

**INDITEX**

**NOMINATION AND REMUNERATION COMMITTEE  
OF  
INDUSTRIA DE DISEÑO TEXTIL, S.A.**

**ACTIVITIES REPORT  
FY 2008**



## **Preliminary**

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, INDITEX) has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and, where appropriate, the regulations approved on this matter. Amongst said adjustments and amendments are those affecting the Board of Directors' Regulations, out of which those aimed at enhancing the tasks of the Nomination and Remuneration Committee, either by extending its duties or by allocating new ones thereto, shall be stressed.

This document drawn up by the Nomination and Remuneration Committee in the session held on 8 June 2009, is the fourth annual activities report prepared by said body.

## **The Nomination and Remuneration 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 15 of said Regulations established the Nomination and Remuneration Committee, entrusting it with the relevant duties pursuant to the above mentioned Olivencia Code.

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 32, in order to include the regulation of the Nomination and Remuneration Committee.

- 2) To approve the amendment of the Board of Directors' Regulations, clarifying and harmonising some of the duties of the Committee.

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, whereby the duties of the Nomination and Remuneration Committee were once again enhanced, with the inclusion of a new task, regarding the need for the Committee to give a report on the employment agreements of the personnel that include guarantee clauses or severance agreements, before they are subscribed.

Finally, the Board of Directors in its meeting held on 11 December 2007 approved a new Revised Text of the Board of Directors' Regulations in order to adjust the contents thereof to the Recommendations of the Unified Code. Further to this amendment, the duties of the Nomination and Remuneration Committee are enhanced as it assumes the Recommendations provided by the Unified Code on this issue.



## **Regulations**

Article 32 of the Articles of Association currently in force provides as follows:

*Article 32.- **Nomination and Remuneration Committee***

- 1.- *A Nomination and Remuneration Committee shall be formed within the Board of Directors, made up of a minimum number of three directors and a maximum of five who must necessarily be independent directors.*

*To this end, independent directors are understood as those that meet the requirements referred to under the second paragraph of article 31.1*

- 2.- *The Chairman of the Nomination and Remuneration Committee shall be appointed by the Board of Directors from among its members.*

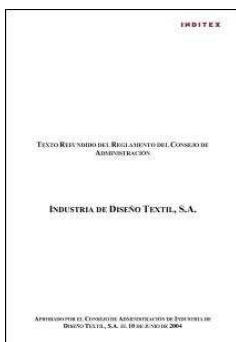
- 3.- *Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Nomination and Remuneration Committee shall have at least the following basic responsibilities:*

- (a) *To report on the proposals to appoint directors prior to their appointment by the General Meeting of Shareholders or, where appropriate, by the Board of Directors through the co-option procedure.*
- (b) *To report on the appointment of the internal offices (Chairman, Deputy Chairman(s), CEO, Secretary and Deputy Secretary) of the Board of Directors.*
- (c) *To propose to the Board the members that must form part of each one of the Committees.*

- (d) *To draw up and review the criteria that must be followed for the selection of the senior management of the Company and to report on the appointment or removal of the managers reporting directly to the Board of Directors, including the CEO.*
  - (e) *To report annually to the Board on the assessment of the performance of the senior management of the Company, especially of the CEO and his remuneration.*
  - (f) *To report on the systems and on the amount of the annual remuneration of directors and senior management and to prepare the information to be included in the annual public information regarding the remuneration of the directors.*
- 4.-** *The Nomination and Remuneration Committee shall meet, ordinarily, once a year, in order to prepare the information on the remunerations of the Directors, that the Board of Directors must approve and include in the public annual documents. Moreover, it shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever it is thought fit for the successful performance of its functions.*
- 5.-** *The request for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, Directors, senior management or the shareholders of the Company.*

*The Board of Directors may develop and complete the above-referred rules in its Regulations, pursuant to the provisions of the Articles of Association and of the Law.*

Meanwhile, article 15 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 15. The Nomination and Remuneration Committee.**

- 1.- *The Nomination and Remuneration Committee shall be made up of a number of directors being no less than three nor greater than five, and shall be made up necessarily of independent directors. Its Chairman shall be chosen among its members.*
- 2.- *Without prejudice to other tasks that are assigned to it by the Board and to the remaining duties reserved to it by these Regulations, the Nomination and Remuneration Committee shall have the following basic responsibilities, which are:*
  - (a) *To draw up and check the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates.*
  - (b) *To advise on the proposals for nominations of directors and, in case of independent directors, to submit said proposals to the Board of Directors for approval, prior to the nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors for the co-optation procedure.*

- (c) *To advise on the nomination of the internal offices of (Chairman, Deputy Chairman, CEO, Secretary and Vice-Secretary) of the Board of Directors.*
- (d) *To propose to the Board the members that must form part of each one of the Committees.*
- (e) *To advise on the appointment and dismissal of senior managers as proposed by the chief executive to the Board of Directors.*
- (f) *To annually advise the Board on the evaluation of the performance of the chief executive of the Company, and also of the Nomination and Remuneration Committee itself.*
- (g) *To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company.*
- (h) *To report to the Board, before it holds its meeting, on those contracts of the personnel that include golden-parachute clauses, for those cases that imply dismissal or changes in control.*
- (i) *To advise in relation to the transactions that involve or may involve conflicts of interest, the transactions with related persons or those transactions that imply the use of corporate assets and, in general, about the matters included in Chapter IX of these Regulations.*
- (j) *To draw up and keep up to date a contingency plan to fill in the vacancies of key positions within the Company and its Group.*
- (k) *To ensure that when filling up any new vacancies and when appointing new Directors the recruitment process should conform to the prohibition of any manner of discrimination.*

- (l) *To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements.*
  
- 3.-** *Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, the members of the Board, management or the shareholders of the Company.*
  
- 4.-.** *The Nomination and Remuneration Committee shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors' remuneration that the Board has to approve and to include in its annual public documentation.*
  
- 5.-** *The Nomination and Remuneration Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal.*

## Composition

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

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 recommendations of the Aldama Report, then applicable and of the current Unified Code – which recommends that the Committee should be comprised of non executive directors exclusively and that the Chairman thereof should be an independent director–, since the requirement that all members of the Nomination and Remuneration 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 Nomination and Remuneration 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.

The current composition of the Nomination and Remuneration Committee of INDITEX is shown below:

**Chairman:** Mr Carlos Espinosa de los Monteros y Bernaldo de Quirós

<b>Ordinary: Members</b>	Ms Irene Ruth Miller Mr Francisco Luzón López Mr Juan Manuel Urgoiti López de Ocaña Mr José Luis Vázquez Mariño
<b>Secretary (non member):</b>	Mr Antonio Abril Abadín

A brief résumé of each member of the Nomination and Remuneration Committee is provided in section B.1.3 of the Annual Corporate Governance Report, which is part of this Annual Report 2008.

At present and pursuant to the provisions of article 14.1 of the Board of Directors' Regulations, all members of the Nomination and Remuneration Committee are independent directors.

## **Activities of the Nomination and Remuneration Committee**

### **Sessions held and business transacted**

The sessions held by the Nomination and Remuneration Committee throughout FY2008 and the main business transacted are shown below:

DATE OF SESSION	AGENDA
03/27/2008	<ul style="list-style-type: none"> <li>- Information on a new appointment within the company.</li> <li>- Report of the Human Resources department.</li> </ul>
06/09/2008	<ul style="list-style-type: none"> <li>- Report on the re-election of one Director.</li> <li>- Report on the remuneration policy of the Board of Directors.</li> <li>- Annual Activities Report of the Nomination and Remuneration Committee</li> </ul>
09/15/2008	<ul style="list-style-type: none"> <li>- Methodology for the assessment of the performance of the Board of Directors, the Supervision and Control Committees, and the chief executive</li> <li>- Report on a new appointment within Inditex</li> </ul>
12/10/2008	<ul style="list-style-type: none"> <li>- Methodology for the assessment of the performance of the Board of Directors, the Supervision and Control Committees, and the chief executive.</li> <li>- Transactions with related parties.</li> <li>- Report of the Human Resources department</li> </ul>

## **Lines of action**

As for the lines of action of the Nomination and Remuneration Committee during FY 2008, they have revolved around the following aspects:

### **Appointments within the Company**

During the meetings held by the Committee on 27 March and 15 September, it acknowledged the appointments made within two corporate areas of INDITEX.

### **Transactions with related parties**

Pursuant to the provisions of the corporate regulations, in the session dated 10 December 2008, the Committee reported about two specific transactions carried out between the Inditex Group and two companies linked to the controlling shareholder.

These transactions were valued considering the market conditions that apply to similar transactions and the principle of equal treatment for all shareholders, pursuant to the provisions of article 38 of the Board of Directors' Regulations. The authorised

transactions are not very significant, in that the disclosure thereof is not required to show the true image of Inditex's assets, its financial situation or its results; notwithstanding this, they were made public for transparency reasons in the relevant documents (Annual Corporate Governance Report and Annual Financial Report).

## **Main relationships of the Nomination and Remuneration Committee**

### With the Board of Directors

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

### With the Chief Executive Officer and the Senior Management

The Committee encourages the appearance in its sessions of the First Deputy Chairman and Chief Executive Officer and of the senior managers and officials of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent.

With the Human Resources Department

In order to keep the Nomination and Remuneration Committee duly informed, the Human Resources Division regularly informs the Committee on the changes, if any, in the global remuneration systems, the market researches on the pay of Senior Management, the annual pay adjustments and the review of the adjustment guidelines for each country, a summary of the annual adjustments carried out and the global programs for the detection and development of potential in the matter of personnel, and succession plans.