

**REVISED TEXT OF THE BOARD OF DIRECTORS'
REGULATIONS**

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

APPROVED BY THE BOARD OF DIRECTORS ON 14 JUNE 2016

[This text is an in-house translation of an original in Spanish]

INDEX

CHAPTER I - PRELIMINARY	1
Section 1 Purpose.....	1
Section 2 Interpretation.....	1
Section 3 Amendment.....	1
Section 4 Dissemination.....	2
CHAPTER II - MISSION OF THE BOARD OF DIRECTORS	2
Section 5 Mission of the Board of Directors.....	2
CHAPTER III - COMPOSITION OF THE BOARD OF DIRECTORS	
Section 6 Size.....	6
Section 7 Qualitative composition.....	7
CHAPTER IV - STRUCTURE OF THE BOARD OF DIRECTORS	7
Section 8 The Chairman of the Board of Directors.....	7
Section 9 The Deputy Chairman of the Board Of Directors.....	8
Section 10 The Lead Independent Director.....	8
Section 11 The Secretary of the Board of Directors.....	8
Section 12 The Deputy-Secretary of the Board of Directors.....	9
Section 13 Delegated and advisory bodies of the Board of Directors.....	9
Section 14 The Executive Committee.....	10
Section 15 The Audit and Control Committee.....	10
Section 16 The Nomination Committee.....	12
Section 17 The Remuneration Committee.....	14
Section 18 The Social Advisory Board.....	15
CHAPTER V - PROCEEDINGS OF THE BOARD OF DIRECTORS	15
Section 19 Board of Directors meetings.....	15
Section 20 Conduct of meetings.....	17
CHAPTER VI - APPOINTMENT AND DISMISSAL OF DIRECTORS	17
Section 21 Election of directors.....	17
Section 22 Appointment of directors.....	18
Section 23 Re-Election of directors.....	18
Section 24 Term of office.....	18
Section 25 Resignation, removal and dismissal of directors.....	19
Section 26 Objectivity and secrecy of voting.....	20
CHAPTER VII - INFORMATION TO DIRECTORS	20
Section 27 Powers regarding information and inspection.....	20
Section 28 Experts' assistance.....	21
Section 29 Information to directors.....	21
CHAPTER VIII - REMUNERATION OF DIRECTORS	21
Section 30 Remuneration of directors.....	21
CHAPTER IX - DUTIES OF DIRECTORS	23
Section 31 General duties of directors.....	23
Section 32 Duty of confidentiality of directors.....	24
Section 33 Obligation of non-competition.....	24
Section 34 Conflicts of interest.....	25
Section 35 Use of corporate assets.....	26
Section 36 Non-public information.....	26
Section 37 Business opportunities.....	27
Section 38 Prohibition to make undue influence of the office.....	27
Section 39 Duties of Information of directors.....	27
Section 40 Transactions with directors and significant shareholders.....	28

BOARD OF DIRECTORS' REGULATIONS

CHAPTER X - RELATIONS OF THE BOARD OF DIRECTORS

Section 41 Annual Corporate Governance Report.....	29
Section 42 Corporate website.....	29
Section 43 Relations with the shareholders.....	31
Section 44 Relations with the markets.....	31
Section 45 Relations with the auditors.....	32

CHAPTER I. PRELIMINARY

Section 1. Purpose

1. The purpose of these Regulations is to determine the principles of action of the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter, the “**Company**”), the basic rules governing its organization and proceedings and the rules for the selection, election, re-election, dismissal and conduct of its members.
2. Under the terms set out below, the rules of conduct for directors established herein shall apply, insofar as these rules are compatible with their specific nature, to the senior executives of the Company other than directors. Specifically, the following Sections shall apply to them, subject to adjustment: Sections 32 (duty of confidentiality of directors); 34 (conflicts of interest), with regard to the duty to inform the Company; 35 (use of corporate assets); 36 (non-public information); 37 (business opportunities), and 38 (prohibition to make undue influence of the office).

Section 2. Interpretation

1. These Regulations shall be construed according to statute and the Articles of Association, as well as to the recommendations on corporate governance of Spanish listed companies and the best corporate governance practices applied in the countries around Spain, from time to time in force.
2. The settlement of any doubts arising from or in connection with the performance of these Regulations falls on the Board of Directors pursuant to the general criteria used for the interpretation of legal rules.

Section 3. Amendment

1. These Regulations may only be amended at the behest of the Chairman of the Board of Directors, of three directors or of the Audit and Control Committee.
2. The proposed amendments must be accompanied by a memorandum in support of the amendment, and a report of the Audit and Control Committee, except where the proposal stems from said Committee.
3. The full text of the proposal, the memorandum in support and, where appropriate, the report of the Audit and Control Committee shall be attached to the notice of the meeting of the Board of Directors where it has to be seen.

Notice of the meeting must be given at least ten days in advance.

4. In order for the amendment of these Regulations to be valid, a resolution passed by a majority of two-thirds of the directors present shall be required.

5. The Board of Directors shall inform of the amendments of these Regulations that it may, where appropriate, resolve at the first General Meeting of Shareholders to be held following said amendments. Likewise, the amendments of these Regulations shall be subject to the dissemination system provided in Section 4.

Section 4. Dissemination

1. Directors and senior executives are, under the terms set out in Section 1.2 above, bound to know, comply with and enforce these Regulations. For such purpose, the Secretary of the Board shall provide all of them with a copy of the same, at the time they accept their respective offices, or when their contracts enter into effect, as the case may be.
2. The Board of Directors shall inform the General Meeting of Shareholders of these Regulations, and shall take the appropriate steps so that the Regulations are disclosed to the shareholders and the investors at large.
3. The full text of the Board of Directors Regulations from time to time in force shall be available at the Company's registered office and on its website.
4. Likewise, these Regulations and any subsequent amendments thereof shall be filed with the *Comisión Nacional del Mercado de Valores* [Spanish Stock Exchange and Securities Commission] (hereinafter "CNMV"), and registered with the Companies Register.

CHAPTER II. MISSION OF THE BOARD OF DIRECTORS

Section 5. Mission of the Board of Directors

1. Except for such matters reserved for the General Meeting of Shareholders, the Board of Directors is the most senior decision-making body of the Company.
2. It is the Board of Directors' policy to delegate the management of the day-to-day business of the Company to the executive bodies and the management, and to concentrate its efforts on the general supervisory function, which includes guiding the Company's policy; monitoring the management, evaluating the performance of executives, making the most relevant decisions for the Company, and liaising with the shareholders.
3. Those powers that are reserved by statute or by the Articles of Association to the direct knowledge of the Board of Directors may not be delegated, nor may those others that are necessary for the responsible exercise of the general supervisory duty.

For the above purposes, the Board of Directors shall, acting at its own behest or on the proposal of the relevant internal body, directly exercise at least the following powers:

- (a) To approve the general strategies and policies of the Company, and specifically:

BOARD OF DIRECTORS' REGULATIONS

- (i) The strategic or business plan as well as the annual management goals and budget;
 - (ii) The investment and financing policy;
 - (iii) The dividends and treasury stock policy and namely, the limits thereof, pursuant to Statute;
 - (iv) The design of the structure of the corporate group of which the Company is the controlling company;
 - (v) The risks control and management policy, including tax risks, and the periodic monitoring of the internal information and control systems;
 - (vi) The definition of the tax strategy of the Company;
 - (vii) The corporate governance policy; and
 - (viii) The corporate social responsibility policy.
- (b) To approve the following decisions:
- (i) The drafting of the annual accounts, the management report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and management report to be submitted to the General Meeting of Shareholders.
 - (ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;
 - (iii) The approval of the financial information that the Company, being a listed company, must periodically release;
 - (iv) The approval of the Annual Corporate Governance Report, the Annual Report on the Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommended or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;
 - (v) The approval of any manner of investments or transactions, which, are considered strategic or deemed to have a special tax risk, unless the approval thereof falls on the General Meeting of Shareholders.
 - (vi) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and,

BOARD OF DIRECTORS' REGULATIONS

- (vii) The approval, after report of the Audit and Control Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or Related Parties as referred to in section 40.
- (c) The following internal proceedings of the Board of Directors:
 - (i) To decide on the organization and proceedings of the Board of Directors, including namely:
 - The approval and amendment of these Regulations pursuant to the terms included in Chapter I above;
 - The appointment, on the proposal or after report of the Nomination Committee, as the case may be, of the internal offices within the Board of Directors, and the members and internal offices of its committees;
 - The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and
 - Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.
 - (ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors and that favors diversity of knowledge, experience and gender;
 - (iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee and pursuant to the Articles of Association and the remuneration policy for directors approved by the General Meeting of Shareholders;
 - (iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors to whom executive duties are assigned;
 - (v) Overseeing and evaluating on an annual basis:
 - The quality and efficiency of the proceedings of the Board of Directors itself and its delegated bodies.
 - The diversity in the composition and skills of the Board of Directors;

BOARD OF DIRECTORS' REGULATIONS

- The performance of duties by the Chairman of the Board of Directors and by the chief executive of the company;
- The performance of its supervisory and control committees based upon the reports furnished by the same, and
- The performance and contribution of each director, especially that of the Chairs of the different Committees of the Board of Directors.

Where the Chairman of the Board of Directors would discharge executive duties, his assessment shall be led by the Lead Independent Director, especially authorized to do so pursuant to the provisions of Section 10.2 below.

To proceed to such evaluation, the Board of Directors may rely on the support of external advisors and on such internal resources which it may, from time to time, deem fit. Notwithstanding the foregoing, the Board of Directors shall be assisted every three years, by an external advisor, once the Nomination Committee has established his/her independence, to proceed to such evaluation. Upon evaluating the independence of the external advisor, the relations that such advisor, or any company within its Group, may have with the Company or with the Group shall be considered. Such relations shall be detailed, as the case may be, in the Annual Corporate Governance Report.

The Board of Directors shall carry out an annual evaluation of its proceedings and of that of its Committees and it will propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minute of the meeting of the Board of Directors or attached thereto as an annex.

- (vi) The authorization or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;
- (d) The following issues regarding senior executives:
- (i) The appointment and dismissal of senior executives after report of the Nomination Committee;
 - (ii) The approval of the basic terms and conditions of the contract with senior executives, including their remuneration and, where appropriate severance clauses, after report of the Remuneration Committee;
 - (iii) Overseeing the proceedings of the senior executives appointed by the Board of Directors.

- (e) The remaining responsibilities reserved by these Regulations and the applicable laws and regulations.
- 4. The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company's value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other "stakeholders" of the Company: employees, clients, suppliers and the civil society at large. The Board of Directors shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed.
- 5. The Board of Directors shall ensure that the Company discharges its ethical and social duties and its duty of acting in good faith in its relations with its employees and with third parties, meeting the principles of Corporate Social Responsibility that the company would have undertaken.
- 6. Likewise, the Board of Directors shall ensure that no individual or small group of persons has a decision-making power within the Company that is not subject to counterweights and checks and that no shareholder is treated in a more privileged manner in relation to the others.

CHAPTER III. COMPOSITION OF THE BOARD OF DIRECTORS

Section 6. Size

- 1. The Board of Directors shall be made up of a number of members being no less than five nor greater than twelve, which shall be determined by the General Meeting of Shareholders.
- 2. The Board of Directors shall propose to the General Meeting of Shareholders a number that, in accordance with the changing circumstances of the Company, is more suitable in order to ensure that the body is duly representative and works efficiently and to reflect an appropriate balance of experience and knowledge, so that the decision-making process is enriched and multiple viewpoints are contributed to the discussion of the business transacted.

Section 7. Qualitative composition

- 1. The Board of Directors shall be made up of executive directors and non- executive directors who in turn may be proprietary, independent or affiliate; directors shall be included in each of these classes, based upon the definition provided in the laws from time to time in force.
- 2. The Board of Directors shall, in the exercise of its powers to submit proposals to the General Meeting of Shareholders and to co-opt in order to cover vacancies,

endeavour for the ratio of non-executive directors to represent a large majority of directors sitting on the Board of Directors and for the ratio of independent directors within the Board of Directors to be at least equal to the ratio of floating capital of the Company.

CHAPTER IV. STRUCTURE OF THE BOARD OF DIRECTORS

Section 8. The Chairman of the Board of Directors

1. The Chairman of the Board of Directors shall be elected, after report of the Nomination Committee, from among those members who meet the requirements laid down for this purpose in the Articles of Association of the Company.
2. The ordinary power to call the Board of Directors, to establish the agenda for its meetings and to direct the debates falls on the Chairman of the Board of Directors. However, the Chairman must call the Board of Directors and include on the agenda the business to be transacted when this is requested by at least one-third of its members or by the Lead Independent Director referred to in Section 10 below.
3. In addition to the duties conferred by statute and by the Articles of Association, the Chairman of the Board of Directors will discharge the following duties:
 - (a) Leading the Board of Directors, ensuring the effectiveness of its performance;
 - (b) Preparing and submitting to the Board of Directors for discussion a schedule with dates and business to be transacted, ensuring that the Board of Directors dedicates enough time to strategic matters;
 - (c) Organizing and liaising with the Chairs of the Board Committees with regard to the periodic evaluation of the Board of Directors and, if appropriate, of the Chief Executive Director or chief executive;
 - (d) The definition and review of the refreshment programs for directors, where circumstances so require.
4. In the case of an equality of votes, the Chairman shall have a casting vote.

Section 9. The Deputy Chairman of the Board of Directors

1. The Board of Directors shall necessarily appoint a Deputy Chairman, after report of the Nomination Committee, who shall substitute the Chairman should this latter find it impossible to perform his duties or be absent, or when the Chairman himself should so decide.

2. The Board of Directors may also appoint more than one Deputy Chairman. In this event, the position defined in the previous paragraph shall fall upon the First Deputy Chairman, who shall, in turn, be substituted in case of necessity by the Second Deputy Chairman and so on and so forth.

Section 10. The Lead Independent Director

1. Where the Chairman of the Board of Directors would discharge executive duties, the Board of Directors shall, with the abstention of the executive directors and after report of the Nomination Committee, necessarily appoint a Lead Independent Director from the independent directors.
2. The Lead Independent Director shall have the following powers:
 - (a) Requesting that the Chairman calls the Board of Directors and adds new items on the agenda. The Chairman shall be bound to attend to such requests;
 - (b) Liaising with, meeting with and echoing the concerns of non-executive directors, being for such purposes authorized to call, should he deem it appropriate, meetings of independent directors;
 - (c) Leading, if appropriate, the annual evaluation of the Chairman of the Board of Directors and coordinating, if appropriate, the succession plan;
 - (d) Contacting investors and shareholders to learn of their points of view for the purposes of forming an opinion on their concerns, namely with regard to the company's corporate governance system; and
 - (e) Chairing the Board of Directors in the absence of its Chairman and of the Deputy Chairmen, should there be any.

Section 11. The Secretary of the Board of Directors

1. The Secretary needs not be a director in order to be appointed Secretary of the Board of Directors.
2. The appointment and the dismissal of the Secretary shall be approved by the full Board of Directors, after report of the Nomination Committee.
3. The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board of Directors by taking particular care to assist the Chairman in order for directors to receive relevant information early in advance and in the appropriate format to discharge their duties; provide directors with the necessary advice and information; keep the documents of the Company; enter the proceedings in the minutes books and certify the Board's resolutions.
4. The Secretary, who must be a lawyer, shall devote particular attention to the formal and material legality of the Board of Directors' actions and ensure that the

corporate governance principles, good governance recommendations and the Company's internal rules and regulations, are observed.

Section 12. The Deputy Secretary of the Board of Directors

1. The Board of Directors may appoint a Deputy Secretary, who needs not be a director, to assist the Secretary of the Board of Directors or substitute the same should the Secretary find it impossible to perform his duties or be absent. .
2. The appointment and dismissal of the Deputy Secretary must be approved by the full Board of Directors, after report of the Nomination Committee
3. The Deputy Secretary may attend the meetings of the Board of Directors in order to substitute the Secretary or to support him/her when the Chairman so decides.

Section 13. Delegated and advisory bodies of the Board of Directors

1. Without prejudice to the delegation of powers granted individually to any director or to the power allowing the establishment of an Executive Committee with general decision-making powers, of delegated bodies for specific areas of activity or other bodies of an advisory nature, the Board of Directors shall in any event establish an Audit and Control Committee, a Nomination Committee and a Remuneration Committee, which shall assume the minimum tasks provided by Law and in these Regulations.
2. The Nomination Committee shall assess the profile of the most suitable persons for becoming members of the different Committees and shall submit the relevant proposals to the Board of Directors, considering the knowledge, qualifications and expertise of directors and the duties of each Committee. Additionally, the Nomination Committee shall appreciate that the members of the Audit and Control Committee and especially, the Chair thereof have knowledge, qualifications and expertise in the matter of accounting, audit or risk management, and that the members of the Audit and Control Committee, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.
3. The Committees, shall have a Chair, appointed out of their number as well as a Secretary, who needs not be a member of said Committees, in which case he/she will have the right to attend meetings and speak but no voting rights, both of whom shall be appointed by the Board of Directors, which shall also approve, where appropriate, the set of rules governing their proceedings. In that which has not been especially provided, the rules of proceedings established by these Regulations in relation to the Board of Directors shall apply, as long as they are compatible with the nature and function of the Committee in question. The Committees shall prepare every year a calendar of their ordinary meetings to be submitted to the Board of Directors.

Section 14. The Executive Committee

BOARD OF DIRECTORS' REGULATIONS

1. The Executive Committee, should it exist, shall be made up of a number of directors being no less than three and no greater than seven. The Board of Directors shall endeavour that the composition of the Executive Committee would reflect a similar structure, with regard to each class of directors, to that of the Board of Directors itself.
2. The resolutions on the appointment of the members of the Executive Committee shall require, in order to be passed, that at least two-thirds of the members of the Board of Directors would vote for such resolution.
3. The Chairman of the Board of Directors shall act as the Chairman of the Executive Committee and the Secretary of the Board of Directors shall act as Secretary, who may be assisted by the Deputy-Secretary.
4. The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board of Directors to vote for and may include, at the Board of Directors choice, all or a part of the powers of the Board itself, establishing the contents, the restrictions and the types of delegation. At any rate, non-delegable powers pursuant to statute, the Articles of Association and these Regulations may not be delegated to the Executive Committee, nor may those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.
5. The Executive Committee will hold its meetings when the Chairman calls it.
6. The Executive Committee has to inform the Board of Directors about the business transacted and the decisions taken at its meetings. Likewise, a copy of the minutes of the meeting of the Executive Committee shall be sent to all the directors.

Section 15. The Audit and Control Committee

1. The Audit and Control Committee shall be made up of a number of non-executive directors being no less than three and no greater than seven, most of whom shall be independent directors. The Chair of the Committee, who shall necessarily be an independent director, shall be elected by the Board of Directors for a maximum four-year term, upon expiry of which he/she shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her dismissal. The Board of Directors shall appoint a Secretary of the Audit and Control Committee, who need not be a member of such body.

The Board of Directors shall endeavour to ensure that the members of the Audit and Control Committee and especially, the Chair thereof have knowledge, qualifications and expertise in the matter of accounting, audit or risk management, and that the members of the Audit and Control Committee, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.

2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the Audit and Control

BOARD OF DIRECTORS' REGULATIONS

Committee Regulations, the Audit and Control Committee shall have the following basic responsibilities, which are:

- (a) To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Control Committee, and namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Control Committee in this process;
- (b) To oversee the effectiveness of the internal control system of the Company, the internal audit, and the risks management system, including tax risks, and to discuss with the auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without jeopardising its independence; for such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;
- (c) To oversee the process for preparing and disclosing the required financial information regarding the Company and, as the case may be, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting criteria and submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information.
- (d) To table to the Board of Directors for the subsequent submission thereof to the General Meeting of Shareholders, the motions on recruitment, appointment, re-election and replacement of the external auditor, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them and to regularly gather from the external auditor information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;
- (e) To liaise with the external auditor in order to receive information on those matters that could represent a threat to its independence, so that the Audit and Control Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorisation of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by audit legislation and auditing standards. At any rate, the Committee should receive every year from the external auditor, the statement of its independence regarding the entity or those entities directly or indirectly related thereto, as well as detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above mentioned entities to the external auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing regulations on the audit activity;

BOARD OF DIRECTORS' REGULATIONS

- (f) To issue every year prior to the issue of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. Such report must address at any rate, the reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and regarding the independence system or the regulations on the audit activity;
 - (g) To advise previously the Board of Directors on all the topics covered by statute, by the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;
 - (h) To oversee the activity of the Internal Audit function, which shall report functionally to the Chair of the Audit and Control Committee; and
 - (i) Any other responsibility it may be assigned by the Board of Directors in the Audit and Control Committee Regulations.
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 of Directors 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 duties.
 4. Members of management or of staff of the Company shall be bound to attend the meetings of the Committee and to assist it and give it access to the information available to them when the Committee so requests. Likewise, the Committee may request the attendance at its meetings of any employee or executive of the Company and even order that they would appear without the presence of any other executive. The Committee may also request the attendance of auditors of the Company to its meetings.
 5. For the best performance of its duties, the Audit and Control Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.
 6. The Audit and Control Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first meeting of the Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be made available to all the directors.

7. The Board of Directors will develop the foregoing paragraphs in the Audit and Control Committee Regulations.

Section 16. The Nomination Committee

1. The Nomination Committee shall be made up of a number of non-executive directors being no less than three and not greater than seven, most of whom shall be independent directors. The Chair of the Nomination Committee shall be appointed out of its independent members.

The Board of Directors shall endeavour to ensure that the members of the Nomination Committee and especially, the Chair thereof have the appropriate knowledge, qualifications and expertise to discharge the duties entrusted to them.

2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the Nomination Committee Regulations, the Nomination Committee shall have the following basic responsibilities, which are:
 - (a) To evaluate the qualifications, knowledge and experience required on the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill out each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties;
 - (b) To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target;
 - (c) To ensure that, upon filling any vacancy or upon electing new directors, selection procedures would ensure the non-existence of any manner of discrimination;
 - (d) To evaluate compliance with the Selection Policy for candidates to become directors;
 - (e) To table to the Board of Directors the motions on the appointment of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders;
 - (f) To issue a report regarding the motions to appoint the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder;
 - (g) To issue a report regarding the motions to appoint and to remove senior executives;

- (h) To establish and oversee an annual program for the evaluation of the performance of the Board of Directors, its Chairman, its delegated bodies and its advisory and control committees, being entitled to gather such information and documentation as it may deem necessary or expedient for such purposes;
 - (i) To review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and arranged manner; and
 - (j) Any other responsibility it may be assigned by the Board of Directors in the Regulations of the Nomination Committee.
3. Requests for information addressed to the Nomination Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman of the Board of Directors, the members thereof, the officers or the shareholders of the Company.
 4. The Nomination Committee shall meet each time that the Board of Directors or the Chairman thereof requests the issue of a report or the adoption of proposals within its remit and, in any case, whenever is suitable for the successful performance of its functions. At any rate, it shall meet once a year.
 5. For the best performance of its duties, the Nomination Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.
 6. The Nomination Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first meeting of the Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the meetings of the Nomination Committee shall be made available to the directors.
 7. The Board of Directors will develop the foregoing paragraphs in the Nomination Committee Regulations.

Section 17. The Remuneration Committee

- 1- The Remuneration Committee shall be made up of a number of non-executive directors being no less than three and not greater than seven, most of whom shall be independent directors. The Chair of the Remuneration Committee shall be appointed out of its independent members.

The Board of Directors shall endeavour to ensure that the members of the Remuneration Committee and especially, the Chair thereof have the appropriate knowledge, qualifications and expertise to discharge the duties entrusted to them.

2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the the Remuneration

BOARD OF DIRECTORS' REGULATIONS

Committee Regulations, the Remuneration Committee shall have the following basic responsibilities, which are:

- (a) To propose to the Board of Directors the remuneration policy for directors and senior executives, and its review and regular update;
 - (b) To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders;
 - (c) To propose the basic terms and conditions of the agreements with senior executives, including their remuneration and severance pay, where appropriate;
 - (d) To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents; and
 - (e) Any other responsibility it may be assigned by the Board of Directors in the Remuneration Committee Regulations.
3. Requests for information addressed to the Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman of the Board of Directors, the members thereof, the officers or the shareholders of the Company.
 4. The Remuneration Committee shall meet each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever it is suitable for the successful performance of its functions. In any event, it shall meet once a year.
 5. For the best performance of its duties, the Remuneration Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.
 6. The Remuneration Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the meetings of the Remuneration Committee shall be made available to the directors.
 7. The Board of Directors will develop the foregoing paragraphs in the Remuneration Committee Regulations.

Article 18. The Social Advisory Board

The Social Advisory Board of the Company, which reports to the Board of Directors, is the advisory body of the Company in the area of social responsibility and environmental sustainability. Its principle of conduct, the basic rules of organization and proceedings as well as the rules of conduct of its members are established under the Regulation of the Social Advisory Board, approved by the Board of Directors.

CHAPTER V. PROCEEDINGS OF THE BOARD OF DIRECTORS

Section 19. Meetings of the Board of Directors

1. The Board of Directors shall meet at least on a quarterly basis and, at the behest of its Chairman, whenever the same should consider it appropriate for the good running of the Company. The Board of Directors must also meet when a meeting is requested by at least one-third of its members, in which case it shall be called by the Chairman to meet within fifteen days following the request.

Where further to a request made to the Chairman of the Board of Directors, he would unreasonably fail to call the meeting within one month, directors representing at least one-third of the Board members may convene it, stating the agenda in the notice, to be held in the place where the registered office of the company is situate.

2. Notice of the ordinary sessions shall be carried out by letter, fax, telegram or e-mail, and shall be authorized with the signature of the Chairman or that of the Secretary or the Deputy-Secretary by order of the Chairman. The notice shall be issued at least three days in advance.

The notice of the meeting shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information, so that directors may consider it in advance.

If, in urgent cases, the Chairman of the Board of Directors submits to the approval of such body items not included on the agenda, the prior and express consent of the majority of directors present shall be required. Such consent shall be placed on record in the minutes.

3. The Chairman of the Board of Directors may call extraordinary meetings of the Board of Directors when in his opinion the circumstances justify it, without the period of advance notice and the other requirements indicated in the previous paragraph applying in such cases. Furthermore, the Board of Directors shall be considered validly established without the need for notice if, all its members being present or represented, these unanimously agree to hold the meeting
4. The Board of Directors may equally pass resolutions in writing without the need for a meeting, in accordance with legal provisions. Furthermore, the Board of

Directors may hold a meeting via videoconference or conference call, so that one or more directors may attend the meeting through this system. For this purpose, the notice for the meeting of the Board, shall state not only the place where the meeting is to take place, where the General Secretary shall be present, but also the possibility that the meeting may be attended via conference call, videoconference or equivalent system and the precise technical devices provided for this end, which shall allow the simultaneous and direct communication between the members in attendance. The Secretary of the Board of Directors shall register in the minutes of the meetings of the Board of Directors held by these means, not only the members of the Board who are present or represented by another director, but also the members attending the meeting via multi conference call, videoconference or any similar system.

5. Upon the beginning of each financial year, the Board of Directors shall draw up an annual calendar of its ordinary meetings and of the business to be transacted in each of them. Directors shall be entitled to propose to the Chairman, prior to the calling of the meeting of the Board, other items not initially envisaged.

Section 20. Conduct of the meetings

1. The Board of Directors shall be validly established when at least half of its members plus one attend either in person or by proxy. In case of an uneven number of directors, the Board of Directors shall be validly established when a number of directors immediately higher than half of it is in attendance.

Directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant a proxy to another member of the Board of Directors giving instructions as to its use and communicating the same to the Chairman of the Board of Directors. Non-executive directors may only be represented by another non-executive member of the Board of Directors.

2. The Chairman shall be responsible for organising the debate and fostering the participation of the directors in the Board's deliberations.
3. Except in those cases where a larger majority is required by statute, the Articles of Association or these Board of Directors' Regulations, resolutions shall be passed when the absolute majority of those attending the meeting vote for such resolution.

CHAPTER VI. APPOINTMENT AND DISMISSAL OF DIRECTORS

Section 21. Election of directors

BOARD OF DIRECTORS' REGULATIONS

1. Directors shall be appointed by the General Meeting of Shareholders or by the Board of Directors in accordance with legal provisions.
2. The proposals for the election of directors that the Board of Directors submits to be considered by the General Meeting of Shareholders and the election decisions that said body makes by virtue of the powers to co-opt legally attributed to it must be preceded by the relevant motion from the Nomination Committee as regards independent directors, or by the relevant report submitted by said Committee, as regards the remaining classes of directors.
3. A report in support of the motion issued by the Board of Directors shall be provided, assessing the performance, experience and qualifications of the proposed candidate. Such report will be attached to the minutes of the General Meeting of Shareholders or of the meeting of the Board itself.

When the Board of Directors departs from the motions and reports of the Nomination Committee, it must provide the rationale behind such proceedings and place it on record.

4. The Board of Directors shall explain to the General Meeting of Shareholders in charge of appointing or ratifying the appointment of directors the class thereof, which shall be confirmed or, where appropriate, reviewed in the Annual Corporate Governance Report, after verification by the Nomination Committee.
5. The provisions of this section shall also apply to the natural persons acting on behalf of a director legal person. The motion regarding a natural person representing a director legal person shall be also subject to the report of the Nomination Committee.

Section 22. Appointment of directors

1. The Board of Directors and the Nomination Committee shall, within their remit, endeavour for the choice of candidates to fall on persons of well-known ability, qualification and experience, and it must strictly adhere to such provisions with regard to those persons called to fill positions of independent directors.
2. The Board of Directors may not propose or appoint in order to fill a position of director, anyone who holds the office of director in more than four listed companies other than the Company at the same time. Section 23 - Re-election of directors

Section 23. Re-election of directors

1. The proposals for re-election of directors that the Board of Directors decides to submit to the General Meeting of Shareholders must be subject to a procedure, which shall necessarily include, a motion, in respect of independent directors, or a report issued by the Nomination Committee in respect of the remaining directors, whereby the quality of work and the dedication to office by the proposed directors during the previous mandate shall be evaluated. The Board of

Directors shall, at any rate, prepare the report on the re-election of the candidate referred to in Section 21 above, and make it available to the shareholders.

2. The Chairman, the Deputy Chairmen, the Lead Independent Director, the members of the Audit and Control Committee, of the Nomination Committee and of the Remuneration Committee, as well as, - should they be directors- the Secretary and the Deputy Secretaries of the Board of Directors who are re-elected as members of the Board of Directors, further to a resolution of the General Meeting of Shareholders, shall remain in the office they held previously within the Board of Directors without any new re-election being required. The foregoing provision is without prejudice to the power of revocation which falls on the Board of Directors.

Section 24. Term of office

1. Directors shall hold their office for the term established by the Articles of Association, and at the expiry of such term, they may be re-elected for the same maximum periods.
2. Directors appointed by co-option shall hold their office until the date that the first General Meeting of Shareholders is held.
3. The director who ends his/her mandate or for any other cause should cease to hold his/her office may not render service in another entity whose corporate objects are similar to that of the company for a period of two years.

The Board of Directors may, should it think it appropriate, release the outgoing director from this obligation or shorten the length of the period.

Section 25. Resignation, removal and dismissal of directors

1. Directors shall vacate office when the period for which they were appointed has expired or when the General Meeting of Shareholders so decides, making use of the powers it has been conferred by law or by the Articles of Association.
2. Directors must place their office at the disposal of the Board of Directors and formalise, if this latter should consider it advisable, the corresponding resignation in the following cases:
 - (a) When they reach the age of 68. Notwithstanding this, the directors who exercise the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon attaining the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of the founder of the Company, Mr. Amancio Ortega Gaona;

BOARD OF DIRECTORS' REGULATIONS

- (b) When they cease to hold the executive positions to which their appointment as director was associated;
 - (c) When they are involved in any of the incompatibility or prohibition cases provided in statute, the Articles of Association or these Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company;
 - (d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors;
 - (e) When they are involved in any circumstances that may harm the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequences;
 - (f) When the reasons for their appointment disappear; and
 - (g) With regard to Proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.
3. The Board of Directors may only propose the removal of an independent director before the expiry of his/her term of office when a just cause arises, and this is considered by the Board of Directors after report of the Nomination Committee. Namely, a just cause will exist when a director holds new offices or assumes new obligations preventing him/her from devoting the required time to the discharge of the duties inherent in the office of director; is in breach of the duties inherent in the office or is involved in any of the circumstances leading to him/her no longer qualifying as independent director, pursuant to legal provisions. Likewise, removal of a director may be proposed as a result of takeover, mergers or other similar corporate transactions which entail a change in the shareholding structure of the Company, where such change entails in turn another in the structure of the Board of Directors on account of the ratio of proprietary directors.
4. Where a director is dismissed before his/her tenure expires, through resignation or otherwise, he/she should state his/her reasons in a letter to be sent to all members of the Board; the Company will report said reason in the Annual Corporate Governance Report. Furthermore, as regards independent directors, the Nomination Committee shall give a report on the proposal of their early dismissal.

Section 26. Objectivity and secrecy of the voting

1. Directors affected by motions of nomination, re-election, dismissal, or by motions for the approval of the contract with the Company covering their remuneration and the remaining rights and obligations, in the case of executive directors, shall leave the meeting during the deliberations and voting referring thereto.

2. Voting by the Board of Directors dealing with the nomination, re-election or dismissal of directors shall be by ballot.

CHAPTER VII. INFORMATION TO DIRECTORS

Section 27. Powers regarding information and examination

1. Directors are vested with the widest powers to learn about any aspect of the Company, to examine the books, records, documents and other records of the company's operations and to examine all its facilities. This right to information extends to the subsidiaries.
2. In order not to hamper the ordinary course of Company business, the exercise of the powers regarding information shall be channelled through the Chairman, the Deputy Chairman or any of the Deputy Chairmen, where appropriate, or through the Secretary of the Board of Directors, who shall attend to the request made by any director and directly provide him with the information, facilitate contacts with the appropriate spokespersons at the appropriate level in the organisation or establish such measures as to enable them to conduct the desired examinations *in situ*.

Section 28. Experts' assistance

1. In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the company's expense.

The commissioned task must of necessity deal with specific problems of a certain importance and complexity which may arise in the performance of the office.

2. The decision to engage external experts must be notified to the Chairman of the Board of Directors and may be open to veto by the Board of Directors if it proves that:
 - (a) It is not necessary for the proper performance of the duties entrusted to the non-executive directors; or
 - (b) The cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or
 - (c) The technical assistance obtained may be properly provided by in-house experts and staff members, or has already been entrusted to other experts; or
 - (d) The confidential nature of the information to be provided to the expert may be jeopardized.

Section 29. Information to Directors

The Company shall design induction courses to provide new directors with a quick glance on the Company and on its corporate governance regulations. Likewise, when circumstances so advise, refresher programs shall be offered.

CHAPTER VIII. REMUNERATION OF DIRECTORS

Section 30. Remuneration of directors

1. Directors shall be entitled, in such capacity, to receive the remuneration fixed by the Board of Directors and, where appropriate, by the General Meeting of Shareholders, within their respective remit, in accordance with the provisions of the Articles of Association and of these Regulations, and in accordance with the remuneration policy approved by the General Meeting of Shareholders, in the terms provided by statute. The Board of Directors shall submit such policy to the General Meeting of Shareholders, for approval, at least every three financial years, without prejudice to such cases where a higher length of time is required.
2. Within the limits provided in the Articles of Association, the Board of Directors shall endeavour for the remuneration of directors to be in reasonable proportion to the weight of the Company, its financial situation at any given time and the benchmark standards of comparable companies. The remuneration system established should aim to promote the Company's long term return and sustainability and include the required safeguards to prevent an excessive risk-taking and the reward of poor results. Likewise, the Board of Directors shall take into account the dedication of the directors to the Company and shall ensure that the remuneration of non-executive directors is such so as to offer incentives to their dedication, without compromising their independence.
3. The remuneration described in the foregoing paragraph shall be compatible with and independent of the remuneration of such Board members who discharge executive duties pursuant to the contracts executed for such purposes between the director and the Company, for the discharge of such duties.

Such contracts shall be in line with the directors' remuneration policy approved by the General Meeting of Shareholders and they shall cover all the grounds whereby directors may receive a remuneration for the discharge of executive duties, including, where appropriate the eventual compensation for the early termination of such duties and the amounts to be paid by the Company as insurance premium or contribution to savings or retirement plans.

It is incumbent on the Board of Directors to fix the remuneration of executive directors for the performance of their executive duties and to approve, pursuant to the majority rule required by statute, the contracts between the executive directors and the Company, which must be in line with the remuneration policy approved by the General Meeting of Shareholders

4. The Board of Directors shall approve every year, on the proposal of the Remuneration Committee, the Annual Report on the Remuneration of Directors which shall include full, accurate and understandable information about the

compensation policy of the Company approved by the Board of Directors for the year in course, as well as, where appropriate the expected policy for years to come. Such report shall also include a comprehensive summary addressing the enforcement of the compensation policy during the year, as well as a breakdown of individual remunerations accrued by each of the Directors, separating fixed remuneration from variable remuneration and underscoring the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors.

5. The Annual Report on the Remuneration of Directors shall be disclosed and put to the advisory say- on- pay vote of the Annual General Meeting of Shareholders as a separate item on the agenda.

CHAPTER IX. DUTIES OF DIRECTORS

Section 31. General duties of Directors

1. Directors must perform the duties imposed by statute, the Articles of Association, and these Regulations with the care of orderly businessmen and with the loyalty of a faithful representative, taking into account the nature of the office and the duties assigned to each of them, acting in good faith and with loyalty to the interest of the Company.
2. In the area of strategic and business decisions, subject to business discretion, the standard of diligence of an orderly businessman shall be deemed met if the director has acted in good faith without personal interest in the matter being decided, with sufficient information and pursuant to an appropriate decision-making process.
3. Namely, directors shall be bound to:
 - (a) Dedicate the appropriate time to the duties of the Board of Directors and promote the adopting by the Board of the required measures for the smooth running and control of the company;
 - (b) Keep dutifully apprised on the course of business of the Company, and prepare appropriately the meetings of the Board and of the committees on which they sit, demanding and gathering from the Company the appropriate and necessary information which may help them comply with their obligations;
 - (c) Attend in person the meetings of the bodies in which they are members, and participate actively in debates, so that their opinion makes an effective contribution to the decision-making process;

Where, on justified grounds, they are unable to attend the meeting to which they have been called, they shall grant proxy to another director (in case of non-executive directors, they can only grant proxy to another non-executive director) and give instructions to the director who has to represent them;

- (d) Undertake any specific task assigned to them by the Board of Directors or any of the sub-committees and/or advisory bodies falling within their commitment of dedication;
 - (e) Investigate any irregularity in the management of the Company that may come to their attention, and monitor any situations of risk;
 - (f) Urge those persons with the capacity to call meetings to call an extraordinary meeting of the Board of Directors or to include on the agenda of the first to be held those items they may deem fit;
 - (g) Oppose to those resolutions that are contrary to the Law, the Articles of Association or the Company's interest, request that their opposition be recorded and seek to challenge said resolutions; Should the director choose to tender his/her resignation where the Board of Directors would pass significant or repeated resolutions to which said director would have serious reserves, he/she will explain the reasons for their resignation in the letter referred to under Section 25.4 hereof. This duty shall also apply to the Secretary of the Board, even if he/she were not a director.
 - (h) Not to exercise their powers for any purpose other than those they were granted for;
 - (i) To discharge their duties pursuant to the principle of personal responsibility with freedom of choice and independence in respect of instructions and links with third parties; and
4. The provisions of this chapter shall also apply to such natural persons who have been appointed representatives of a corporate director.

Section 32. Duty of confidentiality of directors

Directors shall keep confidential information secret even after leaving office, with the obligation to keep reserved the information, data, reports or background they get to know as a result of their offices, and such information shall not be disclosed to any third parties or disseminated whenever this could be detrimental to the interests of the company. With regard to directors who are legal persons, the duty of secrecy shall lie with their representative, - natural person -, subject to the duty such representatives might have to inform said legal person, who shall also be bound by this confidentiality duty. This duty of secrecy shall not apply to the cases provided in Statute.

Section 33. Obligation of non-competition

1. Directors shall refrain from conducting, either for themselves or for others, any business which is actually in competition, whether currently or in future with the

Company or which, at any rate place them in permanent conflict with the interests of the Company.

2. Release from the obligation of non-competition with the company may only occur in such case where no damage for the Company is expected or where damage expected can be set off with the benefit expected from the release. Such release shall be granted further to an express and separate resolution of the General Meeting of Shareholders.
3. At any rate, at the behest of any shareholder, the General Meeting of Shareholders shall pass a resolution regarding the dismissal of any director who conducts business in competition with that of the Company, when the risk of damage for the company has become relevant.
4. The offices that may be held by directors of the Company in companies of the group are exempt from the above.
5. Pursuant to the provisions of section 24.3 hereof, directors whose term of office expires or who ceases to hold office on any other grounds may not render services in another entity whose corporate objects are similar to those of the Company for a two-year period. Notwithstanding the foregoing, the Board of Directors may release, should it deem it fit, the outgoing director from such obligation or reduce its duration.

Section 34. Conflicts of interest

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

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

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

BOARD OF DIRECTORS' REGULATIONS

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

- (a) Those partners who are included with regard to the Director legal entity, in any of the situations provided in Section 42 of the Code of Commerce;
 - (b) The representative, who is a natural person, the director *de iure or de facto*, the liquidators and the attorneys-in fact with general powers of the director, who is a legal entity;
 - (c) Those companies that are part of the same corporate group, as defined in Section 42 of the Code of Commerce, and their shareholders; and,
 - (d) Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the provisions of the paragraph above regarding directors who are natural persons.
2. The following rules shall apply to the conflict of interest situations:
- (a) **Prevention:** directors must take all necessary measures to prevent, as far as possible, becoming involved in any situations in which their interests may, either on their behalf, or on behalf of third parties, be in conflict with the interest of the company and with their duties towards the company.
 - (b) **Information:** without prejudice to their obligation of active prevention, directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any conflict of interest situation in which they are involved.
 - (c) **Abstention:** directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in a conflict of interest situation, with the exceptions provided in the applicable laws. Likewise, with regard to proprietary directors, they shall abstain from taking part in the voting of those matters that might entail a conflict of interest between those shareholders that had proposed their appointment and the Company
 - (d) **Transparency:** the Company must disclose in the notes to the annual accounts any conflict of interest situation in which a director is, that the Company is aware of by virtue of the information of same by the affected person, or by any other means.

Section 35. Use of corporate assets

1. Directors may not make use of the assets of the Company, including the confidential information of the Company, for private purposes, nor may take advantage of their position in the company in order to obtain patrimonial advantages unless it is in exchange for good consideration.

2. As an exception, directors may be released from the obligation of giving a consideration, but in this case, the patrimonial advantage shall be considered as indirect remuneration and must be authorized by the Board of Directors, after report by the Remuneration Committee, unless the authorization of the General Meeting of Shareholders for such release as well as adjusting to the remuneration policy of directors is required by the applicable laws.

If the advantage is received due to their status as shareholders, it shall only be appropriate if the principle of equal treatment of the shareholders is respected.

Section 36. Non-public information

1. Directors may not make use of Company non-public information for private purposes unless the following conditions are met:
 - (a) That the said information is not used in connection with operations of acquisition or sale of shares in the Company;
 - (b) That the use thereof is in no way detrimental to the Company, and
 - (c) That the Company does not hold an exclusive right or a legal position of analogous meaning over the information whose use is desired.
2. Additionally, the director has to observe the rules of conduct established in the stock market legislation and, especially, the rules established in the Company and its Group's Internal Regulations of Conduct Regarding Transactions in Securities.
3. The condition foreseen in sub-paragraph c) above may be exempted by observing the rules contained in the previous Section.

Section 37. Business opportunities

1. Directors may not take advantage for their own benefit or for that of their Related Persons of any business opportunity corresponding to the Company, (such as investments or any other transactions linked to the Company's assets that they might have learned of while in office,) unless the Company would have previously dismissed said investment or transaction and such rejection has not been influenced by the relevant director.
2. For the purposes of the previous paragraph, a business opportunity shall be understood as being any possibility of making an investment or a commercial transaction which arises or has been discovered in connection with the holding of the office of director by the same, or through the use of company means and information, or under such circumstances where it would be reasonable to think that the offering of the third party was really addressed at the Company.

Section 38. Prohibition to make undue influence of the office.

1. Directors may not use the name of the Company nor their status as Directors to carry out transactions for themselves or for any Related Person.

2. Neither shall directors get any advantage or remuneration from any third party other than the Company and its group in connection with the discharge of their office, unless they are granted on a complimentary basis.

Section 39. Duties of information of directors

1. Directors must inform the Company of the shares in the same of which he/she is the direct or indirect holder. Likewise, they must inform about those other shares which are held, directly or indirectly, by their closest relatives, all of which in accordance with the provisions of the Internal Regulations of Conduct Regarding Transactions in Securities.
2. Directors must also inform the Company of any conflict of interest situation, either direct or indirect, in which either themselves or their Related Parties may be involved in respect of the interest of the Company.
3. Directors must also inform the Nomination Committee of all the positions they hold and the activities they carry out in other companies or entities and, in general, about any fact or situation which may be relevant for their performance as director of the Company. With this respect and without prejudice to the obligation of placing their office at the disposal of the Board, provided in Section 25 hereof, directors shall inform the Board of Directors of any other change in their professional situation and of any circumstance which might compromise the credit and reputation of the Company or jeopardize its interest.
4. Directors must inform the Company of any legal, administrative proceedings or other proceedings whatsoever brought against them and which, given their relevance or features, might seriously affect the reputation of the Company. Namely, directors shall inform the Company via the Chairman of the Board of Directors, should they be accused, indicted or should an order have been issued against them initiating trial proceedings in any criminal cause for any offence, as well as of the occurrence of any other relevant procedural milestones in such a case. The Board of Directors shall review the case and shall take, based upon the interest of the company, such measures as he may deem fit.

Section 40. Transactions with directors and significant shareholders

1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a shareholder who owns, either individually or jointly with others, any significant stake, including any shareholder who, regardless of his/her stake in the share capital, is represented on the Board of Directors of the Company or of other companies which are part of its corporate group.
2. In no event shall such a transaction be authorized if previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions. In the event of transactions with significant shareholders, the Committee shall examine it also from the standpoint of an equal treatment for all shareholders.

3. In the case of transactions within the ordinary course of company business and being of a habitual or recurrent nature, a general authorization of the line of transactions and their conditions of execution will be sufficient.
4. The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope of the Law. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions
5. The authorisation of the Board of Directors shall not be required for such transactions which meet simultaneously the following three conditions:
 - (a) they are carried out pursuant to standard agreements and applied to a large number of clients;
 - (b) they are carried out at such prices or rates generally set by the provider of the good or service in question; and
 - (c) their amount is not in excess of one percent (1%) of the annual revenue of the Company.
6. The authorisation shall be granted by the General Meeting of Shareholders when it refers to any transaction with a director for a value which is in excess of 10% of the corporate assets.

CHAPTER X. RELATIONS OF THE BOARD OF DIRECTORS

Section 41. Annual Corporate Governance Report

1. The Audit and Control Committee shall draw up and put forward to the Board of Directors the Annual Corporate Governance Report which shall be subject to the deliberation and approval of the Board of Directors prior to the publication of the notice calling to the Annual General Meeting of Shareholders of the Company for the financial year in question.
2. The Annual Corporate Governance Report shall be available on CNMV's website and on the Company's corporate website referred to in Section 42 below.
3. Furthermore, the Board of Directors shall, following the Company's corporate social responsibility and environmental sustainability model and with the advice of the Social Advisory Board, ensure the preparation of the annual public documentation based upon Inditex's Annual Report (integrated Report).

Section 42. Corporate Website

1. The Company shall provide to the public on its website (www.inditex.com) all the relevant information concerning its corporate governance, for the purposes of channelling the relations with the shareholders and investors and encouraging their involvement in the life of the company. This information, which has to be permanently updated, shall contain at least the following:
 - (a) The Articles of Association.
 - (b) The General Meeting of Shareholders Regulations.
 - (c) The Board of Directors Regulations.
 - (d) The Audit and Control Committee Regulations.
 - (e) The Nomination Committee Regulations.
 - (f) The Remuneration Committee Regulations.
 - (g) The Internal Regulations of Conduct regarding transactions in securities of the Company and its corporate group.
 - (h) The Annual Corporate Governance Report.
 - (i) The Annual Report on the Remuneration of Directors.
 - (j) The Annual Report (Integrated Report).
 - (k) The report on the proceedings and activities of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee.
 - (l) All documents concerning the Annual and Extraordinary General Meetings of Shareholders, with the information regarding the agenda, the proposals submitted by the Board of Directors, and any other relevant information that the shareholders might require, in order to cast their vote, within the period indicated by CNMV, as well as any valid requests for information, clarification or questions made in writing by the shareholders in the exercise of their right to information and the answers given in writing by the directors, unless prior to raising the specific question, the information requested is already available on the corporate website under the question-answer format.
 - (m) Information on the proceedings of the General Meetings of Shareholders already held, namely as regards the composition of the General Meeting of Shareholders upon a quorum being declared, , the resolutions passed with a break-down of the votes cast and expressing whether they are for, against, blank or abstention as regards each of the proposals included on the agenda, within the period indicated by CNMV.

- (n) The communication channels existing between the Company and the shareholders, and namely such explanations as are necessary to exercise the right to vote, stating the postal addresses and e-mail addresses where shareholders can address their queries.
 - (o) The ways and procedures to grant proxy at the General Meeting of Shareholders, pursuant to the specifications given by CNMV.
 - (p) The ways and procedures to cast votes through remote communication systems, pursuant to the rules governing such system, including where appropriate, the forms to justify the attendance and the exercise of the vote through remote means in the General Meeting.
 - (q) The relevant facts filed with the CNMV, under the terms required by the applicable law.
 - (r) The following information regarding directors: i) professional profile and biography; ii) other Board where they sit, whether in listed companies or otherwise (except for the assets-holding companies of the director himself/herself or of their next of kin); iii) their classification as director, stating in case of proprietary directors, the shareholder whom they represent or to whom they are linked; iv) date when they were first appointed and, where appropriate, date of the subsequent appointments as board member, and v) shares of the Company and options on shares which they hold.
 - (s) The remaining information that the Board of Directors should deem fit.
2. As regards the contents above, it is incumbent on the Board of Directors to keep the information of the corporate website updated, and to coordinate its contents with the results stemming from the documents filed and registered with the relevant public registries.

Section 43. Relations with the shareholders

1. The Board of Directors shall furnish adequate channels in order to know the proposals that may be made by the shareholders with regard to the management of the Company.
2. The Board of Directors may, with the collaboration of those senior executives that it considers appropriate, or of any of the directors or of the Lead Independent Director, organise informational seminars on the progress of the Company and its Group, for those shareholders who reside in the most relevant financial markets in Spain and in other countries.
3. The Board of Directors shall likewise establish adequate mechanisms in order to exchange regular information with the institutional shareholders, which make up part of the shareholders of the company. Under no circumstances shall these mechanisms lead to giving to these institutional shareholders any information that could give them an advantage with respect to other shareholders of the Company.

4. The Board of Directors shall encourage the informed participation of the shareholders in the General Meetings of Shareholders and shall adopt whatever measures are advisable in order to assist the efficient exercise by the General Meeting of Shareholders of the duties that belong to them in accordance with statute, the Articles of Association and the General Meeting of Shareholders Regulations.

Section 44. Relations with the markets

1. Subject to the provisions of Section 42, the Board of Directors shall inform the public immediately about:
 - (a) Any relevant information, which is capable of significantly affecting the formation of prices on the stock market.
 - (b) Any relevant changes in the company's ownership structure, such as variations in significant holdings, and para-social agreements of which it has become aware;
 - (c) Any substantial modifications of the Company's rules of governance;
 - (d) The treasury stock policy that the Company intends, where appropriate, to carry out, under the authorizations provided at the General Meeting of Shareholders and its amendment.
2. The Board of Directors shall take the necessary steps to ensure that the half-yearly and quarterly financial information and any other financial information that wisdom requires to be made available to the markets is drafted under the same principles, criteria and professional practices as those used for the annual accounts and that they are as reliable as these latter. For this last purpose, the Audit and Control Committee shall review said information.

Section 45. Relations with the auditors

1. The relations of the Board of Directors with the external auditors of the Company shall be channelled through the Audit and Control Committee.
2. The Board of Directors shall meet at least once a year with the auditors to receive information on the work done and on the evolution of the accounting and risk situation of the Company.
3. The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an auditing firm incurring in incompatibility in accordance with the legislation on financial auditing as well as any auditing firm wherein the fees that the Company expects to pay them, for all services are in excess of the limits established in the legislation on financial auditing..

BOARD OF DIRECTORS' REGULATIONS

4. The Board of Directors shall publicly disclose the whole of the fees paid by the Company to the audit firm for services other than auditing.
5. The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy.

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