As shown in the above referred report issued by the Nomination Committee, the Executive Chairman deemed it appropriate, considering the strategic time of digital transformation of the business and the Group's strong commitment to sustainability, to elect a new executive director with professional experience in such fields.

Consequently, further to the review of the size, composition, skills and effectiveness of the Board of Directors at the time, the Nomination Committee considered that the number of board members should be increased, for the purposes of keeping a majority of independent directors, thus ensuring compliance by the Company with the applicable regulations and with best practices in the field of corporate governance.

The Nomination Committee found in such report that in the framework of the enlargement of the board, motions on the appointment of new directors should aim at ensuring diversity of background, experience and skills, and in particular, of gender and, namely, at reinforcing: (i) experience and knowledge in the digital and new technologies sector, as well as in sustainability; and (ii) the presence of female directors, still the least represented gender on the board, while (iii) the majority presence of independent directors should be ensured at all times.

Considering the foregoing, it was resolved by the Annual General Meeting held on 16 July 2019, pursuant to item 5 on the agenda, to increase the number of members of the Board of Directors from 9 to 11.

It was further resolved by the Annual General Meeting pursuant to item 6 on the agenda, to re-elect Mr Pablo Isla Álvarez Tejera, an executive director, Mr Amancio Ortega Gaona, a proprietary director, and Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, both of them independent directors, and to appoint Mr Carlos Crespo González, as new executive director. Consequently, a vacant seat existed on the Board pending filling.

In order to fill the above referred vacancy, further to a selection process driven by the Nomination Committee, on the advice of an external consultant, the Board of Directors approved in the meeting held on 10 December 2019, following a motion raised by the Nomination Committee, the co-option of Ms

Anne Lange to the board of directors as non-executive independent director, until the ratification of such appointment by the ensuing Annual General Meeting.

Thus, following the election of Ms Lange, the Board of Directors is composed of 2 executive directors, 3 proprietary directors and a majority of 6 independent directors.

In line with the findings shown in the explanatory report issued by the Board of Directors on 11 June 2019, the re-election and appointment of the directors above referred, has contributed inter alia, to keeping or reinforcing:

- (i) the balanced composition of the supreme governing body of the Company with independent, proprietary and executive directors serving thereon, but ensuring the majority presence of independent directors on the Board;
- (ii) the diversity of background, experiences, origin and gender within the Board, and in particular the experience in the digital and new technologies and in sustainability, and;
- (iii) the due implementation of the corporate strategy, encouraging technological profiles and profiles with expertise in the field of sustainability.

Likewise, with the appointment of the new director, the average tenure of independent directors on the board has been reduced – in accordance with the principle of progressive board refreshment – and the target of having 30% female directors sitting on the Board of Directors has been reinforced.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women.

Pursuant to the provisions of section 529 *bis* 2 of the Companies Act, the Board of Directors shall ensure that gender, experiences and knowledge diversity is encouraged 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.

Pursuant to the provisions of section 16.2(c) of the Board of Directors' Regulations, and sections 5.3(c) and 6(c) of the Nomination Committee's Regulations, this Committee shall ensure that, when filling up any new vacancies and when appointing new directors, the selection process does conform to the prohibition of any manner of discrimination.

According to section 6(a) of the Nomination Committee's Regulations, it is incumbent on such Committee "to issue a report on the directors' selection policy approved by the Board of Directors and verify on an annual basis compliance thereof". Additionally, pursuant to the section 5.3(c)(ii) of the Board

of Directors, as amended, the Company's Director Selection Policy shall ensure that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors, that favors diversity of aspects such as knowledge, professional education and experience, age, gender or disability, that does not suffer from implicit bias able of involving any kind of discrimination and, in particular, that eases selection of a number of female directors allowing to achieve a balance between men and women on the Board.

Considering the foregoing, in the meeting held on 2 December 2015, the Nomination Committee reviewed and gave a favourable report to the "Director Selection Policy" which was approved by the Board of Directors.

According to such Policy, the Nomination Committee must set a representation target for the least represented gender on the Board of Directors and provide guidelines on how to achieve such goal. Likewise, the Committee must also ensure that upon filling out vacancies or appointing new directors, selection processes ensure the absence of any manner of discrimination. Accordingly, the Nomination Committee set in the above referred meeting dated 2 December 2015 the goal of endeavouring that by 2020 the number of female directors on the Board would represent at least 30% of the total board membership.

C.1.7 Explain the conclusions of the Nomination Committee regarding verification of compliance with the director selection policy; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Annual General Meeting passed on 16 July 2019 the resolution to increase the number of members of the Board of Directors from 9 to 11.

Likewise, the Annual General Meeting held on that date also approved, following a motion and a favourable report issued by the Nomination Committee and the Board of Directors, as the case may be, to re-elect Mr. Amancio Ortega Gaona, as proprietary director, Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, as independent directors, and to re-elect Mr Pablo Isla Álvarez Tejera and to appoint Mr Carlos Crespo González, both of them as executive directors.

As a result of the increase in the number of board members, from 9 to 11 and the appointment of the new executive director, there was a vacant seat on the Board pending filling. The Nomination Committee launched the relevant selection process in the course of which, in line with the provisions of section 3.5 of the Director Selection Policy, the Nomination Committee was advised by an external consultant.

Upon completion of such process, the Board of Directors resolved on 10 December 2019, further to a motion raised by the Nomination Committee, to approve the co-option of Ms Anne Lange to the board of directors as non-executive independent director.

Both the increase in the number of board members and the process to re-elect and appoint directors followed in 2019 were based upon the prior analysis of

the needs of the Company and the Board of Directors itself, written up in an explanatory report approved by the Nomination Committee on 23 May 2019, in accordance with the provisions of section 3 of the Director Selection Policy, recommendation 14 of the Good Governance Code, and sections 3, 4 and 5 of Technical Guide 1/2019.

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

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

Thus considering the provisions and objectives of the Director Selection Policy, and further to the joint review of the above referred needs and of the size of the Board, the Nomination Committee determined that in the framework of the enlargement of the board, the motions on the appointment of new directors should seek to ensure diversity of knowledge, skills, experiences and qualifications. In particular, the Committee considered that it would be convenient to reinforce: (i) experience and knowledge in the digital and new technologies sector, as well as in sustainability; (ii) the presence of female directors; and (iii) the majority presence of independent directors.

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

Pursuant to section 4 of the Director Selection Policy, such motions and reports, and the report on the analysis of the board's needs were posted on the corporate website at the same time as the notice calling the Annual General Meeting and the remaining related documentation.

Considering the foregoing, it can be found that the motions on the re-election and appointment of directors raised by the Board to the Annual General Meeting, and the subsequent co-option of Ms Lange to the Board were consistent with the prior analysis on board needs. Thus, as stated in section C.1.5. above, the process to re-elect and appoint directors followed in 2019 has contributed as a whole, to maintain or reinforce:

- (i) the balanced composition of the supreme governing body of the Company with independent, proprietary and executive directors serving thereon, but ensuring the majority presence of independent directors on the Board;
- (ii) the diversity of background, experiences, origin and gender within the Board, namely the experience in the sector new technologies and sustainability, and;
- (iii) the due implementation of the corporate strategy, encouraging technological profiles and profiles with expertise in the field of sustainability.

Likewise, with the appointment of the new director, the average tenure of independent directors on the board has been reduced – in accordance with the principle of progressive board refreshment – and the and the target of having 30% female directors sitting on the Board of Directors has been reinforced, the % of female directors on the Board as at 31 January 2020 being higher.

All of the foregoing took place in accordance with the provisions and yardsticks of Inditex's Director Selection Policy, as the Audit and Compliance 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 9 December 2019. All of which was duly reported to the Board of Directors, in the meeting held on 10 December 2019.

C.1.8.If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than 3% equity interest:

No proprietary directors have been appointed at the request of shareholders with less than 3% equity interest.

| Name of shareholder | Reasons |
|---------------------|---------|
| - | - |

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have

been appointed. If so, please explain why the aforementioned requests were not met:

Yes

No

| Name of shareholder | Explanation |
|---------------------|-------------|
| - | - |

C.1.9 State the powers and authorities delegated by the board of directors, as the case may be, to directors or Board committees:

| | |
|---------------------------------|--------------------|
| Mr Pablo Isla Álvarez de Tejera | Executive Chairman |
| Mr Carlos Crespo González | CEO |

Mr Pablo Isla Álvarez de Tejera, Executive Chairman, and Mr Carlos Crespo González have been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those included in sections 4 to 6 (both inclusive) and which entail undertaking in excess of a given amount or disposal of funds in excess of a given amount; in such case either of the executive directors must act jointly with another person who, by virtue of any legal title, is also empowered with the power in question. The capped amounts relating to the exercise of the powers listed in sections 4 to 6, referred to above, and conferred to both the Executive Chairman and the CEO, are not the same.

At any rate, the prior resolution of the Board of Directors or, where delegated, of the Executive Committee, shall be required in the event of transactions, proceedings or agreements which (i) entail the acquisition, disposal or encumbrance of real property of the company, or of any manner of industrial or intellectual property rights of the company, or of shares or interests held by the Company, above a given amount; or which (ii) regardless of their nature, entail the assumption of payment commitments in excess of a given amount. Certain types of financial or treasury transactions, proceedings or agreements are excepted from the requirement of a resolution of the Board, as the joint action referred to above will suffice.

At any rate, the requirement of joint action and/or of a prior resolution of the Board of Directors shall not apply when it involves transactions, proceedings or agreements which are, regardless of the amount involved, carried out or awarded between companies belonging to the INDITEX Group, understanding as such those companies, whether Spanish or foreign, in which Inditex holds, whether directly or indirectly through other investee companies, at least 50% of the share capital, in which case both the Executive Chairman and the CEO may act individually, for and on behalf of the company, regardless of the amount involved in the matter in question.

List of powers:

1.- To appear and represent the company vis-à-vis all manner of authorities, institutions, agencies, departments and offices of the General State Administration, Central or Peripheral Government, Autonomous Communities, Provinces, Municipalities, of the Institutional, Corporate or Independent Administration, whether Spanish authorities or authorities from a foreign State, or of the European Union, including vis-à-vis any manner of Public Registries and, in general, before any entity or public or private person, whether domestic or foreign. To sign and lodge all manner of applications and petitions; and, in

general, to exercise such powers as may be required for the management and defence of the rights of the company.

2.- To sign, send, receive and collect from the postal and telegraph authorities or offices ordinary or registered postal or telegraph correspondence, declared value items and postal and telegraphic money orders. To file any relevant claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3.- To verify consignments of all kinds of merchandise and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad, shipping companies or airlines, or against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who take part in the transport of individuals or in the sphere of the hotel and catering industry.

4.- To claim and collect amounts owing to the Company for whatever reasons and to sign the appropriate receipts. To make payment. To render and require the rendering of accounts and to challenge or approve said accounts. To provide, cancel and recover all manner of bonds and deposits, including those at/of the General Savings Deposit and its branches.

5.- To execute all manner of acts and contracts for valuable consideration relating to property of all kinds, whether movable and real property, rights, securities, shareholdings, shares, interests, at such prices, for such considerations, under such terms, for such periods and under such provisions, terms and conditions as are deemed appropriate.

Specifically, without limitation:

- To acquire, assign, grant and dispose of or transfer for whatever title for valuable consideration, including that of a court-ordered sale in lieu of payment, all manner of property, whether movable or real property, rights, trademarks and other distinctive signs and industrial property on intellectual property rights, securities, shareholdings, shares and interests; take out all manner of compulsory and voluntary insurance; to hire the execution of works, services and supplies of all kinds; to lease as a lessor or lessee, grant or be the recipient of financial leases, sublease as a sub lessor or sub lessee; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and mortgages, pledges with or without transfer of possession and any other encumbrance on any manner of property and rights owned by the Company; to carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium ownership system, establishing the bylaws which shall govern the same, and, generally, to execute any disposals; and to conduct and take part in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, attorneys in fact may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, substitute, cancel, terminate or discharge the same.

- To execute any manner of bank and financial agreements in general, even though they would entail indebtedness of the Principal; do such acts and things

as are allowed by bank laws and practice; to act as a plaintiff or defendant in connection with all types of securities and commercial papers.

As an exception to the foregoing, in the exercise of the authority conferred, securities and guarantees may only be granted to other companies belonging to the "INDITEX" Group, and as a result, securities, guarantees, surety insurance or any other security may only be granted to them.

6.- To grant all manner of acts and contracts relating to IT, management, security and communication products, plant and systems, as well as those referring to intellectual property arising out of or related with the same and, in general, any others referring to all manner of movables. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to lease them as lessee or lessor, to grant or be the recipient of financial leases in respect thereof, or to sublease them as sub lessor or sub lessee; to create, amend, acknowledge and extinguish or cancel real property rights and securities on the movables belonging to the Company. Regarding all the above acts and contracts, the attorneys in fact may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, substitute, cancel, terminate or discharge them.

7.- To enter into all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution agreements, licence and agency contracts as well as supply agreements and option to purchase agreements associated to the contracts for business collaboration and, in general, in any such agreement that the national and international expansion of the company might require.

8.- To represent the Company in meetings or Annual or Extraordinary General Meetings of any manner of companies and economic interest groupings, *uniones temporales de empresas* [temporary business partnership] and any other entities, taking the floor therein and casting their vote in the way that they deem appropriate, regardless of the business being transacted, including, without limitation, the following business: incorporation, alteration, merger or split-off, assignment of assets and liabilities, winding-up and liquidation of all kinds of entities and companies, amendment of by-laws and internal regulations, capital increases or reductions, approval of accounts, granting and revocation of powers of attorney, appointment and removal of officers or acceptance of offices to which the principal has been appointed in any company, proceeding to the relevant statements of disqualification or incompatibility required to accept such appointment and appointing the natural persons who will act on their behalf in the discharge of such office, with all powers inherent therein, replacing the representatives natural persons already appointed, even where the appointment or replacement falls on the attorneys in fact themselves, and generally, exercising on behalf of the Company any rights that it may be entitled to, in its capacity as shareholder. To appear in and grant any deed of incorporation, amendment, merger, split off, assignment of assets and liabilities, winding-up or liquidation of any manner of companies, economic interest groupings, temporary business partnership of companies and any other entities. And for all purposes above, to subscribe such documents, whether public or private, which may be necessary and generally, to do such acts and things which may be required for the full effectiveness and publicity thereof further to their registration with public registries.

9.- To attend in the name and on behalf of the company, meetings, general meetings and assemblies of condominiums or co-owners, taking the floor therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, to accept positions and appointments and, in general, to exercise in the name of the company any rights that it may be entitled to in Condominium Owner Communities, as well as in the meeting they these may hold in compliance with the current Condominium Property Law and other applicable legislation

10.- To appear in deeds of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it.

11.- To set up the offices, workplaces and buildings of the Company and to organize the services provided therein. To establish branches, hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including officers and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

12.- To represent the company before any manner of authorities and administrative bodies, of whichever administration, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file, prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the company, to file its registration as a company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship; those that are necessary for or arise out of the training that has to be given to the personnel of the company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

13.- To represent the company before all manner of authorities and administrative bodies, of whichever administration, that have authority in respect of Health and Safety at Work and Occupational Hazards, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the workplaces, complying

with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and executive the policy for the prevention of risks; to act in the name of the company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorised entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks, medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Diseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been signed; to accept positions and participate in the governing boards and advisory boards of such entities collaborating in the management of Social Security.

14.- As regards procedural rules, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answers summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including meetings of creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, generally, exercising in the name of the company any rights that it may be entitled to.

15.- To compromise and refer to arbitrators all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in the Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

16.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and notarial summons.

17.- To grant powers of attorney, allocating to third parties, in full or in part, the above listed authorities, to revoke the powers granted, and to get copies of all kinds of records and deeds.

18.-To execute as public deeds the resolutions passed by the Annual General Meeting, the Board of Directors or any other corporate body.

C.1.10 Identify, where appropriate, any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

As at 31 January 2020, no member of the Board of Directors holds any position of director or officer in other Group companies.

C.1.11 List in detail, where appropriate, any directors or legal representatives of legal persons directors of your company who are members of the Boards of Director or legal representatives of legal persons directors of other companies listed on official securities markets other than group, companies, and have communicated that status to the company:

| Name of director | Name of listed company | Position |
|---------------------------------------|--|------------------------|
| Mr Pablo Isla Álvarez de Tejera | Nestlé, S.A. | Independent director |
| Ms Anne Lange | Pernod-Ricard, S.A. | Independent director |
| | FFP | Independent director |
| | Orange, S.A. | Non-executive director |
| Mr Rodrigo Echenique Gordillo | Banco Santander, S.A. | Non-executive director |
| | Banco Santander Chile | Non-executive director |
| Mr Emilio Saracho Rodríguez de Torres | International Consolidated Airlines Group, S.A | Independent director |

C.1.12. State whether the company has established rules on the maximum number of boards on which its directors may sit, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes

No

| Explanation of the rules and identification of the document where this is regulated |
|--|
| Pursuant to section 22.2 of the Board of Directors' Regulations, the Board of Directors may not propose or appoint in order to fill a position of director, anyone who holds the office of director in more than 4 listed companies other than the Company at the same time. |

C.1.13 State the amount of overall remuneration for the board of directors:

| | |
|---|-------|
| Board remuneration in financial year (€k) | 9,458 |
| Amount of vested pension interests for current members (€k) | 8,646 |

| | |
|---|---|
| Amount of vested pension interests for former members (€k) | 0 |
|---|---|

The amount stated as “*Remuneration of the board of directors (€k)*” corresponds to the aggregate amount shown in section C.1.c) “*Summary of remunerations (€k)*” of the Annual Report on Remuneration of Directors for 2019. Included therein is the amount of the variable remuneration for the Executive Chairman and the CEO, both annual for 2019 and long-term variable remuneration under the second cycle (2017-2020) of the 2016-2020 Plan.

- Annual variable remuneration: taking into account the exceptional current situation due to the global Covid-19 pandemic, Inditex’s Board of Directors has resolved, following a proposal of the Remuneration Committee, that the annual variable remuneration of the Executive Chairman and the CEO for financial year 2019 be halved.
- Long-term or pluri-annual variable remuneration: included in the above referred overall remuneración for the board of directors are the sums of €1,412k and €71k accrued by the Executive Chairman and the CEO, respectively as of 31 January 2020 under the second cycle (2017-2020) of the 2016-2020 Plan. The 2016-2020 Plan combines: (i) an incentive in cash, in the aggregate gross amount of €769k for the Executive Chairman and €46k for the CEO; and, (ii) an incentive in shares materialized in 31,888 shares equivalent to a gross amount of €643k for the Executive Chairman and 1,259 shares equivalent to a gross amount of €25k for the CEO

For such purposes, it should be noted that in order to quantify the part of the incentive that will materialise in shares, Inditex’s closing share price as of the date of the meeting of the Remuneration Committee where the level of achievement of objectives of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

Delivery of the incentive in cash and in shares will take place within the month following the release of the 2019 annual accounts.

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

With regard to the “*Amount of vested pension interests for current members of the board (€k)*”, no contributions to long term savings systems have been made since 2015 and the amount of accumulated funds in such systems reached €8,646k as of 31 January 2020 (pursuant to section C.1.a iii) “*Long term saving systems*” of the Annual Report on Remuneration of Directors for 2019.

C.1.14. Identify senior management staff who are not in turn executive directors and state their total remuneration accrued during the year

| Name (person or company) | Office |
|--|--|
| Mr Antonio Abril Abadín | General Counsel and Secretary of the Board |
| Ms Lorena Alba Castro | Chief Logistics Officer |
| Mr José Pablo del Bado Rivas | Director of PULL & BEAR |
| Mr Jesús Echevarría Hernández | Chief Communication Officer |
| Mr Ignacio Fernández Fernández | Chief Financial Officer |
| Mr Antonio Flórez de la Fuente | Director of BERSHKA |
| 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 Javier Losada Montero | Chief Sustainability Officer |
| Mr Gabriel Moneo Marina | Chief IT Officer |
| Mr Javier Monteoliva Díaz | Legal Director |
| Ms María Lorena Mosquera Martín | Director of ZARA HOME |
| Ms Paula Mouzo Lestón | Chief Audit Officer |
| Mr Jorge Pérez Marcote | Director of MASSIMO DUTTI |
| Mr Óscar Pérez Marcote | Director of ZARA |
| Mr Ramón Reñón Túñez | <i>Director General Adjunto al Presidente y Consejero Delegado</i> [Deputy General Manager] |
| Mr José Luis Rodríguez Moreno | Director of UTERQÜE |
| Ms Carmen Sevillano Chaves | Director of OYSHO |
| Mr Jordi Triquell Valls | Director of STRADIVARIUS |
| Total remuneration senior managers (€k) | 30,384 |

Included in the amount stated as “Aggregate remuneration for senior managers” is the amount of the variable remuneration accrued by senior managers, both annual for 2019 and long-term variable remuneration under the second cycle (2017-2020) of the 2016-2020 Plan.

- Short-term variable remuneration: taking into account the exceptional current situation due to the global Covid-19 pandemic, Inditex’s Board of Directors has resolved, following a proposal of the

REmuneration Committee, that the annual variable remuneration for senior managers for financial year 2019 be halved.

- Long-term variable remuneration: included therein is the amount of €7,263k accrued by senior managers as of 31 January 2020 under the second cycle (2017-2020) of the 2016-2020 Plan. The 2016-2020 Plan combines: (i) an incentive in cash, in the aggregate gross amount of €4,703k; and, (ii) an incentive in shares materialized in 126,919 shares equivalent to a gross amount of €2,560k

For such purposes, it should be noted that in order to quantify the part of the incentive that will materialise in shares, Inditex's closing share price as of the date of the meeting of the Remuneration Committee where the level of achievement of objectives of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

Delivery of the incentive in cash and in shares will take place within the month following the release of the 2019 annual accounts.

Also included in the overall remuneration for senior managers are:

- The remunerations accrued in 2019 by Mr Carlos Crespo González in the capacity of Chief Operating Officer of the Inditex Group for the period running from the beginning of financial year 2019 to 16 July 2019, date on which he stepped down.
- The remuneration accrued by the former Chief Sustainability Officer, Mr Félix Poza Peña Group for the period running from the beginning of financial year 2019 to 10 December 2019, date on which he ceased performing senior management functions.
- The remuneration accrued by Mr Javier Losada Montero as new Chief Sustainability Officer for the period running from the date of his appointment as such, i.e. 10 December 2019.

C.1.15. State whether the regulations of the Board of Directors have been amended during the year.

Yes No

The amendment of the Board of Directors' Regulations was approved by the Board in the meetings held on 14 June and 16 July 2019. The effectiveness of the amendment approved on 14 June was conditional upon the approval of the amendment of the Articles of Association by the Annual General Meeting, which took place on 16 July 2019. They can be structured as follows:

- (i) A first group of amendments seeks to adapt the wording of the Board of Directors' Regulations to the legal reform introduced by Act 11/2018 and to Technical Guide 1/2019.
- (ii) A second group of amendments affects the structure of the Board of Directors, its committees and its authorities:

- (a) the formation of a new Sustainability Committee within the Board is expressly covered.
 - (b) the Audit and Control Committee is renamed as Audit and Compliance Committee.
 - (c) some technical improvements have been introduced relating to the Board of Directors' power to appoint a Chief Executive Officer and the terms and conditions of such appointment.
 - (d) The maximum number of members of the Executive Committee has been increased from 7 to 8 so that its composition reflects a similar structure, with regard to each class of directors, to that of the Board of Directors.
- (iii) The obligation of independent directors who have continuously held such position for more than 12 years, to offer their resignation to the Board and resign if deemed appropriate by the Board, has been introduced.
 - (iv) Finally, the rules to call a Board meeting to discuss any motion to amend the Board of Directors' Regulations have been adjusted.

The amendments made are addressed below, classified by the Parts in which the Board of Directors' Regulations are divided:

– **Amendment of article 3 (“*Amendment*”) of Part I (“*Preliminary*”)**

The amendment of this article seeks to adjust the rules to call a Board meeting to discuss any motion to amend the Board of Directors' Regulations, in order to provide the Board with flexibility when it is deemed necessary or appropriate to amend the rules governing its proceedings.

– **Amendment of article 5 (“*Mission of the Board of Directors*”) of Part II (“*Mission of the Board of Directors*”)**

The amendment of this article seeks to bring the terms of this article into line with sections 529*bis*(2) and 529*ter*(1) LSC as amended pursuant to the terms of section 2 of Act 11/2018.

– **Amendment of articles 13 (“*Delegated and advisory bodies of the Board of Directors*”) and 14 (“*The Executive Committee or the Chief Executive Directors*”) of Part IV (“*Structure of the Board of Directors*”) 15 (“*The Audit and Compliance Committee*”), 16 (“*The Nomination Committee*”) and 17 (“*The Remuneration Committee*”) of Part IV (“*Structure of the Board of Directors*”)**

The amendment of articles 13 and 14 seeks to introduce some technical improvements relating to the Board of Directors' power to appoint a Chief Executive Officer and the terms and conditions of such appointment. The provisions introduced in the Regulations do not differ from the provisions of LSC in that matter.

Following the amendment of article 14, the maximum number of members of the Executive Committee has increased from 7 to 8.

The amendment of article 15 seeks to reflect the new name of the Audit and Control Committee (hereinafter renamed as Audit and Compliance Committee). All sections of the Board of Directors' Regulations referring to that Committee have been adjusted accordingly (that is, articles 3, 5, 13, 23, 25, 40, 41, 42, 44 and 45).

Moreover, article 15 is amended to reflect the reinforcement of the Audit and Compliance Committee's powers regarding compliance and corporate governance.

The amendment of articles 16 and 17 seeks to provide for the minimum number of annual meetings of the Nomination Committee and the Remuneration Committee that is recommended in Technical Guide 1/2019.

- **Introduction of a new article 17bis (“The Sustainability Committee”) in Part IV (“Structure of the Board of Directors”), amendment of articles 23 (“Re-election of directors”) of Part VI (“Appointment and dismissal of directors”), 41 (“Annual Corporate Governance Report”) and 42 (“Corporate website”) of Part X (“Relations of the Board of Directors”)**

A new article 17bis has been introduced to expressly cover the formation of a new Sustainability Committee within the Board of Directors as a consulting and advisory body to advice, report and issue motions on sustainability, as well as its basic description relating to composition, powers and proceedings.

Should the Annual General Meeting approve the amendment to the Articles of Association proposed under item seven on the agenda and, as a result, the amendments to the Board of Directors' Regulations described herein take effect, the Sustainability Committee will be created and its rules shall be regulated in the Committee's Regulations itself.

In line with the creation of the Committee, a provision has been added to article 23 according to which directors who are re-elected shall keep their position as members of the Sustainability Committee in the same terms as the members of the remaining Board Committees.

Likewise, participation of the Sustainability Committee in drafting the Statement on Non-financial Information and other public documentation, based upon the Annual Report, has been included in article 23. Additionally, the list of documents to be made available on the corporate website included in article 42 has been completed with the documents relating to the Sustainability Committee.

- **Amendment of article 25 (“Resignation, removal and dismissal of directors”) of Part VI (“Appointment and dismissal of directors”)**

Article 25 has been amended to introduce the obligation of independent directors who have continuously held such position for more than 12 years, to offer their resignation to the Board and resign if deemed appropriate by the Board.

C.1.16. Specify the procedures for selection, appointment, re-election, and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure:

The system for the selection, appointment and re-election of members of the Board of Directors constitutes a formal and transparent procedure, expressly regulated 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, process for the selection 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 findings of such prior analysis shall be recorded in an explanatory report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements:

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

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

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

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

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

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

Being charged with the selection process, the Nomination Committee shall take into account the motions submitted by any director, and assess if the prospective candidate meets the requirements to be eligible. For such

purposes, it shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

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

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

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

The motions on election, ratification or re-election of directors that the Board of Directors submits to the Annual General Meeting, and the election resolutions passed by the Board of Directors by virtue of the powers to co-opt that 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 or report shall be prepared by the Nomination Committee and include the class in which the relevant director is included, this classification being duly supported.

The motions on the election of directors that the Board of Directors submits to the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the Annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and his dedication to office during his mandate, as well as his observance of the company's corporate governance rules. At any rate, the Nomination Committee shall take into account the need for progressive board refreshment.

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

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the class of such directors, and said class 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 has set a representation target for the least represented gender on the Board of Directors in addition to guidelines on how to reach a target.

The Nomination Committee shall establish on an annual basis compliance with the Director Selection Policy and inform thereof the Board of Directors, which shall disclose such information in the Annual Corporate Governance Report.

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

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

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

C.1.17 Explain how the annual evaluation of the Board has led to significant changes in its internal organisation and to procedures applicable to its activities:

The Company carries out a self-evaluation, as provided in its internal regulations, in accordance with statute and the recommendations of the Good Governance Code.

In this regard, each annual evaluation includes, where appropriate, a number of recommendations which seek to implement certain improvements with regard to (i) the quality and effectiveness of the proceedings of the Board of Directors; (ii) the proceedings and composition of its committees; (iii) the diversity in the composition and powers of the Board of Directors; (iv) the performance of the Executive Chairman, and (v) the performance and contribution of each director, paying special attention to those in charge of the different board committees, and to the Lead Independent Director.

On the one hand, the findings of such evaluation were considered in the analysis of board needs carried out by the Nomination Committee in respect of the process of appointment and re-election of directors. The following improvement has been noted:

- i) The number of board members has increased, from 9 to 11, in line with the Group's dimensions and complexity and so that it is on a par with that of comparable companies.
- ii) In the context of the enlargement of the board of directors, the findings of the self-evaluation of board members have allowed identifying such professional profiles whose presence on the board was deemed relevant.

Thus, in accordance with the strategic objectives marked as a priority by Directors, experience and background of board members have been reinforced regarding (i) the experience and background in the digital and new technologies sector, as well as (ii) in sustainability, in line with the strong commitment of the Group in the field.

- iii) In connection with the above, the governance structure, the experience and background of Directors have been brought into line

with the strategic objectives marked as a priority.

- iv) The balanced composition has been reinforced and the governance structure of the company has improved, in particular through:
- 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, with an appropriate percentage of female representation; and
 - a balance of powers within the board, as counterweights exist to prevent potential risks associated with concentration of powers in the Executive Chairman, through the effective separation of duties and responsibilities, further to the appointment of the new CEO.

Meanwhile, as regards the organisation and proceedings of the Board and its Committees, the following improvements are noteworthy:

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

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

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

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

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

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

Describe the evaluation process and the areas evaluated by the board of directors with the help, if any, of external advisors, regarding the proceedings and composition of the board and its committees, and any other area or aspect that has been evaluated.

Pursuant to the provisions of section 7(a) of the Nomination Committee's Regulations, it is incumbent on such Committee to establish and oversee "an

annual programme for evaluating the performance of the Board of Directors, the Executive Chairman, the CEO, board committees and in particular, following up on attendance of directors to the meetings of the board and the committees where they sit.”

Therefore, considering the statutory framework and Inditex’s own internal regulations, the evaluation system of the Board of Directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board is carried out as follows:

1. The Nomination Committee prepares an annual programme for the evaluation of the performance of the duties of the Board of Directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board.
2. Based upon this annual programme, each committee will prepare an evaluation report assessing its performance and that of its members. Such report shall be sent to the Board of Directors. Contemporaneously, the Nomination Committee shall prepare such report in respect of the Board of Directors, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board.

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

- a) An individual self-evaluation questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.
 - b) An assessment 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 including specific questions on the role of the Lead Independent Director and the Secretary of the Board, sent to all its members through the Chair of the Nomination Committee.
3. Meanwhile, since the Chairman is an executive director, the lead independent director shall be responsible for coordinating the evaluation of his performance.

The Nomination Committee will also play a part in the evaluation of the performance of the Executive Chairman, the CEO and the remaining executive directors, if any.

4. Finally, the Board of Directors shall assess – pursuant to statute and to the Board of Directors’ Regulations–, the performance of the Board itself, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board, based upon the reports issued by these latter, as stated in section 2 above.

The above referred questionnaire is reviewed and updated every year, to bring the annual evaluation of the performance of the Board of Directors, its members and committees and the Executive Chairman, into line with best practices in the field of good governance.

In particular, the evaluation process has been subject to a number of updates to: (i) bring it into line with the new governance structure of the company; and, (ii) cover certain editorial improvements, in line with Technical Guide 1/2019.

Likewise, in accordance with Recommendation 26 of the Good Governance Code, Inditex has relied once again on the advice of external consultant Spencer Stuart in such self-evaluation process.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationship that the external advisor or any group company maintains with the company or any company in its group.

Inditex has relied again on consultant Spencer Stuart for advice on the self-evaluation process in respect of the proceedings of the Board of Directors, its members and committees, and the performance of the members of board committees and of the Executive Chairman. Apart from this specific engagement, Spencer Stuart does not have any business relationship with Inditex or with any of its Group's companies.

C.1.19 State the situations in which directors are required to resign.

Pursuant to section 25 of the Board of Directors' Regulations, directors must submit their resignation from the position to the Board of Directors and, should this latter deem it appropriate, formally tender their resignation in the following cases:

- a) When they reach a certain age, under the terms detailed in section C.1.22.
- b) When they cease to hold such executive positions to which their appointment as director was associated.
- c) When they are involved in any of the incompatibility or prohibition cases provided in statute, the Articles of Association or the Board of Directors' Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company.
- d) When they are seriously admonished by the Audit and Compliance Committee for having breached their duties as directors.
- e) When they are involved in any circumstances that may harm the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequence.
- f) When the reasons for their appointment cease.
- g) With regard to proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety, or reduce it up to a limit which requires the reduction of the number of proprietary directors.
- h) With regard to independent directors, when they have continuously held such position in the Company for 12 years.

Thus, a number of scenarios which, if materialised, might have a negative impact on the proceedings of the Board Directors, or compromise the credit and reputation of the Company, are provided in section 25 of the Board of Directors. In all such cases, directors involved in such scenarios must submit their resignation from the position to the Board of Directors and, should this latter deem it appropriate, formally tender their resignation.

C.1.20 Are qualified majorities, other than the statutory majorities, required for any specific decision?

Yes No

If so, please describe any differences.

| Description of differences |
|---|
| <p>Article 25.4 of the Articles of Association of the Company reads: <i>“For resolutions to be passed, an absolute majority of votes by the directors attending the meeting shall be required, except for such cases where a larger majority is required by statute, by these Articles of Association or by the Board of Directors’ Regulations. In the case of an equality of votes, the Chairman shall have a casting vote.”</i></p> <p>Apart from this general rule, the scenarios of qualified majority for the passing of resolutions by the Board of Directors are shown below:</p> <ul style="list-style-type: none"> - Article 27.2 of the Articles of Association provides that for the permanent delegation of any power of the Board of Directors other than non-delegable ones pursuant to the applicable regulations, to the Executive Committee or the Chief Executive Director, should there be any, and for the appointment of such directors who have to hold such offices, it shall be necessary for two-thirds of those making up the Board of Directors to vote for the motion. However, this qualified majority is required pursuant to the provisions of section 249.3 of the Companies Act, and therefore it does not constitute a higher quorum than the one required by statute. - Meanwhile, section 3.4 of the Board of Directors’ Regulations requires the resolution to be passed by a majority of two-thirds of the directors present for the amendment of said Regulations, which actually means a qualified majority not required by statute. |

C.1.21. Explain whether there are any specific requirements, other than those relating to the directors, to be appointed as chairman of the Board of Directors:

Yes No

| Description of requirements |
|-----------------------------|
| - |

C.1.22. State whether the Articles of Association or the Board of Directors’ Regulations establish any age limits for the directors:

Yes No

| | Age limit |
|------------------|------------------|
| Chairman | 68 |
| CEO | 65 |
| Directors | 68 |

Age limit for the CEO

Age limit for directors

Section 25.2(a) of the Board of Directors' Regulations provides that the directors must place their office at the disposal of the Board of Directors and, should the Board deem it appropriate, tender the relevant resignation: *"When they reach the age of 68. Notwithstanding this, directors who hold the office of Chief Executive Officer or Managing Director shall offer their resignation to the Board of Directors upon attaining the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of the founder of the Company, Mr. Amancio Ortega Gaona"*.

C.1.23. State whether the Articles of Association or the Board's Regulations establish any term limits for independent directors, other than those required by law:

Yes No

| | |
|---|---|
| Additional requirements and/or maximum number of term limits | - |
|---|---|

C.1.24. State whether the Articles of Association or the Board of Directors' Regulations establish specific proxy rules for votes at Board meetings for proxies granted to other directors, how this must be done and, namely, the maximum number of proxies a director may hold and whether it has established any limit regarding the classes that may be delegated beyond the limits stipulated by legislation. If so, briefly describe such rules.

Article 25.3 of the Articles of Association establishes that any director can appoint another director as proxy holder in writing, each meeting requiring a special proxy, notifying the Chairman of the same in writing.

Pursuant to the provisions of article 25.3 of the Articles of Association and section 20.1, second paragraph of the Board of Directors' Regulations, non-executive directors may only be represented by another non-executive director. In line with this provision, section 20.1 of the Board of Directors' Regulations states that quorum shall be present on the Board of Directors when at least half plus one of its members attend either in person or by proxy (or, in case of an uneven number of directors, when a number of directors immediately higher than half of it is in attendance), stating further that the 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 a proxy to another member of the Board giving instructions as to its use and communicating the same to the Chairman of the Board of Directors.

C.1.25. State the number of meetings that the Board of Directors has held during the financial year, and if applicable, the number of times the Board has met without its Chairman being present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

| | |
|--|---|
| Number of Board meetings | 5 |
| Number of Board meetings without the presence of the Chairman | 0 |

State the number of meetings held by the lead independent director with the other directors without an executive director being present or represented:

| | |
|---------------------------|---|
| Number of meetings | 1 |
|---------------------------|---|

On 18 February 2019 a meeting was held by non-executive independent directors exclusively, led by Mr Rodrigo Echenique Gordillo, the Lead Independent Director, for the purposes of discussing the most sensitive issues for the Company, thus ensuring and preserving their independence within the Board.

Please specify the number of meetings held by each committee of the Board during the year:

| | |
|---|---|
| Number of meetings of the Executive Committee | 0 |
| Number of meetings of the Audit and Compliance Committee | 5 |
| Number of meetings of the Nomination Committee | 5 |
| Number of meetings of the Remuneration Committee | 5 |
| Number of meetings of the Sustainability Committee | 0 |

The formation of the Sustainability Committee was approved by the Board of Directors on 11 June 2019, such formation being completed on 10 December 2019 with the appointment of its members. The Sustainability Committee will hold its first meeting in financial year 2020.

C.1.26. State the number of meetings held by the Board of Directors and the details on the attendance of its members:

| | |
|---|------|
| Number of meetings with attendance in situ of at least 80% of the directors | 5 |
| % of attendance in situ over the total votes during the year | 100% |
| Number of meetings with attendance in situ or by proxy, with specific instructions of all directors | 5 |
| % of votes cast at in situ meetings or meetings attended by proxy with specific instructions out of all votes cast during the year | 100% |

C.1.27 State if the individual and consolidated annual accounts submitted to the Board for preparation were previously certified:

Yes No

Identify, where appropriate, the person or persons who has/have certified the individual and consolidated annual accounts for preparation by the Board:

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

| Name | Position |
|---------------------------------|-------------------------|
| Mr Pablo Isla Álvarez de Tejera | Executive Chairman |
| Mr Ignacio Fernández Fernández | Chief Financial Officer |

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated accounts prepared by the Board from being submitted to the Annual General Meeting with a qualified audit opinion.

The Audit and Compliance Committee, mostly made up of non-executive independent directors, meets with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drafting of the financial statements. 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 necessary steps to ensure that unqualified audit reports are issued.

Furthermore, before the drafting of the annual, half-yearly or quarterly financial statements, the Company's Management also holds a meeting with the Audit and Compliance Committee and is subjected by the latter to suitable questions as to, among others, the application of accounting standards and the estimates made in the preparations of the financial statements, topics which are subject to discussion with the external auditors.

In this regard, section 45.5 of the Board of Directors' Regulations provides that: *"The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy"*.

Finally, pursuant to the provisions of section 45.2 of the Board of Directors Regulations, the Board shall meet at least once a year with the statutory auditors to receive information on the work done and on the development of the Company's risk and accounting positions.

C.1.29. Is the Secretary of the Board also a director?

Yes No

If the Secretary is not a director, please complete the table below:

| Name of the secretary (person or company) | Representative |
|---|----------------|
| Mr Antonio Abril Abadín | - |

C.1.30. State, where appropriate, the specific measures established by the company to preserve the independence of its external auditors, as well as, if any, the measures to preserve the independence of financial analysts, investment banks and credit rating agencies, including how legal provisions have been implemented in practice.

Section 45 of the Board of Directors' Regulations provides that:

- “1. *The relations of the Board of Directors with the external auditors of the Company shall be channelled through the Audit and Compliance Committee.*
2. *The Board of Directors shall meet at least once a year with the auditors to receive information on the work done and on the evolution of the accounting and risk situation of the Company.*
3. *The Audit and Compliance Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an audit firm incurring in incompatibility in accordance with the legislation on statutory audit as well as any audit firm wherein the fees that the Company expects to pay them for all services are in excess of the limits established in the legislation on statutory audit.*
4. *The Board of Directors shall publicly disclose the whole of the fees paid by the Company to the audit firm for non-audit services. [...]*”

The measures to preserve the independence of external auditors are explained below:

- The Audit and Compliance Committee, mostly made up of non-executive independent directors, and which has, as a whole, the relevant background with regard to the industry to which Inditex belongs, proposes to the Board of Directors the appointment of the statutory auditors, so that such motion is submitted to the Annual General Meeting. The Audit and Compliance Committee shall be in charge of the process for the selection of auditors, pursuant to the applicable regulations, as well as of the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment.

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

In accordance with the Procedure, the process for the selection of auditors must begin with the issue of tender documents for candidate firms, pursuant to a timeline and to tender documents previously

determined. A work team made up of representatives of different areas and departments will be appointed to assist in the process. Such team will be responsible for selecting and inviting candidate firms to tender their proposal to become the statutory auditors of the Inditex Group. Finally, the work team will issue a report evaluating the proposals tendered based upon the predefined criteria.

On the other hand, the criteria for the re-election or replacement of the statutory auditors are also defined in the Procedure, based upon an annual evaluation of the proceedings of the statutory auditor that will take into account, without limitation, their contribution to the quality of the audit and to the integrity of financial and non-financial information.

- One of the functions of the Audit and Compliance Committee consists of liaising with external auditors in order to receive information on such 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. Namely, the Audit and Compliance Committee shall:
 - Receive from the auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly.
 - Oversee the engagement of the statutory auditor for non-audit services, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services.

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

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

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

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

- Ensure that the remuneration of the external auditors for their work does not compromise their quality and independence.
 - Finally, issue on an annual basis and prior to the issue of the auditor’s report, a report setting forth its opinion on whether the independence of the statutory auditor or of the audit firms has been jeopardized. At any rate, such report must contain the assessment of the provision by external auditors of each and every additional non-audit service, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the audit regulations.
- In the event of resignation of the statutory auditor, examine the circumstances that may have given rise thereto.
 - The Company discloses in its consolidated annual report information on total fees paid to the external auditors for each type of non-audit service.

As regards the mechanisms established to ensure the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit. The Company relies on the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, which is available on its website.

Meanwhile, the specific mechanisms set up by Inditex to preserve the independence of financial analysts, investment banks and rating agencies, are addressed in the Financial Risk Management Policy and in the Investment Policy. This is overseen by the company’s Investment Committee. At any rate, the relationship of Inditex with financial analysts and investment banks is based upon the principles of transparency, equal treatment and non-discrimination.

C.1.31. State whether the Company has changed its external auditors during the financial year. Identify, where appropriate, the incoming auditor and the outgoing one:

Yes No

| Outgoing auditor | Incoming auditor |
|------------------|------------------|
| - | - |

If there has been any disagreement with the outgoing auditor, provide a description thereof:

Yes No

| Description of the disagreement |
|---------------------------------|
| - |

C.1.32. State if the audit firm carries out work for the company and/or its group other than that of auditing and, in such case, declare the amount of the fees received for said work and the percentage that it represents of the fees charged to the company and/or its group.

Yes No

| | Company | Group | Total |
|--|---------|-------|-------|
| Amount of non-audit work (€k) | 40 | 17 | 57 |
| Amount of non-audit work / total amount charged by the audit firm (in %) | 10.1% | 0.2% | 0.7% |

C.1.33 State whether the audit report on the Annual Accounts for the prior financial year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of such observations or qualifications.

Yes No

| Description of the reasons |
|----------------------------|
| - |

C.1.34. State the number of consecutive financial years that the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, State the percentage that represents the number of financial years audited by the current audit firm over the number of financial years in which the annual accounts have been audited:

| | Individual | Consolidated |
|-----------------------------|------------|--------------|
| Number of consecutive years | 8 | 8 |

| | Individual | Consolidated |
|---|------------|--------------|
| No. of years audited by the current audit firm / No. of years the company has been audited (in %) | 24% | 28% |

C.1.35. State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable

Yes No

Describe the procedure

Pursuant to section 19.2 of the Board of Directors' Regulation, the notice calling ordinary meetings shall be given at least 3 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 (including, without limitation, internal conduct and corporate governance policies, updated membership of governing bodies, information about current agreements on remuneration or analysts' reports which may be useful for Directors).

On the other hand, the attendance of officers and supervisors of the different departments and areas of the Company with a recurrent presence in the meetings is encouraged, to give their view on certain issues directly associated to the board's and its committees' responsibilities so that Directors have a direct understanding of business concerns, and are entitled to directly ask them to elaborate and give their views on business transacted at each meeting. Additionally, any employee or officer can be called to the meetings, even without the presence of any other officer.

Additionally, section 27 of the Board of Directors' Regulations, recognises the widest powers for directors 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, explaining how it has contributed to the integrity of the financial information and the role that the Audit and Control Committee has played in such process; likewise it provides that the exercise of the powers of information shall be channelled through the Chairman, the Deputy Chairman or (any of the Deputy Chairmen, where appropriate), or through the Secretary of the Board of Directors, who shall attend to the requests made by any director, and directly provide him/her with the information, facilitate contacts with the appropriate spokespersons at the appropriate level in the organisation or establish such measures as to enable them to conduct the desired examinations *in situ*.

On the other hand, specific questions on the quality of the information made available to Directors and on how in advance it has been received are included in the evaluation process in respect of the Board. Additionally, the improvement areas identified in the previous year and the evaluation of the directors in respect of the improvement thereof, is subject to annual follow-up. This entails that where directors point out quality of information and/ how in advance they receive it as potential improvement areas, progress can be made

regarding submission of information required to prepare the meetings of the Board of Directors and its advisory committees.

Meanwhile, section 28 of the Board of Directors' Regulations addresses the possibility for Directors to seek external advice

C.1.36. State whether the Company has established any rules requiring Directors to inform—and, if applicable, resign— under circumstances that may undermine the credit and reputation of the Company. If so, provide details:

Yes No

| Describe the rules |
|---|
| Pursuant to section 25.2(e) of the Board of Directors' Regulations, Directors must submit their resignation from the position to the Board of Directors and formally tender their resignation, if this latter should consider it advisable, where they are involved in any circumstances that may be detrimental to the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases for which they are investigated as well as any subsequent procedural consequences. |

C.1.37. State whether any member of the Board of Directors has notified the Company that he has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for any offences covered in Section 213 of the Companies Act:

Yes No

| Name of the Director | Criminal charge | Remarks |
|----------------------|-----------------|---------|
| - | - | - |

State whether the Board of Directors has examined the case. If so, explain in detail the decision made as to whether the director in question should remain in office or, if applicable, describe any actions taken by the board of directors as at the date hereof or which it intends to take.

Yes No

Not applicable.

| Decision made/action taken | Explanation |
|----------------------------|-------------|
| - | - |

C.1.38 Detail any material agreements reached by the company that come into force, are amended or terminated in the event of a change in control of the company following a public takeover bid, and their effects.

Not applicable

C.1.39 Identify individually for directors and generally in the remaining cases and provide detail of any agreements made between the company and its directors, manager or employees which include any indemnity, severance or golden parachute clauses, in the event of resignation

without cause, or wrongful dismissal or termination of employment following a public takeover bid or other kinds of transactions.

| | |
|--------------------------------|----|
| Number of beneficiaries | 23 |
|--------------------------------|----|

| Type of beneficiaries | Description of agreement |
|------------------------------|---|
| Executive Chairman and CEO. | Both executive directors will be entitled to severance pay in an gross amount equivalent to the remuneration of 2 years calculated based upon their fixed remuneration respectively, established for the current year, where the relevant contract is terminated by unilateral decision of the Company, as well as in case of resignation tendered by the Executive Chairman or the CEO under certain premises (including the succession in the company or a change in control in the Company that affects more than 50% of the share capital or of the voting rights, provided that a significant refreshment of the governing bodies of the Company or a change in the contents or purpose of the main activity of the Company takes place at the same time, if such request for termination is made within 6 months of the occurrence of such succession or change. For such purposes, no succession or change in control shall be deemed to have taken place in the event of direct or indirect family succession in the ownership of the Company). |
| Senior managers and officers | Meanwhile, apart from the Executive Chairman and the CEO, golden parachute clauses are provided in the contracts executed with 21 senior managers and officers, in the event that their contract, whether ordinary or senior management, is terminated further to withdrawal by Inditex, wrongful or unreasonable dismissal, or resignation based upon certain grounds, pursuant to the terms and conditions of their contracts. In such cases, the senior manager or officer shall be entitled to severance pay in a gross amount equivalent to the remuneration of 2 years, calculated based upon the fixed and variable remuneration determined for the current year. |

State if these contracts have to be communicated and/or approved by the company or group governing bodies, beyond what is provided at law. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

| | Board of Directors | General Meeting of Shareholders |
|---|---------------------------|--|
| Decision-making body that authorises the severance clauses | x | |

| | | |
|--|------------|-----------|
| | YES | NO |
|--|------------|-----------|

| | | |
|---|----------|--|
| Are these clauses notified to the General Meeting of Shareholders? | x | |
|---|----------|--|

The internal system regarding approval of the terms and conditions of the contracts entered into by the Company or any Group company with Senior managers and Directors, provided in the Articles of Association, the Board of Directors' Regulations and the specific sets of regulations of each board committee, is not different from the statutory system provided in the Companies Act.

The clauses included in contracts with Senior managers are approved by the Board of Directors, following a favourable report of the Remuneration Committee.

Information about such clauses, which are part of the contract with the Executive Chairman and the CEO, is included in the Annual Report on Remuneration of Directors for 2019, which will be put to the advisory say-on-pay vote of the following Annual General Meeting as a separate item on the agenda.

C.2 Committees of the Board of Directors

C.2.1. Provide details of all committees of the Board of Directors, their membership and the proportion of executive, proprietary and independent directors and affiliate directors that comprise them:

EXECUTIVE COMMITTEE

In accordance with the provisions of article 27 of the Articles of Association, an Executive Committee was set up by the Board of Directors on 28 February 1997, which holds in delegation all the powers of the Board, except for those that cannot be delegated by statute or pursuant to the 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.

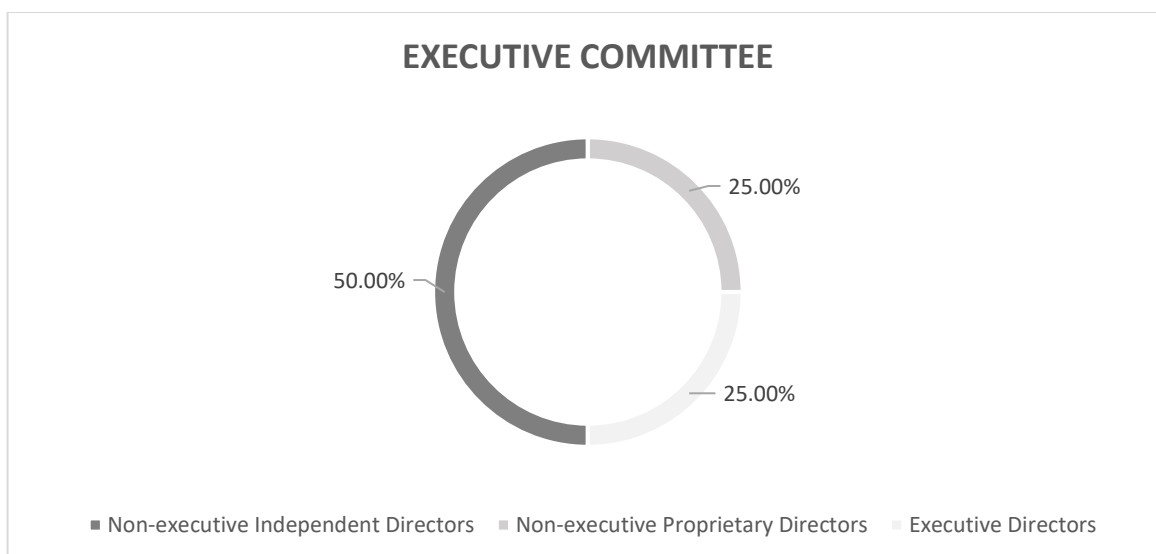
Composition of the Executive Committee as at 31 January 2020:

| Name | Position | Class |
|---------------------------------------|-----------------|--------------|
| Mr Pablo Isla Álvarez de Tejera | Chair | Executive |
| Mr José Arnau Sierra | Deputy Chair | Proprietary |
| Mr Amancio Ortega Gaona | Ordinary Member | Proprietary |
| Mr Carlos Crespo González | Ordinary member | Executive |
| Ms Pilar López Álvarez | Ordinary Member | Independent |
| Mr José Luis Durán Schulz | Ordinary Member | Independent |
| Mr Rodrigo Echenique Gordillo | Ordinary Member | Independent |
| Mr Emilio Saracho Rodríguez de Torres | Ordinary Member | Independent |

| | |
|--------------------------------|--------|
| % executive directors | 25.00% |
| % proprietary directors | 25.00% |
| % independent directors | 50.00% |
| % affiliate directors | 0.00% |

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

Considering the foregoing, the structure of the Executive Committee is represented in the image below:



Explain the duties exercised by this committee, other than those that have already been described in Section C.1.10, and describe its procedure and organisational and operational rules. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Pursuant to the provisions of section 14 of the Board of Directors' Regulations, the Executive Committee shall be made up of a minimum of 3 and a maximum of 8 directors. The Board of Directors shall endeavour that the composition of the Executive Committee would reflect a similar structure, with regard to each class of directors, to that of the Board of Directors itself. The Chairman of the Board of Directors shall act as the Chair of the Executive Committee and the Secretary of the Board of Directors shall act as Secretary, who may be assisted by the Deputy Secretary.

AUDIT AND COMPLIANCE COMMITTEE

Article 28 of the Articles of Association and section 15 of the Board of Directors' Regulations, as well as the Audit and Compliance Committee's Regulations set out the regulations governing the Audit and Compliance Committee.

Composition of the Audit and Compliance Committee as at 31 January 2020:

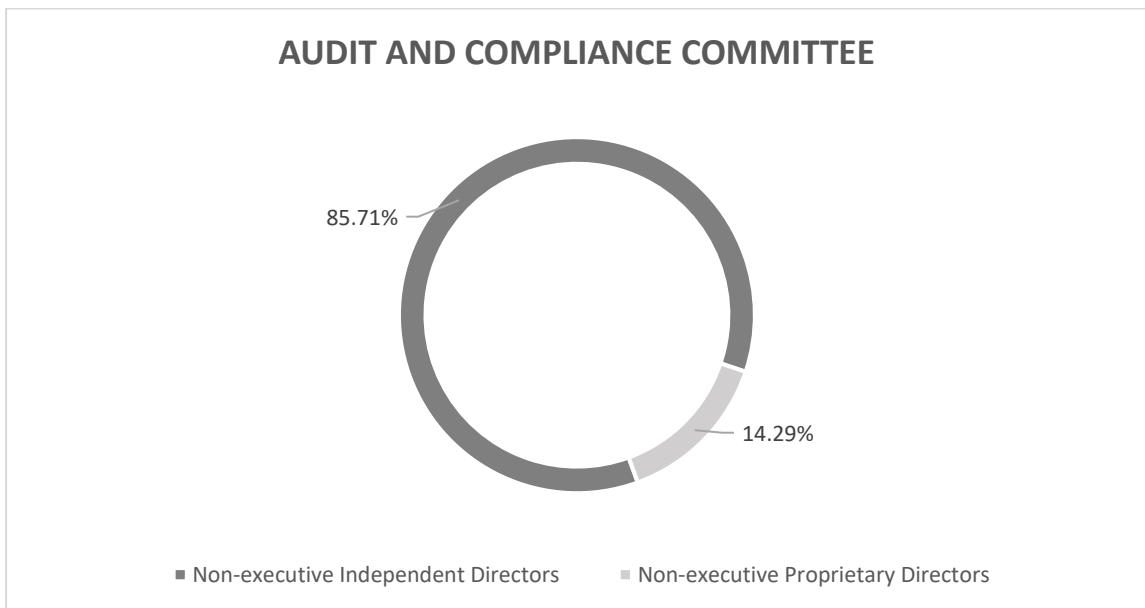
| Name | Position | Class |
|---------------------------|-----------------|--------------|
| Mr José Luis Durán Schulz | Chair | Independent |

| | | |
|---------------------------------------|-----------------|-------------|
| Bns. Denise Patricia Kingsmill | Ordinary member | Independent |
| Ms Anne Lange | Ordinary member | Independent |
| Ms Pilar López Álvarez | Ordinary member | Independent |
| Mr José Arnau Sierra | Ordinary member | Proprietary |
| Mr Rodrigo Echenique Gordillo | Ordinary member | Independent |
| Mr Emilio Saracho Rodríguez de Torres | Ordinary member | Independent |

| | |
|--------------------------------|---------|
| % executive directors | 0.00 % |
| % proprietary directors | 14.29 % |
| % independent directors | 85.71 % |
| % affiliate directors | 0.00 % |

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

Considering the foregoing, the structure of the Audit and Compliance Committee is represented in the image below



Explain the duties exercised by this committee, including, if appropriate, additional ones to those provided at law, and describe its procedure and organisational and operational rules. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

a) Composition:

Pursuant to the provisions of article 28 of the Articles of Association, the Audit and Compliance Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors, who shall be elected, especially its Chair, taking into account his/her knowledge, qualification and expertise in accounting, audit and

risks management matters. The Chair of the Audit and Compliance Committee, who needs to be an independent director, will be elected by the Board of Directors for a maximum 4-year term, upon expiry of which he/she shall be replaced. He/she may be re-elected after expiry of 1 year of the date of his/her removal. The Board of Directors shall appoint a Secretary of the Audit and Compliance Committee, who needs not be a member of said body.

Members of the Audit and Compliance Committee shall, as a whole, have the relevant know-how with regard to the industry to which the Company belongs. Likewise, pursuant to the provisions of section 14 of the Audit and Compliance Committee's Regulations, at least 1 of them shall be appointed taking into account his/her knowledge, qualifications and experience on accounting, audit, internal control or risks management issues, and at least another one of them (who could be the same as the former if he/she complies with the requirements described) shall be appointed taking into account their knowledge, qualifications and experience in the field of information technology.

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

b) Duties

The mission and powers of the Audit and Compliance Committee are addressed in article 28 of the Articles of Association, section 15 of the Board of Directors' Regulations and sections 5 to 13 of the Audit and Compliance Committee's Regulations.

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

- Powers relating to corporate governance: (i) to review and evaluate the appropriateness of the corporate governance system and to propose to the Board of Directors the amendments and updates of the Company's corporate governance regulations; (ii) to oversee the degree of compliance by the Company with recommendations on good governance; (iii) to oversee compliance with the Internal Regulations of Conduct regarding Transactions in Securities, and, in general, with the corporate governance regulations of the Company; (iv) to regularly receive information on issues relating to management of treasury stock; and (v) to prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report.
- Powers relating to Compliance: (i) to issue reports on the policies and procedures of the Company on topics within its remit; (ii) to oversee compliance with the applicable regulations and the effectiveness of the internal policies and procedures of the Company; (iii) to review the recommendations and best practices on Compliance and corporate governance, both domestic and/or international, and to encourage compliance with the most demanding standard; (iv) to oversee compliance with the Annual Compliance Plan and with the Model of Criminal Risk Prevention of the Group; (v) to ensure that the Compliance Function relies on the necessary resources for the appropriate discharge of its duties; and (vi) to receive information, at least every 6 months, on the level of compliance with the Codes of Conduct and the proceedings of the Ethics Line.

- Powers relating to tax issues: it is incumbent on the Audit and Compliance Committee: (i) to receive from the head of tax issues of the Company prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company in the year, and on the degree of compliance with the Code on Good Tax Practices; and (ii) to apprise the Board of Directors of the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, of the tax consequences thereof, when they represent a relevant factor.
- Those relating to oversight and assessment of the systems of relations with the different stakeholders regarding all topics within its remit.

Certain provisions of the Audit and Compliance Committee's Regulations have been amended in 2019, and this amendment has affected inter alia, the powers of the Committee. In particular: (i) its powers in the field of corporate governance and Compliance have been increased, pursuant to the terms described above; (ii) it has been divested of the powers in the field of social and environmental sustainability, which will be hereinafter incumbent on the Sustainability Committee; and, (iii) a number of duties assigned to the Committee by statute or the Recommendations of the Good Governance Code have been worked up:

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

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

- Powers relating to statutory audit: the Committee shall be responsible for assessing the performance of the statutory auditor, considering their contribution to the quality of the work done and the integrity of financial information.
- Powers relating to the process of preparing regulated financial information: the supervisory role of the Committee regarding the preparation and reporting of financial information has been extended to also cover regulated non-financial information of the Company.

And this, without prejudice to the power incumbent on the new Sustainability Committee regarding the supervision of the preparation process of the regulated non-financial information within its remit.

Additionally, the Committee is responsible for overseeing the effectiveness of the internal control over financial reporting (ICFR) system, which is designed by the Management. Likewise, the Committee shall ensure that the financial information released by the Company or that it must release is regularly updated on the corporate website and, as the case may be, on CNMV's web

- Powers relating to Enterprise Risk Management: the Committee shall assess the effectiveness of internal management and control systems over financial and non-financial risks (including tax risks). To achieve this, in accordance with Recommendation 53 of the Good Governance Code, the Committee shall evaluate any question regarding non-financial risks (including operational, technological, legal, social, environmental, political and reputational).

To discharge the duties it has been entrusted, the Audit and Compliance Committee is expressly authorised (i) to regularly request from the Management reports on the effectiveness of the internal control systems and their weaknesses; (ii) to regularly assess the effectiveness of alert mechanisms in place within the Company; and (iii) to meet, with the heads of business units at least once a year, who will report to the Committee on recent trends of business and the risks associated thereto.

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

c) Organisational and operational rules

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the securities market authorities as well as the information that the Board of Directors must approve and include within 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 its Chairman requests a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

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

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

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the Board thereof.

d) The main activities of the Audit and Compliance Committee carried out in 2019 in furtherance of the responsibilities it has been entrusted with pursuant to article 28 of the Articles of Association and implemented in sections 6 to 13 of the Audit and Compliance Committee's regulations, are addressed below:

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

- Process to draw up and release financial information

The Audit and Compliance Committee reviews 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 Compliance Committee also meets with the Company's Management to review, among other things, the enforcement of the accounting principles and the estimates made upon stating the financial statements.

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

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

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

- Statement on Non-financial Information

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

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

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

The Committee has overseen the effectiveness of the ICFR System. This is accounted for in section F of the Annual Corporate Governance Report for 2018 approved on 11 March 2019. The Company's ICFR System has been verified by the statutory 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 fulfilment of the audit engagement

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

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2019 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2019. They issued an unqualified report. Likewise, auditors issued a limited review report on the financial

statements, and for the first time, they reviewed the consolidated financial statements for the first and third quarter of 2019, on the engagement of the Internal Audit function.

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

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

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

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

- Verifying the independence of Statutory Auditors

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

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

Pursuant to recommendation 6 CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) at the time the AGM was called.

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

Finally, the Procedure for the selection of the statutory auditor was approved by the Committee in the meeting held on 9 September 2019, for the purposes of meeting Recommendation 60 of Technical Guide 3/2017. The yardsticks and proceedings to be considered upon selecting or replacing statutory auditors are defined in such Procedure. This has been addressed in greater detail in section C.1.30. above.

C. Powers regarding Internal Audit

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

Different issues within the Committee's remit were addressed in such meetings and the Committee oversaw the work plan of the Internal Audit Department (progress report of the projects and review of the follow-up on the most critical recommendations,

both of operational, financial, compliance and systems audits currently in progress), and approved its budget and its activities report.

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

D. Powers regarding Compliance

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

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

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

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

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

- Supervision of the Compliance Function

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

Additionally, the Committee acknowledged the 2018 Annual Compliance Report in the meeting held on 11 March 2019 and the 1H2019 Compliance Report in the meeting held on 9 September 2019.

- Corporate policies.

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

- In the meeting held on 10 June 2019, to the Data Protection Policy, approved by the Board of Directors in the meeting held on 11 June 2019.

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

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

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

E. Overseeing Enterprise Risk Management Function

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

- Risks Map

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

- Evaluation of other risks

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

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

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

- Report on Tax Policies

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

- Brexit Contingency Plan

The Audit and Compliance Committee acknowledged the Brexit Contingency Plan submitted by the Internal Audit Department in the meeting held on 11 March 2019.

Such Plan addressed the main significant contingencies identified and the measures raised to mitigate their impact.

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

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

Likewise, the Committee acknowledged in the meeting held on 9 December 2019 the report of the Data Department on the status of the project to substantially amend the Group's data architecture system, and followed-up on the progress of the projects and objectives of the 2019-2020 Plan. The appointment of the new Chief Analytics Officer was also acknowledged in such meeting.

- Report of the Data Protection Officer

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

- The corporate strategy

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

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

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

F. Powers relating to Corporate Governance

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

- Annual Corporate Governance Report (ACGR)

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

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

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

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

- Amendment of internal regulations

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

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

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

- Evaluation of the appropriateness of the corporate governance system

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

- Related-party transactions

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

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

- Report on treasury stock

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

- Report on its activities

The Committee issued the annual report on its activities on 10 June 2019 It was published in the 2018 Annual Report and is available on www.inditex.com

G. Other powers

- Structural and corporate changes

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

H. Inditex's Annual Report

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

Identify the directors who are members of the Audit Committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chair of the Committee was appointed

| | |
|-----------------------------------|--|
| Name of directors with experience | Mr Jose Luis Durán Schulz, Bns. Denise Patricia Kingsmill, Ms Anne Lange, Ms Pilar López Álvarez, Mr José Arnau Sierra, Mr Rodrigo Echenique Gordillo and Mr Emilio Saracho Rodríguez de Torres. |
| Date of appointment of the Chair | 19/07/2016 |

NOMINATION COMMITTEE

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations and the Nomination Committee's Regulations set out the regulations governing the Nomination Committee.

Composition of the Nomination Committee as at 31 January 2020:

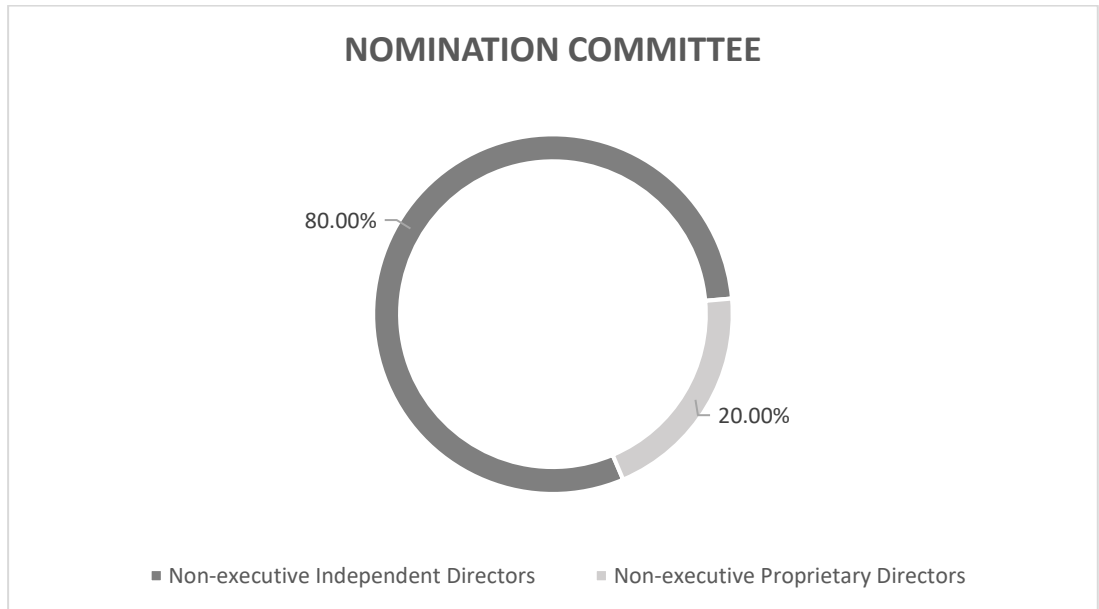
| Name | Position | Class |
|---------------------------------------|-----------------|-------------|
| Mr Emilio Saracho Rodríguez de Torres | Chair | Independent |
| Ms Anne Lange | Ordinary Member | Independent |
| Ms Pilar López Álvarez | Ordinary Member | Independent |
| Mr José Arnau Sierra | Ordinary Member | Proprietary |
| Mr Rodrigo Echenique Gordillo | Ordinary Member | Independent |

| | |
|------------------------------|-------|
| % executive directors | 0.00% |
|------------------------------|-------|

| | |
|--------------------------------|--------|
| % proprietary directors | 20.00% |
| % independent directors | 80.00% |
| % affiliate directors | 0.00% |

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

Considering the foregoing, the structure of the Nomination Committee is represented in the image below:



Explain the duties exercised by this committee, including, if appropriate, additional ones to those provided at law, and describe its procedure and organisational and operational rules. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

a) Composition

Pursuant to the provisions of article 29 of the Articles of Association, the Nomination Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors and who shall be elected, considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Nomination Committee shall be appointed by the Board of Directors out of the independent members of the Committee.

Pursuant to section 10 of the Nomination Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely the Chair, have the appropriate knowledge, qualifications and experience to discharge the duties they are called upon to perform, including on corporate governance issues, analysis and strategic assessment of human resources, selection of directors and officers and the assessment of the suitability requirements legally provided for the discharge of senior management functions.

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

b) Duties

In accordance with article 29.2 of the Articles of Association, section 16 of the Board of Directors' Regulations, and sections 5 to 9 of the Nomination Committee's Regulations, the Nomination Committee shall have the following duties:

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

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

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

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

The Nomination Committee's Regulations were amended in 2019 for the purposes, inter alia, of bringing it into line with the principles and recommendations set out in Technical Guide 1/2019. Such amendment has affected the mission and powers of the Committee. In particular, the following powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code have been worked upon:

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

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

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

c) Organisational and operational rules

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

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

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

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the Board thereof

d) In 2019, the most relevant proceedings of the Nomination Committee have focused on the following issues:

- Powers regarding appointment of Directors

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

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

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

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

The relevant reports issued by the Nomination Committee had been made available to the shareholders on the corporate website (www.inditex.com) since the date the notice calling the Annual General Meeting was published.

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

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

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

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

- Powers regarding appointment of officers

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

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

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

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

Such programme covers the preparation and supervision of the annual evaluation of the performance of the Board, its members and committees, the Executive Chairman, the Lead Independent Director, the Secretary of the Board and the new CEO. In 2019, the programme has been updated and improved, in line with the criteria and recommendations of Technical Guide 1/2019 and with the new organisational structure.

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

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

Special mention should be made of the fact that the appointment of the new CEO and the formation of the Sustainability Committee have been highly appreciated.

In this regard, directors have considered that the appointment of the new CEO has contributed to: (i) reinforcing the executive business management in the field of new technologies and sustainability, and consequently, the appropriate implementation of the corporate strategy; (ii) ensuring an effective segregation of supervision and management duties and responsibilities; and (iii) the existence of counterweights to face potential risks associated with concentration of power.

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

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

- Schedule of dates and agenda of business to be transacted:

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

- Report on its activities

The Nomination Committee issued the annual report on its activities on 10 June 2019 It was published in the 2018 Annual Report and is available on www.inditex.com

REMUNERATION COMMITTEE

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and the Remuneration Committee's Regulations set out the regulations governing the Remuneration Committee.

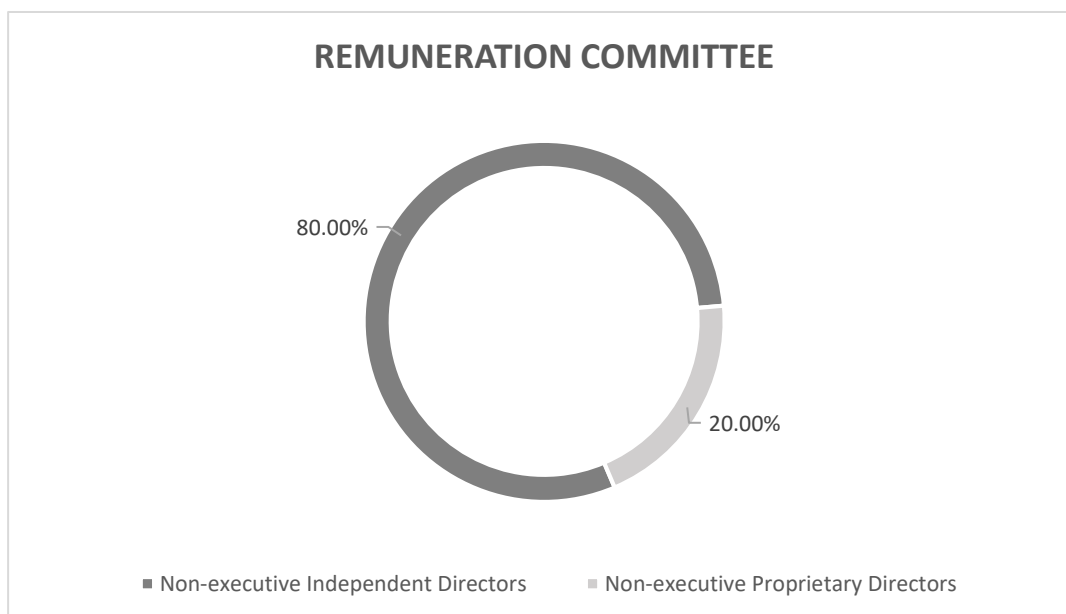
Composition of the Remuneration Committee as at 31 January 2020:

| Name | Position | Class |
|---------------------------------------|-----------------|-------------|
| Mr Rodrigo Echenique Gordillo | Chair | Independent |
| Bns. Denise Patricia Kingsmill | Ordinary Member | Independent |
| Mr José Arnau Sierra | Ordinary Member | Proprietary |
| Mr José Luis Durán Schulz | Ordinary Member | Independent |
| Mr Emilio Saracho Rodríguez de Torres | Ordinary Member | Independent |

| | |
|--------------------------------|--------|
| % executive directors | 0.00% |
| % proprietary directors | 20.00% |
| % independent directors | 80.00% |
| % affiliate directors | 0.00% |

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

The structure of the Remuneration Committee is addressed in the sections below. It is represented in the image below



Explain the duties exercised by this committee, including, if appropriate, additional ones to those provided at law, and describe its procedure and organisational and operational rules. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions

a) Composition

Pursuant to the provisions of article 30 of the Articles of Association, the Remuneration Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom shall be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Remuneration Committee shall be appointed by the Board of Directors out of the independent members of the Committee.

Pursuant to section 7 of the Remuneration Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience to discharge the duties they are called upon to perform, including among others, the analysis and strategic assessment of human resources and the design of remuneration policies and schemes for directors and senior managers.

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

b) Duties

The mission and powers of the Remuneration Committee are addressed in article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and sections 5 and 6 of the Remuneration Committee's Regulations.

The Remuneration Committee has not been assigned any powers other than those expressly entrusted by statute, and the recommendations set forth in the Good Governance Code.

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

c) Organisational and operational rules

The Remuneration Committee shall meet at least 3 times a year and each time that the Board of Directors or the Chairman of the Board calls it. The Chairman of the Board of Directors shall call the Remuneration Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, 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 meeting notice shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the Board thereof

d) In 2019 the most relevant proceedings of the Remuneration Committee have focused on the following issues:

A. Contract and remuneration of the Executive Chairman

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

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

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

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

B. Contract and remuneration of the CEO

The Committee resolved in the meeting held on 10 June 2019 to raise the motion on the remuneration of the new executive director and, in particular, on the fixed salary for the performance of his executive duties, in order to include it in the Directors' Remuneration Policy for the financial years 2019, 2020 and 2021. The Board of Directors approved this proposal at the meeting on June 11, 2019.

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

C. Annual Report on Remuneration of Directors for 2018

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

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

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

D. 2016-2020 Long-term Incentive Plan:

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

E. 2019-2023 Long-term Incentive Plan:

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

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

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

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

F. Remuneration Policy.

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

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

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

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

G. Remuneration of Senior managers

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

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

H. Extraordinary Employees Profit-Sharing Plan.

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

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

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

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

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

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Remuneration Committee approved in the meeting held on 10 December 2019 the

schedule of dates and agenda of business to be transacted by the Committee in 2020.

F. Report on its activities

The Remuneration Committee issued the annual report on its activities on 10 June 2019 It was published in the 2018 Annual Report and is available on www.inditex.com.

SUSTAINABILITY COMMITTEE

Article 30*bis* of the Articles of Association, section 17 *bis* of the Board of Directors' Regulations and the Sustainability Committee's Regulations set out the regulations governing the Sustainability Committee.

Composition of the Sustainability Committee as at 31 January 2020:

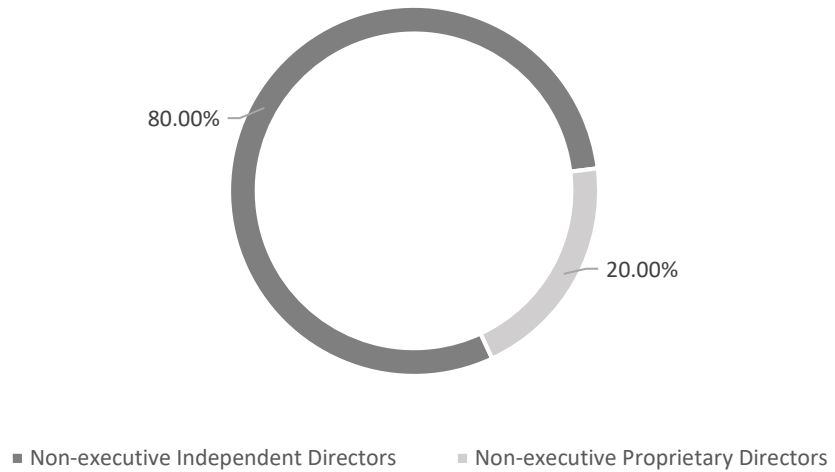
| Name | Position | Class |
|--------------------------------|-----------------|-------------|
| Bns. Denise Patricia Kingsmill | Chair | Independent |
| Ms Anne Lange | Ordinary Member | Independent |
| Ms Pilar López Álvarez | Ordinary Member | Independent |
| Mr José Arnau Sierra | Ordinary Member | Proprietary |
| Mr José Luis Durán | Ordinary Member | Independent |

| | |
|--------------------------------|--------|
| % executive directors | 0.00% |
| % proprietary directors | 20.00% |
| % independent directors | 80.00% |
| % affiliate directors | 0.00% |

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

The structure of the Sustainability Committee is addressed in the sections below. It is represented in the image below:

SUSTAINABILITY COMMITTEE



Explain the duties exercised by this committee, including, if appropriate, additional ones to those provided at law, and describe its procedure and organisational and operational rules. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions

a) Formation:

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

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

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

b) Composition:

Pursuant to the provisions of article 30bis of the Articles of Association, the Sustainability Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, a majority of whom shall be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Sustainability Committee shall be appointed by the Board of Directors out of the independent members of the Committee.

Pursuant to section 9 of the Sustainability Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely the Chair, have the appropriate knowledge, qualifications and experience in the field of sustainability, social action initiatives, sustainable management of resources and design of communication policies with stakeholders.

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

c) Duties:

Pursuant to article 30.3 of the Articles of Association, section 17bis of the Board of Directors' Regulations and sections 5 to 8 of the Sustainability Committee's Regulations, the Sustainability Committee shall be responsible for, *inter alia*:

- To follow-up on the Company's sustainability strategy and policies.
- To oversee monitoring of the entire supply chain and compliance by suppliers with Inditex's Code of Conduct for Manufacturers and Suppliers.
- To verify that the goods that the Company sells comply with the product health and safety standard.
- To verify compliance with the most exacting environmental standards, encouraging biodiversity conservation and the

sustainable management of natural resources in respect of use of raw materials, production processes, product and store.

- To verify compliance with the Company's Policy on Human Rights across its entire value chain.
- To monitor the Company's relation with its different stakeholders in the field of sustainability and with the Social Advisory Board.
- To verify the reporting process in respect of sustainability information in accordance with applicable regulations and the international standards of reference, in particular regarding the contribution towards achievement of UN Sustainable Development Goals (SDGs).
- To follow-up on any other environment or initiatives which might have an impact on the company's sustainability.

d) Organisational and operational rules.

The Sustainability Committee shall meet at least 3 times a year and each time that the Board of Directors or the Chairman of the Board calls it. The Chairman of the Board of Directors shall call the Remuneration Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, 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 meeting notice shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

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

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

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

C.2.2 Complete the following table with information on the number of female directors who were members of board committees over the last four years:

| | Number of female directors | | | |
|---------------------------------------|----------------------------|--------|--------|--------|
| | FY2019 | FY2018 | FY2017 | FY2016 |
| Executive Committee | 12.5% | 14.3% | 0 | 0 |
| Audit and Compliance Committee | 42.85% | 33.3% | 16.7 % | 16.7 % |
| Nomination Committee | 40.00% | 33.3% | 16.7 % | 16.7 % |
| Remuneration Committee | 20.00% | 33.3% | 16.7 % | 16.7 % |
| Sustainability Committee | 60.00% | - | - | - |

C.2.3. State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

The full text of the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations and the Sustainability Committee's Regulations is available on the corporate website.

- Audit and Compliance Committee:
<https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/audit-and-compliance-committee-s-regulations>
- Nomination Committee:
<https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/nomination-committee-s-regulations>
- Remuneration Committee:
<https://www.inditex.com/en/compliance/remuneration-committee-s-regulations>
- Sustainability Committee:
<https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/sustainability-committee-regulations>

Additionally, information on board committees is also included in the Board of Directors' Regulations and in the Articles of Association. The full text of the Board of Directors' Regulations is available on both the corporate website: <https://www.inditex.com/en/compliance/corporate-governance/board-of-directors/regulations-of-the-board>, and on CNMV's website (www.cnmv.es)

The Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee prepare every year a report on the activities they have carried out in the year, which is included in the Annual Report published every year in respect of the Annual General Meeting. The Sustainability Committee will subsequently proceed in the same way, drafting a report on its own activities, which will be included in the Annual Report.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

Below is a list of related-party transactions carried out in 2019 in accordance with the definitions, criteria and groupings provided in Order EHA/3050/2004 of 15 September, to which the Instructions included in Appendix II of CNMV's Circular 2/2018 refer, regarding completion of the form of the annual corporate governance report of listed companies, whereby the contents of the annual corporate governance report of listed companies provided in section 540 of the Companies Act, as amended by Act 31/2014, and in section 5 of Order ECO/461/2013, of 20 March, are determined.

D.1. Describe, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions

Procedure to approve related-party transactions

Pursuant to the provisions of section 5.3(b)(vii) of the Board of Directors' Regulations, it is incumbent on the Audit and Compliance Committee to report on the transactions of the Company or of any company of the Inditex Group with directors, shareholders or with Related Persons, as referred to in Section 40 of the Board of Directors' Regulations. Related Persons are defined in section 34 of such Regulations.

The Board of Directors shall not authorise related-party transactions without a prior report from the Audit and Compliance Committee evaluating the transaction from an arm's length perspective.

In this regard, section 13(b) of the Audit and Compliance Committee's Regulations provides that it is incumbent on such Committee to advise the Board of Directors on such transactions that the Company or the companies comprising its corporate Group intend to carry out with directors, with significant shareholders or with shareholders or who have proposed the appointment of any director of the Company, or with their respective related persons, from an arm's length perspective.

In the event of transactions with significant shareholders, the Audit and Compliance Committee shall examine it also from the standpoint of an equal treatment of all shareholders.

In the case of transactions within the ordinary course of trade of the Company and being of a habitual or recurrent nature, a general authorisation of the line of transactions and the terms of execution thereof will suffice.

The Company shall report on any transactions carried out with its directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope provided by statute in 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 or with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out at arm's length.

The authorisation of the Board of Directors shall not be required for such 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 revenue.

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

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

The transactions carried out in 2019 by the INDITEX Group with its controlling shareholder Pontegadea Inversiones, S.L., or with Partler 2006, S.L. or Rosp Corunna Participaciones Empresariales, S.L.U and with persons and companies related thereto, are shown below:

| Name of the significant shareholder (person or company) | Name of the company or entity of its group (person or company) | Nature of the relationship | Type of transaction | Amount (€k) |
|--|--|----------------------------|--------------------------------------|-------------|
| PONTEGADEA INVERSIONES, S.L. PARTLER 2006, S.L. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Lease of assets | (41,534) |
| PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Other income | 6,869 |
| PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Provision of services (Construction) | 493 |
| ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Lease of assets | (1,277) |
| ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Other income | 31 |
| ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Provision of services (Construction) | 1 |
| ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto | INDITEX GROUP (1) | Contractual | Other expenses | (12) |

(1) Different companies of the Inditex Group.

D.3. Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the directors or officers of the company:

With regard to the remuneration received by directors and officers, reference is made to the provisions of sections C.1.13 and C.1.14 above.

| Name (person or company) of directors or officers | Name (person or company) of the related party | Relationship | Type of transaction | Amount (€k) |
|---|---|--------------|---------------------|-------------|
| - | - | - | - | - |

No other relevant transactions have been carried out between the Company or entities of its group and the directors and officers of the Company.

D.4. Give details of the significant transactions carried out with other companies 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.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens:

| Company name of the group entity | Brief description of the transaction | Amount (€k) |
|----------------------------------|---|-------------|
| Joint Control Companies (1) | Purchase of goods | 1,081,593 |
| 100% Subsidiaries (2) | Sale of goods and provision of services to stores | 22,742 |

(1) Transactions between Inditex and its subsidiaries are part of the company's usual business as regards their purpose and terms, and have been fully eliminated during the consolidation process. For such reason, they are not detailed in this section.

(2) The above mentioned transactions are exclusively within the ordinary course of trade of the Group through its stores, and are not due to tax reasons. As at 31 January 2020, transaction of the Group with Group companies residing in countries or territories considered tax havens under the Spanish laws, correspond to sales through 9 stores of the Group located in Macau and in Monaco.

D.5 Describe the significant transactions carried out between the company or other group companies with other related parties that have not been reported in the previous sections

| Name or the related party | Brief description of the transaction | Amount (€) |
|---------------------------|--------------------------------------|------------|
|---------------------------|--------------------------------------|------------|

| | | |
|--|--|--|
| | | |
|--|--|--|

No other transactions with related parties have been carried out.

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, officers or significant shareholders.

In this regard, section 34 of the Board of Directors' Regulations addresses potential situations of conflict of interest for board members:

"1.- It shall be understood that a conflict of interest situation exists where there is a direct or indirect conflict between the interest of the Company and the personal interest of the Director. It is considered that directors have a personal interest when the matter affects them or a Person Related to them.

For the purposes of these Regulations, Related Persons are understood as being the following:

- (a) The spouse of the director or any other person with similar relation of affectivity;*
- (b) the ascendants, descendants and siblings of the director or of the spouse (or any other person with similar relation of affectivity) of the director;*
- (c) the spouse (or any other person with similar relation of affectivity) of the ascendants, descendants and siblings of the director;*
- (d) those companies where directors hold the office of director or a management position, or in which they hold a significant interest, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in the applicable regulations, and for the case of unlisted national or foreign companies, any direct or indirect interest over twenty (20) percent of its issued share capital.*

With regard to directors who are legal entities, Related Persons are understood as being the following:

- (a) Those partners who are included with regard to the Director legal entity, in any of the situations provided in Section 42 of the Code of Commerce;*
- (b) The representative, who is a natural person, the director de iure or de facto, the liquidators and the attorneys-in fact with general powers of the director, who is a legal entity;*
- (c) Those companies that are part of the same corporate group, as defined in Section 42 of the Code of Commerce, and their shareholders; and,*
- (d) Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the provisions of the paragraph above regarding directors who are natural persons.*

2. The following rules shall apply to the conflict of interest situations:

- (a) Prevention: directors must take all necessary measures to prevent, as far as possible, becoming involved in any situations in which their interests may, either on their behalf, or on behalf of third parties, be in*

conflict with the interest of the company and with their duties towards the company.

- (b) Information: without prejudice to their obligation of active prevention, directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any conflict of interest situation in which they are involved.*
- (c) Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in a conflict of interest situation, with the exceptions provided in the applicable laws. Likewise, with regard to proprietary directors, they shall abstain from taking part in the voting of those matters that might entail a conflict of interest between those shareholders that had proposed their appointment and the Company*
- (d) Transparency: the Company must disclose in the notes to the annual accounts any conflict of interest situation in which a director is, that the Company is aware of by virtue of the information of same by the affected person, or by any other means.”*

In addition, sections 33 and 35 to 37 of the Board of Directors' Regulations address the following situations which can give rise to conflicts of interest: (i) the rendering of professional services in competing companies (section 33); (ii) the use of corporate assets (section 35); (iii) the use of non-public Company information for private ends (section 36), and (iv) taking advantage of business opportunities of the Company (section 37).

Moreover, section 39 of the Board of Directors' Regulations provides that directors must inform (i) the Company of the shares in its share capital of which he/she is the direct or indirect holder. Likewise, they must inform about those other shares which are held, directly or indirectly, by their closest relatives, all of which is in accordance with the provisions of the Internal Regulations of Conduct Regarding Transactions in Securities; (ii) the Company of any conflict of interest situation, either direct or indirect, in which either themselves or their Related Parties may be involved in respect of the interest of the Company; and (iii) the Nomination Committee of all the positions they hold and the activities they carry out in other companies or entities and, in general, about any fact or situation which may be relevant for the performance of their duties as director of the Company (in this regard, and without prejudice to the obligation of placing their office at the disposal of the Board, provided in Section 25 of the Board of Directors' Regulations- which addresses the resignation, removal and dismissal of directors-, directors shall inform the Board of Directors of any other change in their professional situation and of any circumstance which might compromise the credit and reputation of the Company or jeopardize its interests); and (iv) of any legal, administrative proceedings or other proceedings whatsoever brought against them and which might, given their relevance or description, seriously affect the reputation of the Company. Namely, directors shall inform the Company via the Chairman of the Board of Directors, should they be investigated, indicted or should an order have been issued against them initiating trial proceedings in any criminal cause for any offence, as well as of the occurrence of any other relevant procedural milestones in such a case. The Board of Directors shall review the case and shall take, based upon the interest of the company, such measures as it may deem fit.

Additionally, section 1 of the Board of Directors' Regulations provides that the rules of conduct established thereon for the directors shall apply, to the extent that they are compatible with their specific nature, to the senior managers of

the company who are not directors. More particularly and with the due nuances, the following sections shall apply to senior managers: section 32 (duty of confidentiality), 34 (conflicts of interest), in connection with the duty of informing the Company, 35 (use of corporate assets), 36 (non-public information), 37 (business opportunities), and 38 (prohibition to make undue influence of the office).

With regard to significant shareholders, section 40 of the Board of Directors' Regulations provides that:

- “1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a shareholder who owns, either individually or jointly with others, any significant stake, including any shareholder who, regardless of his/her stake in the share capital, is represented on the Board of Directors of the Company or of other companies which are part of its corporate group.*
- 2. In no event shall such a transaction be authorised if previously a report has not been issued by the Audit and Compliance Committee evaluating the transaction from the standpoint of market conditions. In the event of transactions with significant shareholders, the Committee shall examine it also from the standpoint of an equal treatment for all shareholders.*
- 3. In the case of transactions within the ordinary course of company business and being of a habitual or recurrent nature, a general authorisation of the line of transactions and their conditions of execution will be sufficient.*
- 4. The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope of the Law. 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*
- 5. The authorisation of the Board of Directors shall not be required for such transactions which meet simultaneously the following three conditions:*
 - (a) they are carried out pursuant to standard agreements and applied to a large number of clients;*
 - (b) they are carried out at such prices or rates generally set by the provider of the good or service in question; and*
 - (c) their amount is not in excess of one percent (1%) of the annual revenue of the Company.*
- 6. The authorisation shall be granted by the General Meeting of Shareholders when it refers to any transaction with a director for a value which is in excess of 10% of the corporate assets.”*

As stated in section D.1 above, the Audit and Compliance Committee is responsible for reporting on the transactions that involve or are likely to involve any conflict of interest and the Nomination Committee is responsible for reporting on the authorisation or release by the Board of Directors of the obligations stemming from the duty of loyalty of directors, where such responsibility is not incumbent on the General Meeting of Shareholders.

Although the system above described exclusively applies to directors and other individuals within the Organisation considered as senior managers, the Company has in place a number of mechanisms to detect, determine and solve

potential conflicts of interest which may arise regarding officers and other employees.

Thus, section 4.8 of the Code of Conduct and Responsible Practices provides that: *“INDITEX’s employees shall avoid any situation which might entail any conflict between their personal interests and those of the company. They shall also refrain from representing the company and from taking part or having a say in any decision making wherein they may have, either directly or indirectly, either themselves or through any related party thereto, any personal interest. They may not avail themselves of their position in the company to obtain any economic or personal benefit, or any business opportunity for them.*

No employee of INDITEX may render services as consultant, director, officer, employee or advisor to any of INDITEX’s competitors, except for such services which may be rendered at the request of INDITEX or with the authorisation of the Committee of Ethics.

INDITEX respects the private life of its employees and therefore the private sphere of their decisions. In the framework of this policy of respect, employees are urged to report to the Committee of Ethics any personal conflicts of interest or any conflicts of interest involving their relatives, that might jeopardize the necessary objectivity or professionalism of their duties within Inditex, so that, in the respect of the confidentiality and privacy of individuals, the relevant measures might be taken for the mutual benefit of the company and of the affected individuals.

Namely, the cases below shall be considered as potential situations of conflict of interest and they shall be reported to the Committee of Ethics:

- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which is the same, similar or supplementary to the business conducted by INDITEX.*
- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which involves an exchange of goods and/or services, regardless of the remuneration system agreed.”*

On the other hand, the Board of Directors approved on 16 July 2019 the new Conflicts of Interest Policy, following a favourable report of the Audit and Compliance Committee.

The Conflicts of Interest Policy seeks to supplement and implement the provisions of the Code of Conduct on conflicts of interest, defining the appropriate measures aimed at preventing, detecting, disclosing and managing such conflicts of interest which may affect employees in the performance of their job.

In this regard, section 4 of the Policy defines conflict of interest as *“any situation where an employee’s personal interest (direct conflict of interest) or the interest of any related party thereto (indirect conflict of interest) contradicts (actual conflict of interest) or may contradict (potential conflict of interest) the Company’s interest, jeopardizing the requisite objectivity or professionalism of such employee at the workplace.”*

Likewise, section 5 provides the obligation for employees to avoid where possible, being in any situations which may entail a direct or indirect, actual or potential conflict of interest.

Likewise, employees are bound to forthwith disclose to the Committee of Ethics any apparent or real conflict of interest situation which may arise, as well as any doubt they may have on whether a specific situation qualifies as conflict of interest. The Committee of Ethics shall be responsible for addressing the conflicts of interest situations which may arise between the Company and its employees.

D.7. Is more than one company of the Group listed in Spain?

Yes No

Identify the other companies that are listed in Spain and their relationship to the company.

| Identity and relationship with other listed group companies |
|---|
| - |

State whether they have publicly and accurately defined the respective areas of activity and business relationship among them as well as those between the other listed company and the other companies within the group;

Yes No Not applicable

| Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group |
|--|
| - |

Identify measures taken to resolve potential conflicts of interest between the other listed company and the other group companies:

| Measures taken to resolve possible conflicts of interest |
|--|
| - |

E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

At Inditex, risk management is driven by the Board of Directors and the Senior managers, and incumbent on each and every single member of the Group; it seeks to provide reasonable assurance of achievement of the objectives established by the Group as an answer to social and environmental challenges, ensuring an appropriate level of guarantee to stakeholders which ensures protection of value built.

In this context, the Group's Enterprise Risk Management Policy lays out the overarching principles, key risk factors and the general action lines to manage and monitor the risks affecting the Group. The scope of the Policy extends to the entire Group and is at the basis of an Integral Risks Management System.

The Enterprise Risk Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas or units of the Group. The internal policies or regulations developed and implemented by those areas to manage the different types of risks, include without limitation:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks
- The Code of Conduct and Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct for Manufacturers and Suppliers.
- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy
- The Standard for Procurement Management
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors
- The Policy and Procedure for Representatives and Attorneys
- The Policy on Human Rights
- The Diversity and Inclusion Policy
- The Compliance Policy
- The Tax Policy and the Tax Strategy
- The Anti-Money Laundering and Terrorist Financing Policy
- The Due Diligence Policy.
- The Conflicts of Interest Policy
- The Policy on Donations and Sponsorship
- The Policy on Gifts and Business Courtesies
- The Policy on Relations with Civil Servants.

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

Risks management starts by identifying and assessing the factors which may have a negative impact on the achievement of the business objectives, which translates into a risks map that includes the main risks classified in different groups, together with an assessment thereof based upon their potential impact, the likelihood of their occurrence and the level of preparedness of the Group to address them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. The risk management process continues with adopting a certain response to such factors, and establishing the required control measures for such response to be effective.

Within the Risk Management System, business units represent the first line of defense, reporting the relevant information to the Enterprise Risks Management Department, which coordinates the System as a second line of defense.

Internal Audit acts as a third line of defense, overseeing in an independent and objective manner the Risk Management System and reporting to the Board of Directors through the Audit and Compliance Committee.

[REDACTED]

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the Inditex Group are described below:

The Board of Directors is charged with:

- Approving the Enterprise Risk Management Policy, on the proposal of the Management. Such Policy defines the strategy in the field of risks management and the disclosure thereof to the rest of the organisation. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

The Audit and Compliance Committee is responsible for:

- Overseeing the control and risks management function and establish that it operates pursuant to the provisions of the policy approved by the Board.
- Receiving on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, as well as on any significant internal control weakness detected by the external auditors.
- Assessing the effectiveness of internal control and management systems relating to financial and non-financial risks, as well as of the measures established to mitigate the impact of identified risks.
- Promoting a corporate culture within the Company wherein risk is a factor upon decision-making, at all levels of the Company and its Group.
- Identifying and re-assessing, at least on an annual basis, financial and non-financial risks and the level of risk tolerance.
- Identifying and understanding emerging risks as well as their alert mechanisms, and regularly assess the effectiveness thereof.
- Ensuring that risks are kept and managed within the levels of risk tolerance set by the Board.
- Meeting with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.
- Reviewing the information on the risks that the Group faces, and on the risk control systems, that must be included in the Annual Corporate Governance Report, the directors' report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and

It is incumbent on the Financial Division (where the ERM Department is assigned):

- To ensure the good running of the Risk Management System and namely that all relevant risks which affect the Company are duly identified, managed and quantified.
- To take an active role in the preparation of the risk strategy and in the important decisions on risk management.
- To ensure that the ERM System would appropriately mitigate risks.
- To oversee the work and liaising with Risks Managers at each business unit or area, both at corporate or concept level, providing valid tools for risks assessment and management.
- To maintain and refresh knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.
- To regularly review the risks management policies and manuals and the motions for the amendment and update thereof to the Audit and Compliance Committee to be tabled, where appropriate, to the Board of Directors.
- To coordinate and process the information received by Risks Managers at each business unit or area, reporting to the Senior managers and to the Board of Director through the Audit and Compliance Committee.
- To promote appropriate and effective communication channels between ERM Department and the remaining Divisions and areas involved.

Risks Managers are charged with:

- Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department.
- Identification of events which may entail potential risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.
- Follow-up and notice of the evolution of risk management, as well as the defined action plans.

The Internal Audit Department is charged with:

- Contributing to the improvement of risks management, control and governance processes, assuring the Audit and Compliance Committee of an effective and independent supervision of the internal control system and issuing recommendations for the Group to help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Company.
- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

Senior managers are charged with:

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Group, encouraging the creation of an all-encompassing risks management culture.
- Defining and validating functions, powers and responsibilities within the framework of the ERM System.
- Determining the level of risk that the Company may deem acceptable.
- Provision of appropriate and sufficient resources to implement Risks Management activities.
- Validation of action and work plans resulting from the risks management process itself.
- Follow-up on activities.

Additionally, a number of specific Committees relating to follow-up of the major risks are in place:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Compliance Supervisory Board
- Information Security Committee
- Investments Committee
- Financial Risks Committee
- Reputation Committee

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

In order to achieve a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organisation. Thus, the Group defines risk as: “any potential event which might have a negative impact on the achievement of its business objectives”.

Risks reviewed are classified and grouped in the following categories:

1. Business environment

These are risks stemming from external factors associated with the Group’s business.

Included in this group are risks associated with the difficulty in adjusting to the environment or market where the Group operates, whether as regards procurement processes or distribution and sale of goods activities. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow up and offer a response to the evolution of its target market or to adjust to the new situations in procurement or distribution countries.

In this regard, geopolitical, demographic, social and economic changes, as well as public health crisis, that trigger the country risk in procurement or distribution countries, or the consumption decline in certain markets, are factors which may, among others, have an impact on the effective achievement of the business objectives of the Group, as may, without limitation, the potential consequences of the climate change, such as acute changes in climate cycles which might affect customers' demand patterns, the supply and demand of textile raw materials used to manufacture garments, etc.,

Additionally the strong competitiveness existing in the sector, driven by new technologies and disruptive innovation might condition the Group's capacity to compete in an environment in which customer's profile is constantly changing.

2. Regulatory risk

Those are risks to which the Group is exposed arising from the different applicable legislation in the countries where it conducts business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office – Office of the Chief Compliance Officer is responsible for overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risks (including criminal ones, in particular those relating to corruption) and/or reputational risks, arising from a potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

Although the results of the UK general election held on 12 December 2019 ensured the departure of the United Kingdom from the European Union on 31 January 2020, the terms of the agreement on the future relationship between both parties resulting from the negotiation process that should end by 31 December 2020 remain uncertain. During this transitional period, which might eventually go beyond the scheduled expiry date, no significant changes to the regulatory environment and the trade relations between the UK and the EU are expected which may affect the current operations of the Group in the country.

The level of divergence between the EU and the UK regulations following the end of the negotiations will determine the level of adaptation of the Group's business in such market.

The main risks for the Group arising from Brexit include potential delays in transit of goods, economic impacts arising from the imposition of tariff duties and currency fluctuation, potential restrictions to free movement of people, as well as risks stemming from contracts or management of key third parties.

3. Reputation

Risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks stem from a potentially inappropriate management of the issues regarding corporate ethics, social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance or noncompliance with best practices which might have an impact on the reputation of the Organisation.

4. Human Resources

The main risks relating to the field of human resources are those arising out of a potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, as well as in keeping an appropriate work environment at all work centres.

5. Operations

The main operational risks the Group addresses stem from a presumptive difficulty in recognising and taking in the ongoing changes in fashion trends, and manufacturing, supplying and placing on the market new models that fulfil customers' expectations. Likewise, risks arising from the increasing weight of technological innovations and evolutions in the broadest sense, both regarding interaction with customers and improvement of operating processes to ensure commercial success.

The risk arising out of business interruption is associated with the eventual occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.) that may significantly affect normal operations.

Given the way the Group operates, the main risks included in this category are found at logistics centres and in external operators charged with carriage of the goods. Apparel, footwear, accessories and homeware for all the brands are distributed from 14 logistic centres spread throughout Spain. Distribution logistics is also assured through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistic centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, relating to the search and selection of prime business premises that meet the Company's exacting requirements, and their profitability. Additionally, the relation with certain suppliers of goods or services providers is subject to certain risks beyond our control which might have an impact on the normal course of certain operations of the Group.

6. Financial

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than euro, which gives rise to the foreign exchange risk. The Group has investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all Group companies are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the Economic and Monetary Union (EMU). The Company also addresses the risk resulting from transactions in currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The environment of negative interest rates existing in the Economic and Monetary Union entails a risk of loss in the Group's financial position.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is made on demand, either in cash or with credit card. At any rate, the Group deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

7. Information for the decision making

Risks included in this group are those associated with the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, both of which report to the Financial Division, are directly responsible for producing and overseeing the quality of such information.

8. Technology and IT systems

Risks in this group include those associated with the technological infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and technological security of IT systems are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of critical information.

9. Corporate Governance

This category includes the risk associated with the potential existence of an inappropriate management of the Group stemming from potential noncompliance by members of management or board members with existing regulations, recommendations, or best practices in the field of Corporate Governance, with transparency regulations of regulatory authorities, or even from lack of professional ethics in such management.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk

The Group relies on standard criteria to identify, assess and prioritise risks, based upon the concept of risk tolerance as key tool.

It is incumbent on Senior managers to establish risk strategy and tolerance, which must reflect the volume of risks the Group is willing to assume, to reasonably achieve its objectives and interests. Such tolerance is regularly updated, at least every time the Group strategy changes.

Once the risk tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

E.5 State which risks, including tax compliance risks, have materialised during the year

Risks inherent in the business model, the Group's activities and the market environment, have materialised in the year, as a result of circumstances inherent in the conduct of business and the prevailing economic climate. The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In 2019, the depreciation of non-euro currencies has had a slightly positive impact on the Company's sales growth rate, and a slightly negative impact on sales cost.

Foreign exchange risk is managed pursuant to the guidelines set out by the Group's Management, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates fluctuation, and other measures aimed at mitigating such risk.

The evolution of the political situation in the United Kingdom has resulted in a high level of market uncertainty in the year, although its impact has not been significant for the Group.

Coronavirus (Covid-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

From the moment the existence of this outbreak become known, the Group has been continuously following up on its current impact, and its potential short-term and mid-term effects.

The Group's first and foremost concern has always been ensuring the health and well-being of its employees, customers and of anyone who directly or indirectly renders the services or supplies the goods required for the smooth operation of its business, taking at all times the appropriate prevention and mitigation measures. In this regard, Inditex is timely apprised and updated on the development of the crisis, taking into account at all times the guidelines and recommendations of the relevant public authorities and institutions.

Inditex has launched a global contingency plan at its work centres to protect its employees from potential risks of infection and spread of Covid-19. Such plan includes preventive measures (such as improving hygiene, restricting visits and travel), organisational measures and measures relating to health coordination, which are implemented based upon the level of seriousness of the different estimated scenarios. Thus, in such regions and areas where exposure to the virus is high, extreme caution is exercised and all required measures and tools

have been made available to employees (namely to such groups of employees identified as being at greater risk) to encourage remote work, ensuring that they can work normally. Additionally, the evolution of the situation is being closely monitored for the purposes of successfully coping with any potential impacts, both financial and non-financial, resulting thereof.

With regard to procurement, given the Group's flexible business model, its supply structure is largely diversified in different geographical areas, which allows it to shift among different sources to adapt to circumstantial situations.

In some of the markets most affected by the virus, the Company has been compelled to shut down all its stores, following the instructions of competent authorities. In other markets, some stores are being temporarily or intermittently closed. As of this day it is complicated to foresee how long will the stores remained close. The online business continues to develop as normal in all markets.

Directors and the Management have assessed the current situation based upon the best available information to date and in accordance with accounting standards. Inditex has booked an inventory provision of €287 million to account for the impact that Covid-19 might have on the estimated net realizable value of the Spring/Summer inventory position at 31 January 2020.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise

The Group relies on response plans that seek to reduce the impact and likelihood of materialisation of the critical risks described in section E.3 above, or to improve the level of preparedness versus risks.

The main specific response plans for each risk category are explained below:

1. Business environment

In order to reduce risk exposure in this area, the Group carries out a feasibility study in respect of each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the Group's business model is based not only on managing new openings, but also on improving the efficiency and effectiveness of existing markets, business lines and stores, so that the growth achieved via expansion and diversification, is complemented by the organic growth of the existing business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and its commitment to the full integration of all the channels and the use of new technologies as an alternative channel of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

Likewise, production and procurement have been designed based upon a model which ensures a reasonable flexibility which permits adapting production to market demands and to potential changes in the environment of procurement markets.

2. Regulatory risk

The General Counsel's Office – Office of the Chief Compliance Officer (GCO-OCCO) is charged with managing the Model of Compliance of the Company. In particular, GCO-OCCO undertakes a triple function consisting of organisation, coordination and reporting duties.

Organisation duties means that the GCO-OCCO oversees the process of preparing the Company's internal regulations (Policies, Procedures and Instructions) and, approves them, where appropriate.

The GCO-OCCO is also responsible for coordinating Compliance functions assigned to other departments or areas where Compliance risks exist, by means of a periodic reporting system.

In order to mitigate exposure to regulatory risks, in particular to criminal risks – including the risk of criminal offences relating to corruption, fraud and bribery – the Group relies on a structure of high level basic regulations and a number of organisational documents which constitute the main pillars of the Company's cross-cutting Compliance system: the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group. A full description of both of them is provided in section F-1.2 below.

To prevent criminal offences, Inditex relies on an organisational and management model known as the Model of Criminal Risk Prevention, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (the "Model of Criminal Risk Prevention"). The Policy associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent, and the Procedure covers the organisational measures to prevent commission of offences. Criminal risks identified and controls set to prevent the commission of offences are listed in the Scoping Matrix.

Inditex Model of Criminal Risk Prevention, approved by the Board of Directors in 2016, is subject to an ongoing evaluation and improvement process. In particular, the Scoping Matrix of Criminal Risks and Controls is permanently updated by; (i) regularly reviewing potential risks inherent to the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the Company's organisation; and (ii) the monitoring of the controls implemented, taking into account risk prioritisation determined in the risk map.

Within the scope of such Model of Criminal Risk Prevention, a number of internal regulations have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates, the most relevant of which are:

- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.
- The Conflicts of Interest Policy
- The Anti-Money Laundering and Terrorist Financing Policy
- The Due Diligence Policy

- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets

The Committee of Ethics that reports to the Board of Directors through the Audit and Compliance Committee, is responsible for overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness and appropriate implementation of the controls therein set - the GCO-OCCO being responsible for the material performance thereof - , and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

The Committee of Ethics as the decision-making body, and the GCO-OCCO as operational body, make up the so called Compliance Function.

The Company relies on a Whistle Blowing Channel (currently renamed as the “Ethics Line”) described in section F.1.2 below.

Protection of personal data of its customers and employees is a top priority at Inditex, including privacy from design and by default in its processes.

To ensure such protection, Inditex has in place a compliance model in the field of data protection and privacy, managed by the Data Protection and Privacy department, overseen by the the Group’s global Data Protection Officer (DPO). At the core of such model is the Compliance Policy regarding Personal Data Protection and Privacy, approved by the Board of Directors. The Policy covers the principles and commitments championed by the company to ensure observance of applicable regulations on data protection and privacy in all the jurisdictions where it conducts business, and respect for the rights of all concerned parties (customers, users, employees, etc.,)

3. Reputation

The Group relies on a Policy on Human Rights and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics and the Sustainability Department are responsible for enforcing and construing both internal regulations. Meanwhile, the General Counsel’s Office –Office of the Chief Compliance Officer imparts training to employees on the Code of Conduct and Responsible Practice. The newly formed Sustainability Committee will be responsible for following up on the Group’s Sustainability strategy and practices.

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the review carried out by qualified social auditors of the facilities which are necessary to manufacture the fashion items that the Group retails, for the purposes of minimising any potential risk to the Group’s reputation on account of improper conducts of third parties. Such specific programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. Such Compliance Programme is complemented with the “2019-2022 Workers at the Centre” strategy that focuses on workers within the supply chain and their well-being, and through partnerships with different stakeholders, including without limitation, the Global Framework Agreement executed with IndustriALL Global Union, or alliances with the International Labour Organisation (ILO). Additional information on this and other programmes is available in the Annual Report and on the corporate website.

The Group also has in place an Environmental Sustainability Policy that covers all the environmental commitments undertaken by the Group applicable across all its business areas and the entire supply chain. Under such Policy, three environmental strategies are implemented to ensure the best possible protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line and in addition to such strategies, mention should be made of Inditex's commitment to forest products, materialised in the Forest Product Policy. Current 2016-2020 Strategic Environmental Plan is mainly focused on clean energy and the implementation of circular management models at headquarters, logistics centres, factories and stores, including the "Closing the Loop" programme. Additional information on this and other programmes and initiatives is available in the Annual Report and at the corporate website.

In line with the Global Energy Strategy, the Group is a member of the UN Fashion Industry Charter for Climate Action (UNFCCC) with the initial medium-term objective of reducing its GHG emissions by 30% by 2030. The Group is also a signatory of the Fashion Pact and as such, is committed to working within the framework of the Science-Based Targets (SBT) initiative, that sets science-based reduction targets and which focuses on three essential pillars to protect the planet: stopping climate change, restoring biodiversity and protecting the oceans.

The Company seeks to play a leading transformative role in the industry and is committed to fully eliminating the use of plastic bags by 2020 as well as all single-use plastics for customers sales by 2023. Likewise, before 2025, 80% of the energy used in the Group activities (stores, logistic centres and offices) will be renewable. With regard to raw materials, 100% of the cotton, linen and polyester used will be organic, sustainable or recycled by 2025.

In such sizable and visible organisations as the Group, certain conflicts might arise out of an inappropriate relationship with third parties alien to its operations (e.g., CNVM, media, investors, financial analysts, public authorities, etc.).

Through the Communication and Corporate Affairs Division and the Sustainability Department, the Group sets out the procedures and protocols required to mitigate this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relations with CNMV, the relations with investors and financial analysts being incumbent on the latter.

Likewise, different departments, including the Communication and Corporate Affairs Division, are responsible for monitoring the image of the Group in all environments, including social media.

To reduce the risks associated with the description of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards ("*Safe to Wear*" and "*Clear to Wear*"). Enforcement of such standards is mandatory across the supply chain for all the products sold.

Likewise, the Group has in place the so called Integrity Policies: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants.

4. Human Resources

The action lines followed by the Department of People are explained in detail in the relevant section of the Annual Report and in the Statement on Non-financial Information.

The work system implemented within the Organisation encourages the transfer of knowledge and the involvement of all employees with the Company's culture and operations. Career development, training and compensation policies seek to encourage development of all teams, give career development opportunities to the more talented people and retain key employees. Additionally, the Group carries out selection and recruitment processes to ensure the continuous arrival of talent at all areas of the Company. With such proceedings and the continuous improvement of Group policies relating to people, risk arising from concentration of knowledge in key people is reduced.

On the other hand, a growing demand has arisen lately within the labour market, concerning companies' corporate social responsibility, which has become a key factor upon selecting a company for the job of choice. In this regard, the Group has implemented a number of initiatives around different focal points of action.

The Diversity and Inclusion Policy applies globally to the Company. The Inditex Group has implemented equality plans that include measures to promote commitment to and effective implementation of the principle of equal opportunities between women and men, contributing to reduce inequality and imbalance, preventing discrimination at work, ensuring a healthy work environment and providing actions to promote work-family balance.

The Group also encourages volunteering in community service projects so that employees may work on their social concerns wherever the Company operates. A number of programmes and projects have been implemented in this field offering employees different extents of collaboration.

5. Operations

The Group reduces exposure to this type of risk through a production and procurement system that ensures a reasonably flexible response to unexpected changes in customers' demand. Stores and online teams are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving customers' changes of taste. Meanwhile, vertical integration of transactions allows reducing lead and delivery times as well as stock volumes, while at the same time, the reaction capacity to introduce new products throughout each campaign is kept.

Given the relevance that an efficient logistics management has on the materialisation of such risks, the Group reviews all the factors which might have a negative impact on the target of achieving maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from business interruption, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimised, based upon the size of each brand or the specific requirements of the geographic area which they service. In particular, part of the above mentioned logistics centres specialises in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other

centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure in respect of this type of risks, by means of high levels of prevention and protection measures at all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might result from any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

-Investing in new logistic centres or extending the existing ones, so as to minimise the risk associated with the logistics planning and sizing.

-Investing towards improvement and automating processes in the existing hubs aimed at increasing their capacity and efficiency and improving the internal control on goods stored in such centres. In this regard, mention should be made of the progressive use of RFID technology across the supply chain, which permits achieving a very high degree of control on goods.

-The search, approval and monitoring of external logistics operators at different strategic points, with full integration in the logistics capacity of the Company.

With regard to the potential risk of goods detention during carriage process, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with real estate management, associated with the search and selection of business premises and their profitability, by monitoring all the markets where it operates, considering the suitability of premises prior to their opening, and overseeing all new store openings through the Expansion Committee.

6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy that mainly seeks to downplay the probability of economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materialises in terms of net investment, translation and transaction risks. The Policy sets the guidelines to manage all such risk exposures and centralises exchange management at headquarters by the Financial Management Department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. The Group also uses the Value-at-Risk (VaR) method to manage translation risk in the most relevant accounting entries. Forward contract is currently the main hedging instrument. Additionally, other derivatives, such as zero cost option strategies and option buying strategy and swaps are used, to a lesser extent.

The Payment Management Policy sets out the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. The Policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Management Policy covers the potential exceptions and the procedure to authorise them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the company, including payments, the level of authorisation according to the Group to which they belong, the authorised amount of the transaction and the required pairing of proxies according to such criteria.

The Group's Investment Policy seeks to ensure security, integrity and liquidity of the Company's financial assets. It provides the guidelines which need to be observed by counterparties, which are classified in panels based upon their rating, solvency and relevance for the Group profile. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk. The Group also relies on the VaR method to assess the credit risk of its investment portfolio.

Likewise, the Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

7. Information for the decision making

In order to reduce exposure to this type of risks, the Group regularly reviews the management information disclosed to the different managers and invests, *inter alia*, in systems for transmission of information, data analysis and intelligence for the decision-making, process optimisation (distribution, logistics, etc.), business monitoring and budgeting.

The Information Security Department is responsible for ensuring that such information is available to and/or amended, exclusively by the persons authorised to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control over Financial Reporting (ICFR) System aimed at achieving a continuous follow-up and assessment of the main associated risks, which permits to reasonably ensure the reliability of the public financial information of the Group. Additional information on this issue is available in Section F below.

The Group is currently working on developing and implementing its internal control systems to enhance reliability of the non-financial information disclosed to the market.

In addition, the consolidated Annual Accounts and those of all relevant companies, as well as the Statement on Non-financial Information, which is a part of the Directors' Report, are reviewed by the external auditors, who are also in charge of carrying out certain audit works relating to financial information. Likewise, with regard to the most significant companies of the Group, external auditors are requested to issue recommendations on internal control.

8. Technology and IT systems

Given the importance the smooth running of technological systems has for the achievement of its objectives, the Group exercises, through the Information Security Department and with the support of the Information Security Committee, permanent control on such systems, aimed at ensuring streamlining and consistency thereof, in addition to the security and stability required for business continuity. The Group is aware that its systems will require continuous improvement and investment to prevent obsolescence and keep their response capacity at the levels required by the Organisation.

As a benchmark, aimed at keeping security and integrity of information and of the elements which process it, the Group relies on the Information Security Policy. The achievement of the objectives described in the Policy revolves around the following overarching principles: (i) classification of information, in accordance with its value, relevance and criticality for the business; (ii) limited use of information systems to lawful and exclusively professional purposes; (iii) segregation of duties to avoid risks; (iv) setting retention periods by information category, where necessary or convenient; (v) setting monitoring procedures to control how information is made available to third parties; (vi) Security in Information Systems; (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and (viii) alignment of Information systems and communications of the Group with the requirements of applicable laws and regulations. Additionally, the roles, responsibilities and the remit of the different departments and bodies of the Organisation are defined. The Information Security Policy is accepted by all users with access to information and is available on the Company's intranet (INET).

For the specific purpose of keeping continuous systems operation, the Group relies on technical and procedural contingency systems which would, together with the associated technical procedures, reduce the consequences of any breakdown or stoppage. Technical contingency systems include, without limitation, the main data centre - TIER IV certified (availability) - as well as the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines.

Additionally, the Information Security Department exercises control duties as a second line of defence in an independent manner. It relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow anticipating and/or reducing the consequences of risk materialisation, together with insurance policies covering loss of profit, expenses stemming from cyber-attack and civil liability of the company for damages incurred by third parties. Based upon the available information, the Organisation considers that these controls have been successful to date. Particularly, regarding the e-commerce environment, the Group meets the requirements of the Payment Card Industry Data Security Standard (PCI DSS) and has certification for compliance with ISO/IEC 27011 in Information Security.

Meanwhile, the risk map for technology and Information security risks is implemented on an annual basis. Such map seeks to provide an aggregated view of the Group's situation that permits setting the relevant mitigation and continuous improvement measures.

However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organisation, cannot be ruled out.

9. Corporate Governance

In order to downplay this type of risks, the alignment of the Company's corporate governance system (comprising the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations, the Sustainability Committee's Regulations, the Internal Regulations of Conduct regarding Transactions in Securities, the corporate policies on risk control and management, and the internal conduct regulations of the Group) with the applicable regulations regarding Corporate Governance from time to time in force (including, without limitation, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct, among others), must be ensured.

For such purposes, the Audit and Compliance Committee conducts an annual review of the Corporate Governance System to establish the extent of compliance therewith and its alignment with regulatory developments, recommendations, standards and best practices existing in the field, and systematically reinforce good corporate governance practices across the company's governing bodies.

Additionally, the performance of the Board of Directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board (non-member), is subject to an annual self-evaluation process, led by the Nomination Committee.

Inditex relies on the Internal Regulations of Conduct (IRC) that sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use of inside information, and other relevant information of the Company.

The Compliance Supervisory Board and the Chief Compliance Officer, who reports to the Audit and Compliance Committee every six months, are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relation and with a lawful business or professional interest, by submitting a report in good faith.

Meanwhile, the Audit and Compliance Committee regularly reviews whether potential conflicts of interest or related-party transactions detrimental to the

interests of the Company and/or the shareholders exist, in accordance with a regulated review and assessment procedure, and subject to approval by the Board of Directors. In the performance of this function, the Committee is supported by the General Counsel's Office – Office of the Chief Compliance Officer that feeds on the information regularly provided by board members and senior managers through specific questionnaires.

This type of risk is reduced ensuring the appropriate proceedings of governing and managing bodies and improving internal control, transparency and corporate responsibility within the Company, thus building up trust among shareholders and investors.

With regard to supervision, the Board of Directors and the Audit and Compliance Committee are the main governing bodies responsible for enterprise risk management.

1.- The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and organising the appropriate internal control and information systems.

2.- The Audit and Compliance Committee

The duties of the Audit and Compliance Committee include assisting the Board of Directors in its supervision and monitoring duties, by reviewing the internal control systems. The powers of the Audit and Compliance Committee are set forth in the Articles of Association, the Board of Directors' Regulations, and the Audit and Compliance Committee's Regulations.

The Audit and Compliance Committee's Regulations provide that it is incumbent on such body, exclusively comprised of non-executive directors, *inter alia*: to oversee the effectiveness of the internal control system of the Company, the internal audit and the risk management systems covering both financial and non-financial risks, including tax risks and risks associated with corruption, and to review with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to oversee the process for preparing and releasing the regulated financial and non-financial information.

Additionally, the Audit and Compliance Committee is responsible for overseeing the Internal Audit Department, ensuring its independence and effectiveness. To this end, the Committee is charged with: (i) evaluating the proceedings of the Internal Audit function and the performance of the Chief Audit Officer; (ii) ensuring that the function relies on the appropriate material and human resources, whether internal or external, to discharge its duties; and, (iii) approving the Internal Audit Plan and the annual activities report of the Internal Audit function- regularly receiving information on the proceedings carried out by Internal Audit - ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group.

In the current organisational structure, the Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Compliance Committee, thus ensuring the full independence of its proceedings.

The mission of the Internal Audit function is defined in the Group's Internal Audit Charter, and it consists of contributing to the good running of the Group, by

assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organisation.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

F

Describe the mechanisms comprising the internal control and risks management systems with regard to financial reporting (ICFR) of your entity

F.1 Entity's control environment

Give information describing the key features of at least:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its monitoring.

- Board of Directors.

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the Board of Directors is the supreme decision-making, supervisory and monitoring body of the Company, being ultimately responsible for the existence and update of an appropriate and effective ICFR System, as provided in the Policy on Internal Control over Financial Reporting System (the "ICFR Policy"), approved by the Board of Directors itself.

The Board of Directors is entrusted with the duties of leadership, management and representation of the Group, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, evaluating officers' performance, making the most relevant decisions for the Group and liaising with the shareholders.

- Audit and Compliance Committee.

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and the Audit and Compliance Committee's Regulations, and as part of its financial and monitoring duties, it is incumbent on such Committee to oversee the process for preparing and releasing the regulated financial information, and as provided in the ICFR Policy, to oversee the effectiveness of the ICFR System.

In this regard, the Committee discharges, *inter alia*, the following duties:

- Overseeing the effectiveness of the internal control system of the Group, the internal audit, and the risks management systems, including tax risks, as well as discussing with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, in the course of the audit.
- With regard to the powers regarding the process to prepare the regulated financial information:
 - Overseeing the process of preparation and presentation as well as the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and overseeing the review of the interim financial statements requested from the statutory auditor, with the scope and frequency that may be defined, as the case may be.
 - Reviewing compliance with statutory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable;
 - Maintaining a fluid communication with the Company's Management to understand its decisions regarding the application of the most significant criteria; with the Internal Audit Function to be apprised of the findings of the reviews carried out; and with the external auditors or verifiers, to obtain their opinion regarding financial and non-financial information;
 - Being familiar with, understanding and overseeing the effectiveness of the internal control over financial information system and receiving information on a regular basis from the supervisor thereof;
 - Submitting recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information;
 - Assessing and advising the Board of Directors on any significant changes in accounting standards and on the significant risks on the balance sheet and off-balance sheet;
- With regard to enterprise risk management:
 - Overseeing the enterprise risk management function and establishing that it operates pursuant to the provisions of the policy approved by the Board.
 - Receiving on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, and on any significant internal control weakness detected by external auditors.

- Assessing the effectiveness of internal control and management systems relating to financial risks, as well as of the measures established to mitigate the impact of identified risks.
- Promoting a corporate culture within the Company wherein risk is a factor upon decision-making, at all levels of the Company and its Group.
- Identifying and re-assessing, at least on an annual basis, the most significant financial risks and the level of risk tolerance.
- Identifying and understand emerging risks as well as their alert mechanisms, and regularly assessing their effectiveness.
- Ensuring that risks are kept and managed within the levels of risk tolerance set by the Board.
- Meeting with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.
- Submitting recommendations or motions to the Board of Directors and the relevant deadline for follow-up.

Most members of the Audit and Compliance Committee are non-executive independent directors. The Committee meets on a quarterly basis and whenever it is called by its Chair. In 2019, the Audit and Compliance Committee has met 5 times.

- Financial Division.

The Financial Division is responsible for the design, roll-out and implementation of the ICFR system, as provided in the ICFR Policy, keeping the system updated, monitoring its design and proceedings to ensure that it is effective and appropriate, communicating and training the parties involved and keeping a periodic report.

The Financial Division sets out and circulates the policies, guidelines and procedures, associated with financial reporting and is charged with ensuring the appropriate enforcement thereof within the Group.

- Internal Audit

The mission of the Internal Audit function consists of supporting the Board of Directors, through the Audit and Compliance Committee, upon executing the supervisory function relating to risk exposure, ensuring that appropriate and effective controls are set as an answer to risks in the field of governance, operations and information systems, regarding, *inter alia*, reliability and integrity of financial information and in particular, the Internal Control over Financial Reporting (ICFR) System. To achieve this, Internal Audit performs specific periodic ICFR audits, requests action plans to correct or reduce any

weaknesses revealed and follows up on the implementation of the proposed recommendations.

Internal Audit relies on an Internal Audit Chart, approved by the Board of Directors, which covers its mission, authority and responsibilities pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the “International Standards for the Professional Practice of Internal Auditing” by the Instituto de Auditores Internos, a member of the IIA (Institute of Internal Auditors).

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

- **Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the company,**

The Board of Directors is responsible for the design and review of the organisational structure and the lines of responsibility within the Group. The departments charged with drawing up the financial information are found within such structure.

Senior managers and the Human Resources Department (“HRD” or the “Human Resources Department”) define the duties and responsibilities of each area. Additionally, the Compensation area, that reports to the HRD regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of drawing up the financial information, the Group has clearly defined lines of authority and responsibility. The main responsibility regarding financial reporting lies with the Financial Division.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Division and disclosed by the HRD.

To carry out its activity, the Financial Division is organised in a number of departments: Administration, Planning and Management Control, Treasury, Risk Management, Tax, and Processes and Projects.

With regard to the ICFR System, a specific management area has been created within the Financial Division, to which it reports, (the “ICFR Area”).

The Group relies on financial organisational structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, *inter alia*, with complying with the procedures set out within the ICFR System.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The Board of Directors approved in the meeting held on 17 July 2012, following a favourable report of the Audit and Compliance Committee, the Code of Conduct and Responsible Practices of the Inditex Group and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Likewise, the Board of Directors approved on 19 September 2017 following a favourable report of the Audit and Compliance Committee, the so called Integrity Policies of the Inditex Group.

The main internal conduct regulations of the Group are provided in:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Integrity Policies, which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships, and; (iii) the Policy on Dealings with Public Servants
- The Conflicts of Interest Policy
- The Internal Regulations of Conduct regarding Transactions in Securities (IRC)

- The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal 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 and professional career of its employees is based. For such purposes, the principles and values which shall govern the relations between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the Inditex Group shall carry out all its transactions 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 Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.

Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations.

Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.

Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.

Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information.”

- The Policy on Criminal Risk Prevention.

The Policy on Criminal Risk Prevention associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent.

Similarly to the provisions of the Code of Conduct and Responsible Practices, section 2.9 of the Policy reads as follows: “(...) any transaction of economic weight carried out by the Company shall be clearly and accurately recorded in appropriate accounting records that show the true and fair image of the transactions carried out. Such records must be made available to internal and external auditors.

Inditex’s employees shall enter the full financial information into the Company’s systems in a clear and accurate manner so that they will show, as at the relevant date, its rights and obligations in accordance with the applicable regulations. Likewise, they shall ensure that the financial information that must be disclosed to the market under the prevailing regulations in force, is accurate and full.

Inditex is committed to implementing and keeping an appropriate internal control system in respect of financial reporting, ensuring that the effectiveness of such information is regularly monitored. For such purposes, required training will be offered so that employees may be apprised of and understand the company’s commitments in the field of internal control on financial information.”

As stated in section E.6. above, the Policy, together with the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls, comprise the Model of Criminal Risk Prevention of the Inditex Group. The Committee of Ethics is the governing body responsible for overseeing compliance with such Model and the effective and appropriate implementation of the controls therein set.

- IRC

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Ethics Line Procedure.

In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be, on account of civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Compliance Supervisory Board (the “CSB”) which reports directly to the Audit and Compliance Committee. 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.

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

The IRC sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use and dissemination of inside information and other relevant information of the Company.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside information and/or other relevant information, and namely financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

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

Likewise, the OCCO informs the Affected Persons that they have been included in the General Documentary Register.

Compliance with the Codes of Conduct of the Inditex Group and, in general, with its internal regulations of conduct is ensured through the Committee of Ethics, composed of:

- 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 may act of its own motion or at the behest of any employee, manufacturer or supplier of Inditex, or any third party involved in a direct relation and with a lawful commercial or professional interest, further to a report made in good faith.

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

- To oversee compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for processing and issuing a resolution regarding such instrument.
- To oversee the ethics line (formerly known as the "Whistle Blowing Channel") and compliance with the Ethics Line Procedure.
- To monitor and control proceedings and their settlement.
- To solve any doubts which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, following a report of the Audit and Compliance Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To promote training plans for employees on internal conduct regulations and the proceedings of the ethics line.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.

To ensure that the Ethics Line is properly run, and that the privacy of the Parties concerned is protected, the Committee of Ethics may manage ex-officio anonymous concerns.

- The thorough review of any information or document that triggered its action.
- The commencement of proceedings that adjust to the circumstances, of the case, where it shall always act with independence, fully respecting for the right of the parties to be heard, to honour and to the presumption of innocence.
- Prohibition of retaliation, and indemnity of anyone who reports through the Ethics Line in good faith.

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

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

The Committee of Ethics submits a report to the Audit and Compliance Committee at least every six months, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the Board of Directors, on an annual basis as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance with internal regulations, from time to time in force.

With regard to the dissemination of the above referred conduct regulations, it is incumbent on the Human Resources Department to circulate a copy of the Code of Conduct and Responsible Practices to any employee when they join the organisation.

Likewise, conduct regulations as amended are available on the corporate website (www.inditex.com), under the Compliance tab, and on INET; they are subject to the appropriate measures regarding disclosure, circulation, training and awareness-raising, so that they may be understood and implemented within the whole organisation.

- **Whistle blowing channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating where appropriate, whether reports made through this channel are confidential.**

An Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any breach of the Group's internal conduct regulations by employees, manufacturers, suppliers or third parties engaged in an employment, business or direct professional relations with the Group, which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice, including those of a financial and accounting nature, may be reported.

The Committee of Ethics is responsible for overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the Board of Directors on 17 July 2012 and recently amended on 10 December 2019. The Ethics Line Procedure clarifies and reinforces guarantees and protective measures for all parties in the process: (i) maximum confidentiality; (ii) non-retaliation; (iii) presumption of innocence and respect for the right to honour of reported parties; (iv) the right of the parties to be heard, and; (v) appropriate use of personal data processed.

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

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct regulations may be sent to the Company either by post - for the attention of the Committee of Ethics to the following postal address: Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain) – or by e-mail - (canaletico@inditex.com) - .The confidentiality of such reports or queries is ensured.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management**

The Training and Career Development area of the Group, which reports to the Human Resources Department, is charged with preparing, together with each of the areas reporting to the Financial Division, training and refresher courses for the different staff members involved in drawing up and overseeing the financial information of each and every company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of regulatory developments on financial reporting and supervision of financial information.

- General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and the respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group.

- Specific training

Group employees involved in processes associated with the drawing up of financial information regularly receive training and refresher courses that seek to acquaint employees with local and international regulations on financial reporting, as well as with existing regulations and best practices in the area of internal control. An e-learning platform is available to employees, to train them on issues regarding financial reporting or information security.

Within the financial environment, such training and refresher schemes are arranged by the HRD liaising with each of the areas of the Financial Division.

Training courses are provided on an annual basis for all new heads of financial areas in each country, in order to get them acquainted with the Group's management model, as well as with the internal control over financial reporting system implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used to draw up the financial information.

With regard to specialised training run to employees of the different departments of Financial Division in the year, the following stand out, without limitation:

- Internal Control over Financial Reporting System
- International accounting standards : IFRS 16, IFRS 17
- Tax update per country
- Main issues regarding drafting of the Statement on Non-financial Information
- Course on data science and big data for finances

- Training on ERM: regulatory environment, financial risks, emerging risks
- Tax update
- Advanced Financial Management Program.

Additionally, subsidiaries have in place training schemes regarding the different local accounting regulations.

F.2. Risks assessment in financial reporting

Give information on at least:

F.2.1. The main features of the risk identification process, including error and fraud risks, with respect to:

- **Whether the process exists and is documented**

The risk identification process has been documented in the Procedure for Enterprise Risk Management regarding Financial Reporting. This Procedure seeks to describe the mechanisms for identifying and assessing, on an annual basis, the risks which might lead to material errors in financial reporting.

- **Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations); whether the information is updated and how often.**

The above referred risks management process consists of five stages:

- Gathering financial information.
- Identifying the operation cycles with an impact on financial information.
- Assessment of risks by the reporting unit of financial statements.
- Prioritisation of accounts criticality.
- Checking risks versus operational cycles.

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of ICFR) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritisation of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; and (v) rights and obligations.

Following the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

- **The existence of a process to identify the consolidation perimeter taking into account, *inter alia*, the potential existence of complex corporate structures or special purposes vehicles**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for Incorporating and Financing of Companies.

The Master covers, on the one hand, general corporate information, such as company name, accounting date and currency, and on the other, legal details such as the date of incorporation, share capital, list of shareholders, equity interest, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they might have an impact on financial statements.**

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks.

Potential risks identified through the Scoping Matrix of ICFR are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Division) with the assistance of all areas of the organization involved in the process. The Group may thus consider the impact that the remaining risks may have on financial statements. Such risks are classified as follows: Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems, and Corporate Governance.

- **Which governing body of the company is charged with overseeing the process.**

The entire process is overseen and approved on an annual basis by the Audit and Compliance Committee.

F.3 Control activities

Give information on the main features if at least the following exist:

F.3.1. Procedures to review and authorise financial information and ICFR description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for the different types of transactions which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgment, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, the Audit and Compliance Committee is responsible, *inter alia*, for reviewing the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, verifying at all times compliance with the legal requirements and the appropriate use of generally accepted accounting principles upon drawing up such information.

Likewise, the above referred Regulations provide that the Audit and Compliance Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and release as its annual public documentation.

Meanwhile, the ICFR Area monitors the effective functioning of the ICFR System and appraises the Financial Division and, where appropriate, the Audit and Compliance Committee, of the findings of such monitoring.

The Group relies on mechanisms to review financial information. Each of the organisational structures shall be responsible for reviewing the periodic financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate financial level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Division and the external auditors meet, for the purposes of reviewing and assessing the financial information.

The Audit and Compliance Committee submits this information to the Board of Directors which is ultimately responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps its main business processes with ICRF scope duly documented. Each process is structured in a number of sub-processes, with their relevant flowcharts, that include the proceedings that play a direct or indirect role on financial reporting.

Such processes describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives relating to reliability and integrity of the financial information, identifying the risks which may result in accounting fraud, so as to prevent, detect, reduce and correct the risk of any potential error way in advance. Each ICFR process has its scoping matrix of risks and controls associated, and they are separated between processes carried out at local level and at corporate level for the entire Group.

Design of flowcharts, description of the different processes and sub-processes and identification of risks and controls is carried out with ARIS.

This software application allows keeping the entire documentation relating to the Group's ICFR processes within a single environment, which results in streamlined processes, as flowcharts, narratives and scoping matrices of risk and control are

integrated. All members of the Group involved in ICFR have access to ARIS to view the different processes.

The ICFR system monitoring model is implemented based upon SAP GRC Process Control tool, wherein each control activity is assigned to each supervisor. The effectiveness of these controls is monitored and assessed on a quarterly basis by the ICFR Area.

Additionally, each process is assigned to a supervisor charged with supporting the quarterly monitoring of controls, and defining and keeping updated the ICFR process under their remit.

SAP GRC Process Control is implemented in all subsidiaries within the ICFR scope.

With regard to the consolidation, closing and reporting process, the Financial Division issues the instructions together with the calendar and contents of the financial information to be reported by each of the local financial structures to draw up the consolidated financial statements.

Risks are identified in the matrix of ICFR's consolidation, closing and reporting process, and controls are included relating to relevant opinions, estimates, assessments and projections.

F.3.2 Internal control policies and procedures for information systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information.

The internal control framework of the Group's information systems seeks to set up controls over the main business processes, which are closely related to Information Technologies ("IT").

Based upon the relationship between business processes and associated systems, a review of basic risks is carried out, allowing the company to prioritise and focus on such IT environments which are deemed to be especially relevant.

A number of general controls on applications (IT General Controls or ITGCs) are identified within the Group's ICFR, including:

- Secure access to both applications and data.
- Control on changes in applications.
- Environment segregation.
- Appropriate operation of applications.
- Availability of data and continuity of applications.

The implementation of ITGCs on the applications identified within the ICFR scope is monitored on an annual basis from the ICFR area. As a general rule, the yardstick to identify applications within the ICFR scope is that they support at least a key operating control.

The findings of such monitoring are reported to the Financial Division through the quarterly reports assessing ICFR controls.

Mention should be made of the fact that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of information systems in case of lack of availability.

In 2019, the Information Security Committee has met on a quarterly basis. Such Committee is charged with ensuring the effective and consistent enforcement of best practices regarding information security management across the organization, reducing risks affecting security to the minimum, taking into account the company's business.

The Information Security Committee is composed of:

- The Chief Operating Officer
- The General Counsel and Secretary of the Board
- The Chief IT Officer
- The Chief Information Security Officer
- The Chief Financial Officer
- The Chief Audit Officer, in an advisory capacity

The Information Security Policy has been updated in 2019. This Policy sets forth the principles and guidelines whereby Inditex will protect its information, pursuant to applicable regulations and its ethical values defined in the Code of Conduct and Responsible Practices as well as the provisions of the Regulations of the Information Security Committee and of any other applicable internal regulations.

The achievement of the objectives described in the Policy revolves around the following overarching principles:

- (i) classification of information, in accordance with its value, relevance and criticality for the business;
- (ii) limited use of information systems to lawful and exclusively professional purposes;
- (iii) segregation of duties to avoid risks;
- (iv) setting retention periods by information category, where necessary or convenient;
- (v) setting monitoring procedures to control how information is made available to third parties;
- (vi) security in Information Systems;
- (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and
- (viii) alignment of Information Systems and communications of the Group with the requirements of applicable laws and regulations.

The Information Security Department shall exercise its monitoring duties in an independent manner, and it shall be responsible for implementing the Policy and monitoring compliance therewith, and with all requirements arising from applicable laws, regulations and best practices in the field of Information Security.

F.3.3 Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.

In 2019, certain activities, such as valuation of fixed assets, actuarial calculations, human resources-related services, valuation of derivatives, calculation of discount rates and certain processes of the IT area, were outsourced to third parties, without them having any material impact on financial statements.

Controls on such calculations and valuations made by third parties exist within the ICFR processes, for the purposes of mitigating risks which may have an impact on financial information.

Such services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the experts hired.

F.4. Information and communication

Give information on the main features if at least the following exist:

F.4.1 A specific function in charge of defining and updating accounting policies (accounting policies area or Department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with those in charge of operations within the organisation as well as an updated manual on accounting policies disclosed to the units through which the entity operates.

The External Reporting area, within the Planning and Management Control Department, is responsible for drawing up, publishing, implementing and updating the Group's Manual on Accounting Policies. With regard to the Group's accounting policies, such area is responsible for, *inter alia*:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing doubts and queries arising from the construction of accounting standards.
- Standardizing the accounting practices of the Group.

Such manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The manual is regularly updated. As part of such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drawing up the financial statements.

The manual and the remaining documentation are available on the INET.

F.4.2 Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning ICFR.

The process for consolidation and preparation of consolidated financial statements is centralized, being incumbent on the External Reporting area which reports to the Planning and Management Control Department.

Drawing up the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is supported by SAP BPC tool.

Financial information reported to CNMV is prepared based upon consolidated financial statements gathered through the above referred tool, and upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. The entire process is supported by SAP Disclosure Management tool. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

F.5. Supervision of the system's operation

Give information describing the main features of at least:

F .5.1 ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function charged, inter alia, with supporting the audit committee in the monitoring of the internal system, including ICFR. Likewise, give information on the scope of ICFR assessment carried out during the financial year, and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan providing any potential corrective measures and whether the impact of such measures on the financial information has been considered

ICFR area monitors on a quarterly basis implementation of controls, requesting and reviewing a sample of evidence from the supervisors of each control.

As a result of such monitoring process, improvement areas of each control are identified and they are assigned an action plan to remedy them. Follow up ensues to guarantee they are complied with.

Likewise, the ICFR area issues every quarter a report with the findings of each control, the main action lines followed in the quarter and the incidences identified. This report is submitted to the Financial Division, the heads of financial departments and the Internal Audit Department.

In 2019 and specifically regarding ICFR supervision activities, the Audit and Compliance Committee has carried the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate application of the generally accepted accounting principles upon drafting such information.
- As part of its supervision duties regarding the Internal Audit function, it has approved its annual activities report, as well as its budget and the annual internal audit plan which includes specific audits on ICFR processes, pursuant to a pluri-annual plan set.
- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interest or significant transactions subject to review in the year.
- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Compliance Committee on the degree of enforcement of recommendations resulting from such assignments.
- It has regularly met with other corporate departments of the Inditex Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organisational structure by means of a direct link to the Board of Directors, which ensures full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Compliance Committee.

The area is centrally managed from headquarters and has representatives at such geographic areas where the presence of the Inditex Group so requires. Additionally, it is divided into specialised areas, which allows gathering deep understanding on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Compliance Committee which provides for the human and material resources, both internal and external of the Internal Audit Department.

The mission of the Internal Audit function consists, *inter alia*, of assessing risk exposure and the suitability and effectiveness of controls in respect of risks identified and namely, those related to reliability and integrity of financial and operational information.

Based upon the ICFR Scoping Matrix of Risks, Internal Audit drafts a pluri-annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Compliance Committee for approval every year.

This pluri-annual plan entails conducting ICFR reviews of the significant processes and elements of the Group's financial statements. Review priorities are set based upon the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks. Additionally, annual planning include compliance with the provisions of current internal corporate policies, including the ICFR Policy.

Namely, the following issues are subject to review: the design and effective operation of key transactional controls and general controls on the main software tools involved in financial reporting, as well as the review of the general control environment.

To carry out its activities, Internal Audit uses different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the appropriateness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Division and the Audit and Compliance Committee. Internal Audit follows up on the implementation of such measures which is reported to the Audit and Compliance Committee.

F.5.2 Whether there is a discussion procedure whereby the statutory auditor, (in accordance with the provisions of the NTA), the internal audit function and other experts may disclose to the senior management and to the audit committee or the directors of the company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted Likewise, give information on whether there is an action plan to try and correct or reduce weaknesses observed

Internal Audit regularly discloses to the Financial Division and the Audit and Compliance Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, external auditors regularly meet with the Financial Division and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

In its meetings, the Audit and Compliance Committee considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: "*The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy.*"

To meet the provisions of section 45.5 above referred, any discussions or different views existing are advanced in the meetings of the Audit and Compliance Committee with external auditors. In turn, external auditors report, where appropriate, on the main internal control issues that need to be improved identified as a result of their work. Additionally, Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

Meanwhile, the Audit and Compliance Committee meets with the statutory auditors of the individual and consolidated annual accounts for the purposes of reviewing on the one hand the Group's annual account, and on the other, certain half-yearly periodic financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate enforcement of generally accepted accounting principles upon preparing such information.

In 2019, members of the Internal Audit function have attended all 5 meetings of the Audit and Compliance Committee, whereas external auditors were in attendance in 4.

F.6 Other relevant information

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F.7. Report of the external auditor

F.7.1 Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should provide the reasons therefor.

The Group's Management submits the information on ICFR included in this section F of the Annual Corporate Governance Report for 2019 prepared by the Group's Management, to the external auditors for review.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF INDUSTRIA DE DISEÑO TEXTIL, S.A., FOR THE FISCAL YEAR ENDED ON 31 JANUARY 2020

To the Directors of
Industria de Diseño Textil, S.A.:

As requested by the Board of Directors of Industria de Diseño Textil, S.A. ("the Entity") and in accordance with our proposal-letter of 10 December 2019, we have applied certain procedures to the information relating to the ICFR included in section F) of the accompanying Annual Corporate Governance Report of Industria de Diseño Textil, S.A. for the fiscal year ended on 31 January 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on 31 January 2020 described in the information relating to the ICFR included in the section F) of the accompanying Annual Corporate Governance Report. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 2/2018 of 12 June 2018.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for preparing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit and Compliance Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Compliance Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 2/2018 of 12 June 2018 published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Germán de la Fuente

17 March 2020

G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the extent of compliance by the company with the recommendations of the Good Governance Code of Listed Companies.

If any recommendation is not complied with or complied in part by the Company, a detailed explanation of the reasons should be included, providing shareholders, investors and the market in general with sufficient information to assess the company's course of action. General explanations will not be acceptable.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

Complies Explain

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

- a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;

- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies in part Explain Not applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.

- b) The specific reasons for the company not following a given recommendation of the Good Governance Code and any alternative procedures followed in its stead:

Complies Complies in part Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies x Complies in part Explain

- 5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation. When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.**

Complies x Complies in part Explain

- 6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**

- a) Report on auditor independence.**
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.**
- c) Audit committee report on related-party transactions.**
- d) Report on corporate social responsibility policy.**

Complies x Complies in part Explain

- 7. The company should broadcast its general meetings live on the corporate website.**

Complies x Explain

- 8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content:**

Complies x Complies in part Explain

- 9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies x Complies in part Explain

- 10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

- a) Immediately circulate the supplementary items and new proposals.**

- b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**
- c) **Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**
- d) **After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

Complies x Complies in part Explain Not applicable

- 11. Where a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Complies Complies in part Explain Not applicable x

- 12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.**

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies x Complies in part Explain

- 13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.**

Complies x Explain

- 14. The board of directors should approve a director selection policy that:**

- a) **Is specific and ascertainable.**
- b) **Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs.**
- c) **Favours a diversity of knowledge, experience and gender.**

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and reelection of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies x Complies in part Explain

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies x Complies in part Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies x Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies x Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Complies x Complies in part Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies Complies in part Explain Not applicable x

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies x Complies in part Explain Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies x Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies x Complies in part Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies Complies in part Explain Not applicable x

24. Directors who give up their office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Complies Complies in part Explain Not applicable x

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complies x Complies in part Explain

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies Complies in part x Explain

The Board of Directors meets according to the schedule of dates and agendas previously set, to which each director may propose the addition of initially unscheduled items. Even though the Board of Directors held 5 meetings in 2019, the prior arrangement of such meetings, as shown in the schedule of dates and agenda of business to be transacted approved at the start of the year, and the reasonable size of the Board which enables a fluid communication with its members aside its formal meetings, ensure an appropriate, smooth and planned course of its activities.

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies x Complies in part Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests. .

Complies x Complies in part Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies x Complies in part Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies x Complies in part Explain

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies x Complies in part Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies x Complies in part Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies x Complies in part Explain

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan. .

Complies x Complies in part Explain Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies x Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report. .

Complies x Complies in part Explain

37 When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies x Complies in part Explain Not applicable

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes. .

Complies x Complies in part Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies x Complies in part Explain Not applicable

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report

functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies x Complies in part Explain Not applicable

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies x Complies in part Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, reelection and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programme, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies x Complies in part Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer. .

Complies x Complies in part Explain

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies Complies in part Explain Not applicable x

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Complies x Complies in part Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies x Complies in part Explain

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and

experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies x Complies in part Explain

48. Large cap companies should operate separately constituted nomination and remuneration committees..

Complies x Complies in part Explain

49. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies x Complies in part Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.**
- b) Monitor compliance with the remuneration policy set by the company.**
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement. .**

Complies x Complies in part Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officer. .

Complies x Complies in part Explain

52. The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**

- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies x Complies in part Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies x Complies in part Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies x Complies in part Explain

- 55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Complies x Complies in part Explain

- 56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.**

Complies x Explain

- 57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long term savings schemes such as pension plans should be confined to executive directors.**

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies x Complies in part Explain

- 58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind. In particular, variable remuneration items should meet the following conditions:**

- a) **Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) **Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**
- c) **Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Complies x Complies in part Explain Not applicable

- 59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Complies x Complies in part Explain Not applicable

- 60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Complies x Complies in part Explain Not applicable

- 61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Complies x Complies in part Explain Not applicable

- 62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies x Complies in part Explain Not applicable

- 63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.**

Complies x Complies in part Explain Not applicable

- 64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

H OTHER INFORMATION OF INTEREST

1. **If there is any other relevant aspect as regards corporate governance in the company or in group entities that has not been covered in this Report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly**
2. **In this section, any other information, clarification or nuance may be included that is related to the previous sections of the report, to the extent that they are relevant and not reiterative.**

In particular, state if the company is subject to different legislation than the Spanish legislation in corporate governance matters and, where appropriate, include the information that the company is obligated to provide which is different to that required in this report.

3. **The company may also state if it has voluntarily signed up to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. Namely mention should be made if the Company has signed up to the Code of Good Tax Practices of 20 July 2010.**

Codes and global commitments willingly undertaken by INDITEX are:

- UNI GLOBAL UNION (www.uniglobalunion.org). It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.
- The United Nations Global Compact (www.globalcompact.org). A United Nations initiative that encourages social dialogue between companies and the civil society. Date of endorsement: 31 October 2001.
- Ethical Trading Initiative (ETI) (www.ethicaltrade.org). A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organisations. Date of endorsement: 17 October 2005.
- Framework Agreement with IndustriALL Global Union (formerly, ITGLWF) (www.industriall-union.org). To promote fundamental human and social rights within Inditex's supply chain, including the definition of mechanisms of joint action within the supply chain to implement the Code of Conduct for Manufacturers and Suppliers. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to define the involvement of trade unions in the reinforcement of the International Framework Agreement within Inditex's supply chain." On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL, that introduces the concept of "union experts" to enforce the Global Framework Agreement. On 13 November 2019 the Global Framework Agreement was renewed, with both parties agreeing to set up a Global Union Committee on which worker

representatives from each of the Inditex Group's key areas of production will sit.

- Zero Discharge of Hazardous Chemicals in 2020. Commitment towards restriction and elimination of certain chemicals in the product manufacturing process. Date of execution: 27 November 2012.
- ILO's Better Work Programme (www.betterwork.org). Platform to improve compliance with labour regulations and competitiveness of global supply chains Date of endorsement: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific partnership agreement whereby Inditex became a direct buyer partner of the Better Work programme.
- The CEO Water Mandate (www.ceowatermandate.org). A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.
- Sustainable Apparel Coalition (www.apparelcoalition.org). An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.
- Textile Exchange (www.textileexchange.org). A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.
- Better Cotton Initiative (www.bettercotton.org). An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.
- Code of Good Tax Practices. It encourages a mutually cooperative relationship between the ^[Spanish] Tax Administration Authority and the companies. Sign up date: 21 September 2010.
- Cooperation Agreement between the Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defense and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.
- Cotton Campaign: this is an initiative led by companies and organisations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of endorsement: 25 October 2012.
- Agreement on Buildings Safety in the Textile Industry in Bangladesh executed on 13 May 2013 and renewed in June 2018. (www.bangladeshacord.org). This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country.

- Fur Free Alliance (www.infurformation.com). Inditex is a member of the Fur Free Retailer Program of the Fur Free Alliance. The Fur Free Alliance is an international coalition of animal protection organisations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.
- ACT (Action Collaboration Transformation): an initiative of international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. In development thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of execution: 13 March 2015.
- CanopyStyle Initiative. Date of endorsement: 2014. Committed to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibers (viscose, modal, Lyocell).
- Organic Cotton Accelerator (OCA Foundation). One of the founding partners of OCA Foundation in 2016 and member of the Investment Committee, being actively committed to contributing to develop a responsible and healthy market of organic cotton for all parties involved.
- International Labour Organisation (ILO). Execution of a global Public-Private Partnership aimed at promoting respect for the fundamental principles and rights at work in the cotton sector. Date of execution: 11 May 2017.
- Fashion Industry Charter for Climate Change. The Fashion Industry Charter was subscribed with the UN Climate Change. Aligned with the goals of the Paris Agreement, the Charter has set an initial target of 30% GHG emission reductions by 2030. Date of execution: 28 November 2018.
- New Plastics Economy. Commitment undertaken with the Ellen MacArthur Foundation to establish a circular economy for plastic and prevent that it becomes waste, on account of not being reused or recycled. Date of execution: 18 October 2018
- Better Than Cash Alliance. Based in the UN, this is an alliance of governments, companies and large international organisations that seek to globally promote the transition from cash to digital payments. Inditex is focused on achieving digitalisation and financial education across its supply chain. Inditex became a member in November 2018.
- Sustainable Fibre Alliance (SFA). Non-profit international organisation that works with the extended cashmere supply chain, from herders to retailers. Its goal is to promote a global sustainability standard for cashmere production in order to preserve and restore grasslands, ensure animal welfare and secure livelihoods. Year of membership: 2019.
- Fashion Pact (<https://thefashionpact.org>), Global coalition of companies in the fashion industry committed to key specific common goals to meet the challenges that the industry faces to stop climate change, preserve

the oceans and restore biodiversity. The Pact was signed on 23 August 2019.

- Global Fashion Agenda (<https://globalfashionagenda.com>). It encourages a number of commitments towards circular economy in 2020 known as GFA 2020 Commitment. Inditex has been a signatory since 11 May 2017.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting of 17 March 2020.

State whether any Directors voted against or abstained in connection with the approval of this Report.

Yes

No x

| Name (person or company) of the director who has not voted for the approval of this Report | Grounds (against, abstention, not in attendance) | Explain the reasons |
|---|---|----------------------------|
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