

INDITEX

**AUDIT AND CONTROL 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 Audit and Control Committee, either by extending its duties or by allocating new ones thereto, such as that of drawing up an annual activities report, shall be stressed.

This document drawn up by the Audit and Control Committee of INDITEX, in the session held on 8 June 2009 is the sixth annual activities report prepared in compliance with the provisions of article 14.2 (o) 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 latest 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.

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 on Good Governance. Further to this amendment, the duties of the Audit and Control Committee were extended as it assumes the Recommendations provided by said Unified Code on this issue

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 11 December 2007, 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 submitted to 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 assignments 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 the Annual Activities Report, 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 periodically review the risk control and management policy, which may contain, at least, the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks and the systems of information and internal control.*
- (i) *To review the Company's annual accounts and the periodic financial information that the Board must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.*
- (j) *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.*
- (k) *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.*
- (l) *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.*
- (m) *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.*

- (n) *To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.*
 - (o) *To draw up an annual report on the activities carried out by the Audit and Control Committee itself.*
 - (p) *To supervise the functioning of the Company's web page regarding the provision of information on corporate governance as referred to under article 40.*
 - (q) *To report to the Board of Directors about the creation or, as the case may be, acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature.*
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 27 of these Regulations shall apply.*
6. *The Audit and Control 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 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.

However, 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 Audit and Control Committee should be independent directors was made an internal regulation. This resolution entailed a necessary change in 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, after report of the Nomination and Remuneration Committee.

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

Finally, having the maximum four-year term provided in Additional Provision Number Eighteen of the Stock Exchange Act expired, and pursuant to the provisions of clauses 31 and 14 of the Articles of Association and of the Board of Directors' Regulations, respectively, it was resolved by the Audit and Control Committee during the meeting held on 9 December 2008, to appoint Ms Irene R. Miller as new Chairwoman of said body, replacing Mr Francisco Luzón López, the former Chairman thereof.

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

Chairwoman: Ms. Irene Ruth Miller

Ordinary
Members: Mr. Carlos Espinosa de los Monteros y Bernaldo de Quirós
Mr. Francisco Luzón López
Mr. Juan Manuel Urgoiti López de Ocaña
Mr. José Luis Vázquez Mariño

Secretary
(non member): Mr. Antonio Abril Abadín

A brief résumé of each member of the Audit and Control 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 15.1 of the Board of Directors' Regulations, all members of the Audit and Control Committee are independent directors.

Activities of the Audit and Control Committee

Sessions held and business transacted

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

DATE OF SESSION	AGENDA
03/27/2008	<ul style="list-style-type: none">-Review of the Annual Accounts of the Company for FY2007.-Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.-Meeting with the external auditors-Internal Audit Assignments.-Half-yearly report (August 2007-January 2008) of the Code Compliance Supervisory Board (CCSB).
06/9/2008	<ul style="list-style-type: none">- Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies.- Internal Audit Assignments- Annual Corporate Governance Report

	<ul style="list-style-type: none"> - “Triple Report”: on financial, social and environmental issues - Annual activities report of the Audit and Control Committee. - Proposed re-election of the auditors.
07/14/2008	<ul style="list-style-type: none"> - Projects of IT Division. - Financial transactions.
09/15/2008	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies - Meeting with the external auditors. - Internal Audit: Issues of its remit - Half-yearly report (February -July 2008) of the Code Compliance Supervisory Board (CCSB).
12/09/2008	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the markets and to the supervisory bodies - Replacement of the Chairman of the Audit and Control Committee. - Internal Audit: Issues of its remit - Annual report of the Committee of Ethics about the implementation of the Internal Guidelines for the Responsible Practices of the inditex’s Group personnel.

Lines of action

As for the lines of action of the Audit and Control Committee during FY2008, 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 the company 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 non executive independent directors, meets with the external auditors in order to review the annual accounts of the company and certain periodic financial information, ensuring that the legal requirements are met and that the accounting standards generally accepted are correctly applied.

In its meetings held on 27 March, 9 June, 15 September and 9 December, the Audit and Control Committee proceeded to review thoroughly the results for FY2007 and for the first three quarters of FY2008, 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 Annual Accounts, the individual and consolidated Management Report and the Auditors’ Report for FY2007 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 27 March 2008 by the Auditors of the Group, who had been previously called to this end, the Audit and Control Committee reviewed the audit carried out during FY2007.

The assignment conducted by the auditors consisted of the audit of the consolidated financial statements of the Group as at 31 January 2008 and the audit of the individual financial statements of certain companies within the Group also as at 31 January 2008. Likewise during FY2008 the auditors issued a limited review on the consolidated interim financial statements for the second half of the year 2008, whereby it was verified that no issue was revealed allowing to conclude that said statements were not drafted, in its major issues, pursuant to the requirements of the International Accounting Standard (IAS) 34 implemented by the European Union.

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

Internal Audit

Both the Director and other 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 2008 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, such as the supervision of the Internal Audit Department and the approval of its budget, and the activities report of said Department.

Annual Corporate Governance Report



The Audit and Control Committee in its session of 9 June 2008 gave a favourable report to the Annual Corporate Governance Report for FY2007, 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 2007, 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. This is the fifth time this Triple Report has been published.

The Sustainability Report provides full information about the activities of INDITEX, S.A. and its corporate Group over the last years and especially in fiscal 2007, regarding the three major dimensions or areas of the Group: financial, social and environmental.

Annual Report of the Audit and Control Committee

The Committee drew up its fifth Activities Report showing the activities carried out by this body during FY2007.

Other lines of action

- Review of the quarterly reports drawn up by the Code Compliance Office on the incidences occurred with regard to 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.
- Review of the second annual report of the Committee of Ethics about the implementation of the Internal Guidelines for the Responsible Practices of the Inditex's Group personnel.

Main relationships of the Audit and Control Committee

With the Annual General Meeting of Shareholders

The Chairman of the Audit and Control Committee is available to the shareholders at the Annual General Meeting in order to address those questions therein raised by the same with regard to matters within its remit, pursuant to the provisions of the Law, the Articles of Association and 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 reports on 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 CEO 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.

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, about the assignments performed in the various fields of the auditing activity.

On the other hand, the Audit and Control Committee supervises the Internal Audit Department, approving its budget, the Internal Audit Plan, the annual activities report 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.

External auditors attend the meetings of the Committee wherein the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis is subject to review.

In addition, 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, pursuant to the provisions of article 14 of the Board of Directors' Regulations.