

**INDITEX**

**AUDIT AND CONTROL COMMITTEE  
OF  
INDUSTRIA DE DISEÑO TEXTIL, S.A.**

**ACTIVITIES REPORT  
FY 2005**



## Preliminary

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, INDITEX), in line with the changes introduced by Act 44/2002, of 22 November, on Measures for the Reform of the Financial System (“Financial Act”) regarding the regulation of corporate governance of listed companies, and with the last trends on the subject, highlighted in the Report by the Special Commission to Foster Transparency and Security in the Markets and in Listed Companies (“The Aldama Report”), resolved in its meetings held on 20 March 2003 and 10 June 2004 to amend several rules on corporate governance of the company, amongst them the Board of Directors’ Regulations.

Amongst said amendments, those aimed at enhancing the tasks of the Audit and Control Committee, either by extending the existing functions, or by adding new ones, shall be stressed, being among those latter, the duty of drawing up an annual report of its activities.

This document drawn up by the Audit and Control Committee of INDITEX, in the session held on 22 May 2006 is the third annual activities report prepared in compliance with the provisions of article 14.2 (n) currently in force of the Board of Directors’ Regulations of the Company.

## **The Audit and Control Committee of Inditex: origin and evolution, regulations and composition**

### **Origin and evolution**

The Board of Directors of INDITEX, in the meeting held on 20 July 2000, approved the Board of Directors' Regulations, under the provisions of article 29.3 of the Articles of Association and in order to adjust to the guidelines of the report drawn up by the Special Commission for the study of an Ethics Code for corporate governance (the "Olivencia Code").

Article 14 of said Regulations established the Audit and Control Committee (first known as Audit and Compliance Committee), with powers similar to those which were later acknowledged by law, since Act 24/1988, of 28 July, governing the Stock Exchange (LMV) incorporated them, as amended by the Financial Act in November 2002.

Subsequently, in its meeting of 20 March 2003, the Board of Directors resolved:

- 1) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, through a new wording of article 30, in order to include the regulation of the Audit and Control Committee.

- 2) To approve the amendment to the Board of Directors' Regulations, in order to enhance the functions of the Audit and Control Committee, with the assumption of new tasks and the extension of those already existing.

Thus, the Additional Provision introduced on the Stock Exchange Law by the Financial Act, according to which those issuing companies whose shares were admitted to trading on secondary official securities markets should have an Audit Committee, was enforced, as were the last trends concerning corporate governance issues of listed companies established by the Aldama Report, laying with the Articles of Association the task of fixing the number of members, the powers of the Committee and the rules governing its operation.

Subsequently, it was resolved by the Board of Directors in its meeting held on 10 June 2004, to approve a new Revised Text of the Board of Directors' Regulations, which would include the provisions of Act 26/2003 of 17 July, amending the Stock Exchange Act and the Revised Text of the Spanish Corporation Act in order to foster transparency in listed companies ("the Transparency Act") and its bylaws. With this new amendment the Audit and Control Committee was enhanced with the inclusion of a new duty.

## Regulations

Article 31 of the Articles of Association currently in force provides as follows:

*Article 31.- Audit and Control Committee.*

1.- *An Audit and Control Committee shall be formed within the Board of Directors made up of a minimum of three and a maximum of five directors who must necessarily be independent directors.*

*To this end, independent directors are understood as those professionals of repute not linked to the executive team or the significant shareholders and that meet the requirements that ensure their impartiality and objectivity of opinion.*

2.- *The Chairman of the Audit and Control Committee shall be elected for a maximum period of four years, upon expiry of which he shall be replaced. However, a year after the date of expiry, he may be re-elected.*

3.- *Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Audit and Control Committee shall perform the following duties:*

a) *To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.*

b) *To propose to the Board of Directors, in order to be submitted to the General Shareholders' Meeting, the appointment of the external auditors that must review the annual accounts*

c) *To supervise the internal audit services.*

d) *To know the financial information process and the internal control systems of the Company*



e) *To liaise with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards.*

4.- *The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions*

5.- *The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance at its meetings of the Auditors of the Accounts.*

6.- *The Audit and Control Committee may develop and complete in its Regulations the aforementioned rules, in accordance with the provisions of the Articles of Association and with the Law.*

Meanwhile, article 14 of the Board of Directors' Regulations, in the wording approved by the Board in the meeting held on 10<sup>th</sup> June 2004, sets forth as follows:

*Article 14. The Audit and Control Committee*

1. *The Audit and Control Committee shall be made up of a number of directors being no less than three and no greater than five, who shall necessarily be independent directors. The Chairman of the*



*Committee shall be elected for a maximum period of four years. He may be re-elected a year after expiry of said maximum period*

2. *Without prejudice to other tasks it is assigned by the Board, the Audit and Control Committee shall have the following basic responsibilities, which are:*
  - a) *To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.*
  - b) *To propose to the Board of Directors, in order to be studied by the General Shareholders' Meeting, the appointment of the auditors. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;*
  - c) *To liaise with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards.*
  - d) *To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor's report to be drawn up in a clear and precise manner and to evaluate the results of each audit process;*
  - e) *To supervise the terms and the observance of the contracts entered into with the external auditors of the Company for the performance of works or tasks other than those included in the audit contract.*
  - f) *To supervise the Internal Audit Department of the Company and its Group, approving the budget of the Department, the Plan of Internal Audit, and supervising the material and human resources, whether*

*internal or external, of the Internal Audit Department for the performance of their work. To report on the appointment of the Internal Audit Department Director prior to the corresponding report from the Nomination and Remuneration Committee.*

- g) To supervise the process of financial information and the internal control systems of the Company, and to check the suitability and integrity of the same.*
- h) To review the Company's annual accounts and the periodic financial information that the Board must provide to the markets and to the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles*
- i) To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.*
- j) To examine compliance with the Internal Regulations of Conduct Regarding Transactions in Securities, with these Regulations, with the Code of Conduct and, in general, with the rules of governance of the Company and to make the necessary proposals for their improvement.*
- k) To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management team of the Company.*
- l) To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Code of Conduct and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.*
- m) To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.*

- n) *To draw up an annual report on the activities carried out by the Audit and Control Committee itself.*
  - o) *To supervise the functioning of the Company's web page regarding the provision of information on corporate governance as referred to under article 40.*
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- 3. *The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions*
  - 4. *The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of its meetings by the Auditors of the Accounts.*
  - 5. *For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts, to which purpose the provisions of article 25 27 of these Regulations shall apply.*

## **Composition**

The Executive Committee of INDITEX, S.A., in the meeting held on 27 October 2000, appointed the members of the Audit and Control Committee, resolving thus its initial composition

Said initial composition was ahead of the provisions subsequently included in the Stock Exchange Act, regarding the requirements that the Committee be formed by a majority of non-executive directors, and that the Chairman be elected amongst said non-executive directors.

Nevertheless, the amendments to the Board of Directors' Regulations that the Board resolved in its meeting of 20 March 2003 were beyond both the provisions of the Law then in force and the recommendations of the Aldama Report, since the requirement that all members of the Audit and Control Committee should be independent directors was made an internal regulation. This resolution entailed the necessary modification to the composition of the Committee.

To meet this requirement, the only executive director of the Audit and Control Committee tendered his resignation as a member thereof, and another independent director was appointed as member of this Committee, prior report of the Nomination and Remuneration Committee.

On 9 June 2005, it was resolved by the Board of Directors of the company, prior report of the Nomination and Remuneration Committee, to extend the number of members of the Audit and Control Committee to five with the election of independent director Mr. José Luis Vázquez Mariño as new member of the Audit and Control Committee.

As a result of said amendment, the current composition of the Audit and Control Committee of INDITEX is shown below:

Chairman:	Mr. Francisco Luzón López
Members:	Ms. Irene Ruth Miller
	Mr. Carlos Espinosa de los Monteros y Bernaldo de Quirós
	Mr. Juan Manuel Urgoiti López de Ocaña
	Mr. José Luis Vázquez Mariño
Secretary (non member):	Mr. Antonio Abril Abadín

A brief description of the profile of each of the members of the Audit and Control Committee is given below:

Mr. Francisco Luzón López (58): An independent director since February 1997. He is a graduate in Business Studies and Economics from the University of Bilbao, and has been a lecturer at the University of Deusto (Bilbao). He joined the Banco de Vizcaya in 1972, gaining wide experience in that Group in different Units and functions, becoming General Manager and Board member in 1986. In 1988 and after its merger with the Banco de Bilbao, he went on to become a member of the Board of Directors of the Banco Bilbao Vizcaya. At the end of the same year, he was appointed President of the Banco Exterior de España, office which he held from 1988 to 1996. In 1991 he was the impulse behind the creation of the new Grupo Bancario Argentaria of which he was the founder and was Chairman until 1996. After that year, he joined the Banco Santander Central Hispano as Director-General Manager, Deputy to the Chairman and in charge of Strategy, Communication and Institutional Relations. At the present time, he is responsible for the area of Latin America for the aforementioned financial institution. He is the world Deputy Chairman of Universia and Chairman of the Social Board at the University of Castilla-La Mancha.

Ms. Irene Ruth Miller (53): An independent member of the Board since April 2001. She is a graduate of the University of Toronto with a Bachelor in Science and of Cornell University with a Master of Science in chemistry. She began her career at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble, Inc. as Senior Vice President of Corporate Finance and in 1993, in advance of its flotation, became Chief Financial Officer. In 1995, she was appointed director and Vice-Chairman of the Board of Directors of Barnes & Noble. At the present time, she is the CEO of Akim, Inc., an American investment and consulting firm, which she joined in 1997. She is also a member of the Boards of Directors of Coach Inc., (where she is *lead director*), Barnes & Noble, Inc. and TD Bank Financial Group. She previously served on the Boards of Oakley Inc., Benckiser N.V. and The Body Shop International Plc.

Mr. Carlos Espinosa de los Monteros y Bernaldo de Quirós (61): An independent director since May 1997 and Second Deputy Chairman since September 2005. A graduate in Law and Business Studies from ICADE, he is a Commercial Expert and State Economist and holds an MBA from Northwestern University. He has been the Deputy Chairman of the *Instituto Nacional de Industria*, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the *Circulo de Empresarios*, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he is the Chairman of the Board of Directors of Daimler Chrysler España, of *Fraternidad – Muprespa* and Board member of Acciona, S.A.

Mr. Juan Manuel Urgoiti López de Ocaña (66): He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the Banco de Vizcaya in 1962. After holding various executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the Banco Bilbao he was appointed CEO of the Banco Bilbao Vizcaya. He has been President of Ahorrobank, *Banco de Crédito Canario*, *Banco Occidental*, *Instituto de Biología y Sueroterapia* and *Laboratorios Delagrangue* and Board member of *Antibióticos*, S.A. At the present time he is the Chairman of the Banco Gallego, Deputy Chairman of Acciona, S.A., member of the Board of Necso, S.A., and member of the European Advisory Board of Citigroup. He is Chairman of the Board of Trustees of the Reina Sofia National Museum and Art Centre and a member of the Board of Trustees of the Prado Museum. He is President of the

private foundation *Fundación José Antonio de Castro* and is a member of other foundations and institutions. He holds the *Gran Cruz de Mérito Civil* and has been awarded the honour of Commander of the Order of the British Empire. (C.B.E.).

Mr. José Luis Vázquez Mariño (61) : An independent Director since March 2005. A Commerce professor, he holds a B.Sc in Economic and Business Studies and is a certified public accountant. He has spent his professional career at Arthur Andersen where he was in charge of the Financial and Human Resources divisions worldwide and was made Area Managing Partner for Latin America. AT the present time, he is member of the Boards of Directors of Banco Pastor and La Voz de Galicia, S.A.

At the present time, the Audit and Control Committee is comprised of independent directors exclusively.

## **Activities of the Audit and Control Committee**

### **Sessions held and business discussed**

The sessions held by the Audit and Control Committee throughout FY2005 and the main business discussed are shown below:

<b>DATE OF SESSION</b>	<b>AGENDA</b>
03/29/2005	- Annual accounts of the company for FY2004

	<ul style="list-style-type: none"> <li>- Periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.</li> <li>- Meeting with the external auditors of the company.</li> <li>- Corporate Social Responsibility</li> <li>- External Audit</li> <li>- Report on the Corporate Governance situation</li> <li>- Annual Report of the Audit and Control Committee for FY2003</li> <li>- Quarterly Report (November 2004 – January 2005) of the Code Compliance Office (CCO)</li> <li>- Semi-annual Report (August 2004 – January 2005) of the Code Compliance Supervisory Board (CCSB)</li> </ul>
05/05/2005	<ul style="list-style-type: none"> <li>-Internal Audit-External Audit Coordination</li> <li>- External Audit Proposal for FY2005</li> <li>-Internal Audit Department. Resources and Needs</li> <li>-Next assignments of Internal Audits</li> <li>-Proposed amendment to the internal regulations of the company regarding Corporate Governance issues</li> </ul>
06/08/2005	<ul style="list-style-type: none"> <li>- Periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.</li> <li>- Annual Corporate Governance Report for FY2004</li> <li>- Tripe Report: on financial, social and environmental issues</li> <li>-Proposed re-election of Auditors</li> <li>-Internal Audit: Areas of its remit-Projects of the Administration and Commercial areas, regarding data management.</li> <li>-Quarterly report (February-April 2005) of the Code Compliance Office (CCO)</li> </ul>
09/19/2005	<ul style="list-style-type: none"> <li>- Periodic financial information that the Board of Directors must provide to the market and to the supervisory bodies.</li> <li>- Report on the proposal to appoint Mr. Carlos Crespo González as Director of the Internal Audit Department (art. 14.2, paragraph (f), of the Board of Directors’ Regulations).</li> <li>- Quarterly report (May – July 2005) of the CCO.</li> <li>- Half-yearly report (February – July 2005) of the CCSB.</li> </ul>
11/18/2005	<ul style="list-style-type: none"> <li>- Internal Audit Strategic Lines for 2006</li> <li>- Audit Plan 2006: Methodology applied, Proposed assignments and Coordination External Audit.</li> </ul>
12/12/2005	<ul style="list-style-type: none"> <li>- Periodic financial information that the Board of Directors must provide to the market and to the supervisory</li> </ul>

bodies. - Proposal regarding the Internal Audit Regulations. - Internal Audit Plan 2006: schedule of presentations to be made by Internal Audit to the Committee in 2006.
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### Lines of action

As for the lines of action of the Audit and Control Committee during FY 2005, they have revolved around the following aspects:

#### **Periodic financial information, annual accounts and auditors' report**

The Audit and Control Committee reviews the economical and financial information of INDITEX, S.A. prior to the approval thereof by the Board of Directors.

To this end, prior to the drafting of the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Management of the Company to review the application of the accounting principles, estimations considered while preparing the financial statements, etc.,

Likewise, the Committee, fully comprised of external independent directors, meets with the external auditors without the Managers of the company being present, in order to review the annual accounts of the company and the periodic financial information, monitoring that the legal requirements are met and that the accounting standards generally accepted are correctly applied.



The review of the quarterly information ensures its consistency with the annual information, thus preventing any debates or difference of opinion that might exist between the management and the external auditors, to help the Board of Directors take the appropriate measures to avoid qualified audits

In its meetings held on 29 March, 8 June, 19 September and 12 December, the Audit and Control Committee proceeded to review thoroughly the results for FY2004 and for the first three quarters of FY 2005, that the Board of Directors must provide quarterly to the market and to its supervisory bodies, in accordance with the format of the Public Periodic Information (“PPI”), and the pertaining Results Release and Press Release.

Likewise, the individual and consolidated Annual Accounts, the Management Report and the Auditors’ Report for FY 2004 were reviewed, it being verified by the Committee that the latter was unqualified.

### **Efficiency and independence of the Auditors**

With the attendance of the session held on 29 March 2005 by the Auditors of the Group, who had been previously called to this end, the Audit and Control Committee analysed the audit carried out during FY 2004.

First of all, three areas were distinguished in the performance of the Auditors’ work: the quarterly reviews of the most prominent companies within the INDITEX Group, the audit of the

consolidated financial statements of the Group as at 31 January 2005 and the audit of the individual financial statements of certain companies within the Group also as at 31 January 2005.

Then, they reviewed the major issues subject to a special analysis, pointing out different areas: international, national, accounting issues and other topics of less significance.

### **Internal Audit**

Both the Director and the rest of members of the Internal Audit Department, the Chief Executive Officer and the external auditors attended the meetings of the Audit and Control Committee held throughout 2005 and took the floor, since the internal audit was one of the key lines of action of the Committee during this fiscal year.

In the various meetings it held, the Committee went through several areas of its remit, among which are those set out below:

### **Internal Audit Regulations**

The Internal Audit Department submitted to the Audit and Control Committee the Internal Audit Regulations, which were subsequently approved by the Board of Directors.



This document aims to develop the Internal Audit Charter of the Inditex Group, the basic standard that provides guidelines for the Internal Audit activities of the Group, which was approved by the Board of Directors in its session held on 13 December 2004, and defines the purpose, authority and responsibilities of the Internal Audit Department, in line with the provisions on this issue of the Articles of Association and the Board of Directors' Regulations.

With this respect, the Regulations develop, from an operation perspective, the following aspects of the Internal Audit function provided in the Charter:

- Position within the Organization.
- Authority: access to files, people and information
- Scope of performance: duties and responsibilities.
- Relationships framework:
  - With the Audit and Control Committee.
  - With the Organization.
  - With Third Parties: relationship with External Audit and with other third parties

#### Internal Audit Plan 2006

Likewise, the activities to be carried out in this field in FY2006 were defined and the monitoring to be made of the recommendations of the Internal Audit Department was specified.

## **Annual Report on Corporate Governance**

The Audit and Control Committee in its session of 8 June 2005 gave a favourable report to the Annual Corporate Governance Report for FY 2004, drawn up as regards its format, contents and structure, pursuant to the provisions of the Circular 1/2004, of 17 March, and it was resolved by the Committee to submit it to the Board of Directors for approval and to recommend the dissemination thereof through those means set forth in the prevailing legislation and regulations in force.

### **“Triple Report”: financial, social and environmental**

The Committee gave a favourable report to the Sustainability Report also known as “Triple Report” for the year 2004, a document published for the third time, drawn up taking into account the guidelines, in the 2002 version, of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) and following the principles thereof.

The Sustainability Report contains a complete information on the activities INDITEX, S.A. and its corporate group in the last years and especially in fiscal 2004, regarding the three dimensions or areas of the Group: financial, social and environmental.

## **Corporate Social Responsibility**

The CSR Director explained to the Committee the proposal of a Manual of Hazardous substances, based on the need to ensure that the garments and accessories manufactured by INDITEX do not include any substance that might jeopardize the health or the safety of the customers; to achieve a gradual commitment of the suppliers to enforce said Manual of Hazardous Substances was proposed.

## **Annual Report of the Audit and Control Committee**

The Committee drew up its second Activities Report showing the activities carried out by this body from its establishment until the close of FY 2004



## **Other lines of action**

- Review of the quarterly reports drawn up by the Code Compliance Office on the incidences occurred regarding the compliance with the Internal Regulations of Conduct Regarding Transactions in Securities (IRC), pursuant to the provisions of article 10.2.4 thereof.
- Review of the half-yearly reports drawn up by the Audit and Control Committee on the measures taken to promote the knowledge and guarantee the enforcement of the provisions of the IRC, in accordance with the provisions of article 10.1.4 thereof.

## **Main relationships of the Audit and Control Committee**

### With the Annual General Meeting of Shareholders

The Chairman of the Audit and Control Committee reports to the Annual General Meeting on those questions therein raised by the shareholders with regard to matters within its competence, pursuant to the provisions of the Law, the Articles of Association and of the Board of Directors' Regulations.

### With the Board of Directors

At the beginning of each session of the Board of Directors, the Chairman of the Audit and Control Committee informs of the main business transacted in the last meeting of the Committee.

### With the CEO and the Senior Management

The Committee encourages the appearance in its sessions of the CEO and of the senior managers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent, so that the Audit and Control Committee may have a direct knowledge of the situation of business.

To stress the independence of the Audit and Control Committee with regard to the management of the Company and of the Group, all members of the Committee are independent directors.

#### With the General Counsel's Office

The General Counsel and Secretary of the Board, in his capacity as Code Compliance Officer also, periodically informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, on the degree of enforcement of the rules of the company on corporate governance.

#### With the Internal Audit Department

The Internal Audit is a centralized function included in the current organizational structure by means of a direct link to the Board of Directors to which it is functionally subordinated through the Audit and Control Committee.

The Director of the Internal Audit Department is responsible for the Internal Audit function.

The Director of the Internal Audit Department regularly reports to the Committee, which is the main recipient of the results achieved by the Internal Audit function, in the assignments performed in the various fields of the auditing activity.

Meanwhile, the Audit and Control Committee supervises the Internal Audit Department, approving its budget, the Internal Audit Plan and the resources of the Department to carry out its tasks as well as the contents of its acts.

#### With external auditors

The relationship of the Board of Directors of the Company and the external auditors of the Group is channelled through the Audit and Control Committee.

The external auditors attend the four meetings of the Committee where the Periodic Financial Information that the Board of Directors must approve and provide on a quarterly basis is reviewed.

In addition to this, the Committee proposes to the Board of Directors the appointment of the external auditors, the terms for their hiring, the scope of their professional mandate and their revocation or non renewal; it liaises with them; it supervises the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of those contracts entered into with the auditors for the performance of assignments other than those covered by the audit contract.

All of the foregoing is in accordance with the provisions of article 14 of the Board of Directors' Regulations.