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**REPORT THAT THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) SUBMITS TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS IN SUPPORT OF THE PROPOSAL INCLUDED ON ITEM No. SIX OF THE AGENDA OF THE ANNUAL GENERAL MEETING CONVENED FOR 13 AND 14 JULY 2010 ON FIRST AND SECOND CALL, RESPECTIVELY.**

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This report is drawn up in compliance with section 144.1.a) of the Spanish Corporations Act to state the reasons that justify the proposal put forward by the Board of Directors regarding item No. six of the Agenda of the Annual General Meeting of Shareholders, regarding the amendment of sections 12, 21, 31 and 32 of the prevailing Articles of Association currently in force.

On the one hand, the grounds for the proposed amendment to the above mentioned sections 12 and 21 of the Articles of Association is the need to adapt the current by-laws of the Company to the amendments introduced by Act 3/2009 of 3 April on the structural amendments of private companies (hereinafter, "Act on the Structural Amendments of Private Companies"), *inter alia*, to the provisions of sections 103 and 158 of the Spanish Corporations Act.

On the other hand, the proposed amendment to sections 31 and 32 of the Articles of Association of the Company seeks to increase the maximum number of the directors sitting on the Supervision and Control Committees of the Board of Directors (the Audit and Control Committee and the Nomination and Remuneration Committee), so as to meet the requirements of the company and to match the composition of the Board of Directors, made up of independent directors mainly, in accordance with the proposal to be submitted to the Annual General Meeting of Shareholders regarding the appointment of two new independent directors, made during the meeting of the Board held on 8<sup>th</sup> June of the year in course.

To help shareholders understand the changes which gave rise to the proposed amendment which is subject to the AGM for approval, each and every one of the proposed amendments of the above referred sections of the by-laws is thoroughly reviewed and justified first, and next the transcription of the wording of the sections is provided in double column, with the proposed changes highlighted on the right column versus the prevailing wording, which is transcribed on the left column.

**1.- Adjustment to the Act on Structural Amendments of Private Companies.**

**(a) Proposed amendment of section 12**

This amendment is proposed as a result of the amendment of section 158 of the Spanish Corporation Act on preemptive rights, introduced by the above referred Act on Structural Amendments, in order to adjust Spanish laws and regulations to the provisions of Directive 77/91/EEC of 13 December 1976 and particularly to adapt our system of preemptive rights and of convertible bonds to the

provisions of Judgment of the European Court of Justice dated 18<sup>th</sup> December 2008 in respect of:

- i) Excluding the possibility, regarding both capital increases and the issue of convertible bonds, for holders of convertible bonds to have preemptive rights
- ii) Restricting preemptive rights to the capital increases with a charge to cash contributions

Consequently, the adaptation of the wording of the above referred section is hereby proposed, by excluding the provision formerly included in the Articles of Association whereby holders of convertible bonds were entitled to a preemptive right, and restricting this preemptive right of former shareholders to capital increases with a charge to cash contributions and, accordingly, deleting the provision whereby the Annual General Meeting was granted the power to resolve the suppression of preemptive rights to foster the acquisition of assets by the company, this having become unnecessary

(b) Proposed amendment of section 21

This amendment is proposed as an answer to the amendment introduced by the above referred Act on structural amendments of private companies to section 103 of the Spanish Corporation Act regarding the quorum and qualified majorities required for the Annual General Meeting to pass certain resolutions.

With regard to this issue, the Act on Structural Amendments of Private Companies adds the three new instances below where a qualified quorum is required to hold the AGEM: i) the exclusion or restriction of preemptive rights, ii) the global assignment of assets and liabilities of the company (which is already covered in the prevailing section 21 of the by-laws); and iii) the transfer of the registered office abroad.

Consequently, the Board of Directors deems appropriate to propose to the Annual General Meeting of Shareholders the addition of these two new cases not covered in the prevailing Articles of Association, to section 21.

**2.- Amendment of sections 31 and 32 of the Articles of Association**

This amendment is proposed as an answer to the requirement to enlarge the maximum number of members sitting on the Supervision and Control Committees (the Audit and Control Committee and the Nomination and Remuneration Committee) for the purposes of adjusting such number to the current composition of the Board of Directors, made up of independent directors mainly, in accordance with the proposal to be submitted to the Annual General Meeting of Shareholders, to appoint two new independent directors, made in the course of this meeting of the Board of Directors held this 8<sup>th</sup> June 2010.

Therefore, the amendment of sections 31 and 32 of the Articles of Association is proposed, in that the maximum number of members of the above referred Supervision and Control Committees is increased from five to seven.

Consequently, the Board of Directors deems appropriate to propose to the Annual General Meeting of Shareholders the amendment of sections 12, 21, 31 and 32 of the prevailing Articles of Association, as highlighted in bold, italic and underlined terms set out below, for the purposes of adjusting the wording thereof to the above mentioned amendment introduced in the Spanish Corporation Act by the Act on Structural Amendments of Private Companies:

**1.- Proposed amendment of section 12**

<b><u>Current wording</u></b>	<b><u>Full proposed text</u></b>
<p><b><u>Article 12.- Pre-emptive subscription rights.</u></b></p> <p>1.- In the event of a share capital increase through the issue of new shares, whether ordinary, preference, redeemable or non-voting shares, the former shareholders – with the exception of the holders of non-voting shares – and the holders of convertible bonds, where appropriate, may exercise in the manner legally provided the right to subscribe a number of shares being proportional to the nominal value of the shares that they hold, or of those that would correspond to the holders of convertible bonds, were the power of conversion to be exercised at that time.</p> <p>2.- The General Meeting or, where appropriate, the Board of Directors that agrees the increase may resolve the suppression in whole or in part of this pre-emptive right, as regards both the issuance of new shares and of convertible bonds, in the cases and under the terms provided by the Law.</p> <p>Namely, it could be understood</p>	<p><b><u>Section 12.- Pre-emptive subscription right</u></b></p> <p>1.- In the event of a share capital increase through the issue of new shares, whether ordinary, preference, redeemable or non-voting shares, <b><u>with a charge to cash contributions, or of an issue of convertible bonds</u></b>, the former shareholders – with the exception of the holders of non-voting shares – <del>and the holders of convertible bonds, where appropriate,</del> may exercise in the manner legally provided the right to subscribe a number of shares <b><u>or convertible bonds</u></b> being proportional to the nominal value of the shares that they hold, <del>or of those that would correspond to the holders of convertible bonds, were the power of conversion to be exercised at that time.</del></p> <p>2.- The General Meeting or, where appropriate, the Board of Directors that agrees <b><u>both the issue of new shares and of convertible bonds</u></b> the increase may resolve the suppression in whole or in part of this pre-emptive right, <del>as regards both the issuance of new shares and of convertible bonds,</del> in the cases and under the terms provided by the Law.</p>

that there are enough reasons of corporate interest to justify the suppression of the pre-emptive right, where it is necessary to facilitate (i) the acquisition of assets – including stakes in other Companies – that are deemed convenient for the development of the corporate purpose; (ii) the placement of the new shares in foreign markets; (iii) the raising of resources by using placement techniques grounded on the demand research suitable to maximize the issue price of the shares; (iv) the inclusion of an industrial or technological partner, and; (v) in general, the performance of such transactions as may be in the interest of the Company.

voting shares – ~~and the holders of convertible bonds, where appropriate,~~ may exercise in the manner legally provided the right to subscribe a number of shares or convertible bonds being proportional to the nominal value of the shares that they hold, ~~or of those that would correspond to the holders of convertible bonds, were the power of conversion to be exercised at that time.~~

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The General Meeting or, where appropriate, the Board of Directors that agrees both the issue of new shares and of convertible bonds the increase may resolve the suppression in whole or in part of this pre-emptive right, ~~as regards both the issuance of new shares and of convertible bonds,~~ in the cases and under the terms provided by the Law.

Namely, and without limitation, it could be understood that there are enough reasons of corporate interest to justify the suppression of the pre-emptive right, where it is necessary to facilitate (i) ~~the acquisition of assets – including stakes in other Companies – that are deemed convenient for the development of the corporate purpose;~~ (i) the placement of the new shares in foreign markets; (ii) the raising of resources by using placement techniques grounded on the demand research suitable to maximize the issue price of the shares; (iii) the inclusion of an industrial or technological partner, and; (iv) in general, the performance of such transactions as may be in the

	interest of the Company.
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## 2.- Proposed amendment of section 21

<u>Current wording</u>	<u>Full proposed text</u>
<p><b><u>Article 21.- Quorum</u></b></p> <p>1.- The General Meeting shall be validly constituted on first call where shareholders who are present or represented by proxy represent at least fifty (50) percent of the subscribed share capital with the right to vote. At second call, generally, the General Meeting shall be validly held regardless of the capital attending same. However, if the Meeting is called to decide on an increase or a reduction in the share capital, the issue of debentures, the transformation of the Company, the merger for the creation of a new company or via the taking-over 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 purpose as well as any other modification whatsoever of the Articles of Association, shall require, at second call, the attendance of twenty-five (25) percent of the subscribed share capital with the right to vote.</p> <p>2.- Absences occurring once the General Meeting is constituted</p>	<p><b><u>Article 21.- Quorum</u></b></p> <p>1.- The General Meeting shall be validly constituted on first call where shareholders who are present or represented by proxy represent at least fifty (50) percent of the subscribed share capital with the right to vote. At second call, generally, the General Meeting shall be validly held regardless of the capital attending same. However, if the Meeting is called to decide on an increase or a reduction in the share capital, the issue of debentures, <b><u>the exclusion or restriction of the pre-emptive right,</u></b> the transformation of the Company, the merger for the creation of a new company or via the taking-over of the Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, <b><u>the transfer of the registered address abroad,</u></b> the substitution of the company purpose as well as any other modification whatsoever of the Articles of Association, shall require, at second call, the attendance of twenty-five (25) percent of the subscribed share capital with the right to vote.</p> <p>2.- unchanged</p>

<p>shall not affect the validity of the meeting.</p>	<p><b><u>restriction of the pre-emptive right</u></b>, the transformation of the Company, the merger for the creation of a new company or via the taking-over of the Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, <b><u>the transfer of the registered address abroad</u></b>, the substitution of the company purpose as well as any other modification whatsoever of the Articles of Association, shall require, at second call, the attendance of twenty-five (25) percent of the subscribed share capital with the right to vote.</p> <p>2.- unchanged</p>
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### **3.- Proposed amendment of section 31**

<b><u>Current wording</u></b>	<b><u>Full proposed text</u></b>
<p><b><u>Article 31.- Audit and Control Committee.</u></b></p> <p>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.</p> <p>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</p>	<p><b><u>Article 31.- Audit and Control Committee</u></b></p> <p>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 <b>seven</b> <del>five</del> directors appointed by the Board itself, who must necessarily be independent directors.</p> <p>To this end, independent directors are understood as those professionals of repute not linked to the executive team or the significant shareholders and that</p>

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

<p>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.</p>	<p>team or the significant shareholders and that meet the requirements that ensure their impartiality and objectivity of opinion.</p>
<p>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</p>	<p>2.- unchanged</p> <p>3.- unchanged</p>
<p>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.</p>	
<p>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.</p>	

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#### 4.- Proposed amendment of section 32

<u>Current wording</u>	<u>Full proposed text</u>
<p><b><u>Article 32.- Nomination and Remuneration Committee</u></b></p> <p>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.</p> <p>To this end, independent directors are understood as those that meet the requirements referred to under the second paragraph of article 31.1</p> <p>2.- The Chairman of the Nomination and Remuneration Committee shall be appointed by the Board of Directors from among its members.</p> <p>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</p>	<p><b><u>Article 32.- Nomination and Remuneration Committee</u></b></p> <p>1.- A Nomination and Remuneration Committee shall be formed within the Board of Directors made up of a minimum of three and a maximum of <b><i>seven</i></b> <del>five</del> directors appointed by the Board itself, who must necessarily be independent directors-</p> <p>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.</p> <p>2.- unchanged</p> <p>3.- unchanged</p>

<p>have at least the following basic responsibilities:</p> <p>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;</p> <p>b) To report on the appointment of the internal offices (Chairman, Deputy Chairman(s), CEO., Secretary and Deputy Secretary) of the Board of Directors</p> <p>c) To propose to the Board the members that must form part of each one of the Committees;</p> <p>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.</p> <p>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;</p>	<p>within the Board of Directors made up of a minimum of three and a maximum of <b>seven</b> <del>five</del> directors appointed by the Board itself, who must necessarily be independent directors-</p> <p>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.</p> <p>2.- unchanged</p> <p>3.- unchanged</p>
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<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	
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Arteixo (A Coruña), on 8 June 2010