

**AUDIT AND CONTROL COMMITTEE'S REGULATIONS**

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

**APPROVED BY THE BOARD OF DIRECTORS ON 14 JUNE 2016**

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## **CHAPTER I. PRELIMINARY**

### **Section 1. Nature and Purpose**

1. These Regulations seek to determine the guidelines for action of the Audit and Control Committee within the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) and its Group (hereinafter, the “**Company**”), the basic rules of its organization and proceedings and the standards of conduct for its members.
2. Pursuant to the Company's corporate governance system, the Board of Directors has set up the Audit and Control Committee (the “**Committee**”), a permanent internal informational and advisory body, without executive duties, with information, supervision, advisory and proposal-making powers within its scope of action, which shall be governed by the provisions set forth in statute, the Articles of Association, the Board of Directors' Regulations and in these Audit and Control Committee's Regulations, (the “**Regulations**”).

### **Section 2. Priority and interpretation**

1. These Regulations further develop and complement the provisions of statute, of the Articles of Association and of the Board of Directors' Regulations which apply to the Committee, which shall prevail in case of inconsistency with the provisions of the former.
2. These Regulations shall be construed pursuant to statute, the Articles of Association and the Board of Directors' Regulations, 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.
3. In the absence of a specific rule and to the extent that they are not incompatible with the nature of the Committee, the provisions of the Board of Directors' Regulations regarding the proceedings of the Committee shall apply, namely regarding the calling of the meetings, granting of proxy to another director, quorum, conduct of meetings and system for passing resolutions, casting of votes in writing without a meeting, and approval of the minutes.
4. 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 and taking into account the purpose of the Committee.

### **Section 3. Approval and amendment**

1. The power to approve or amend these Regulations falls on the Board of Directors, at its own behest, at the behest of its Chairman or at the behest of the Committee.
2. The motion to amend these Regulations at the behest of the Committee shall be accompanied by the relevant memorandum in support of such amendment.

3. The text of the motion approved and, where appropriate, the memorandum in support drafted by the Committee shall be attached to the notice calling the meeting of the Board of Directors where the amendment of these Regulations is to be seen.

#### **Section 4. Compliance and dissemination**

1. Members of the Committee, as well as the remaining members of the Board of Directors to the extent they are affected, are bound to know, comply with and enforce these Regulations, for which purpose they shall be posted on the Company's website.
2. Additionally, the Committee is bound to ensure compliance with these Regulations and to take all appropriate steps so that they are duly circulated within the Company and its subsidiaries (the "Group").

### **CHAPTER II. MISSION AND POWERS OF THE COMMITTEE**

#### **Section 5. Mission of the Committee**

Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Audit and Control Committee shall have the following basic responsibilities:

- (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 systems, including tax risks, and to review 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 regulated 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 to 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 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 the audit legislation and the auditing standards. At any rate, the Committee shall 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 the 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;
- (f) To issue on an annual basis, prior to the issue of the auditor's 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 ensure that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations;
- (h) To advice beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;
- (i) To inform the Board of Directors on such transactions that involve structural and corporate changes that the Company plans to carry out;
- (j) To evaluate any question regarding non financial risks (including operational, technological, legal, social, environmental, political and reputational risks);
- (k) To regularly evaluate the appropriateness of the corporate governance system of the Company and oversee compliance thereof, as well as compliance with the internal codes of conduct;
- (l) To review the social responsibility and the environmental sustainability policies and to oversee compliance thereof;
- (m) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders;
- (n) To oversee and evaluate the relations systems with the different stakeholders of the company; and,

- (o) To coordinate the process of reporting corporate information and information on diversity, pursuant to the applicable regulations and the international standards of reference.

**Section 6. Powers regarding the process to prepare the regulated financial information**

With regard to the preparation of the regulated financial information of the Company and its Group, the Committee shall have the following main duties:

- (a) To oversee the process of preparation and submission and the integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the auditor, with the scope and frequency that may be defined, as the case may be;
- (b) To review compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable; and
- (c) To submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information.
- (d) To advise the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet;

**Section 7. Powers regarding auditing**

With regard to the audit of the accounts of the Company and its Group, the Committee shall have the following main duties:

- (a) To propose to the Board of Directors the selection, 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 contract to be executed with them, to be subsequently submitted to the General Meeting of Shareholders for approval ;
- (b) To oversee the independence of the auditors and the absence of any prohibition or incompatibility circumstances for auditors, pursuant to the legislation on auditing. To perform such task, the Committee shall:
  - (i) Receive from the auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly;
  - (ii) Oversee the hiring of the auditor for services other than financial audit, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services;
  - (iii) Receive from the auditors detailed and separate information on any manner of additional services rendered, as well as the relevant fees received by the auditors

or by the persons or entities related to them, pursuant to the provisions of the regulations on the audit activity;

- (iv) Verify that the Company and the auditor comply with applicable regulations regarding the provision of services other than the auditing of accounts, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the independence of the auditors;
  - (v) Ensure that the remuneration of the external auditor for his works does not compromise the quality and independence thereof;
  - (vi) In the event of resignation of the auditor, examine the circumstances that may have given rise thereto; and,
  - (vii) Issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the auditor or of audit firms has been jeopardised. At any rate, such report must contain the reasoned assessment of the provision by the external auditor of each and every additional service other than the legal audit, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the regulations on the audit activity;
- (c) To oversee compliance with the audit contract, regularly gathering from the auditor information on the audit plan and its implementation;
  - (d) To review the contents of the auditor's reports and, where appropriate, of the reports on limited review of interim accounts, as well as other mandatory reports to be prepared by the auditors, prior to the issue thereof, in order to avoid qualified reports, ensuring that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations, and, where appropriate, in the exceptional circumstances where a qualified report is issued, that both the Chair of the Committee and the auditors would clearly explain to the shareholders the contents and scope of such reservations and qualifications;
  - (e) To assess the results of each financial audit and oversee the response of the Senior Executives to their recommendations;
  - (f) To promote that the auditors of the Group's consolidated accounts shall assume responsibility for the audit work of all or the majority of the companies that form part of such Group; and
  - (g) To ensure that the auditor carrying out the audit of the financial statements or of consolidated accounting documents shall assume full responsibility for the audit report issued, even though the financial statements of the investee companies have been audited by other auditors.
  - (h) To serve as a communication channel between the Board of Directors and the auditors, endeavouring for the latter to have, at least once a year, a meeting with the Board of Directors for the purposes of reporting on the work done and the evolution of the accounting and risk situation of the Company; and,

- (i) To verify that the change of auditor is disclosed as a relevant fact to CNMV and, where appropriate, that information is given on the eventual existence of any discrepancies with the outgoing auditor and the contents thereof.

### **Section 8. Powers regarding the Internal Audit function**

With regard to the Internal Audit function of the Company and its Group, the Committee shall have the following main duties:

- (a) To ensure the independence and effectiveness of the Internal Audit Function overseeing that it has sufficient resources, both human and material, internal and external, to carry out its duties;
- (b) To approve the budget of the Internal Audit Department, the Internal Audit Plan and the annual activities report of such Department, ensuring that its activities are mainly focused on significant risks for the Company and its Group, and to receive periodic information regarding the activities carried out by the Internal Audit Department;
- (c) To report on the appointment and removal of the Chief Audit Officer, after report of the Nomination Committee; and
- (d) To verify that Senior Executives take into account the findings and recommendations resulting from the reports issued by the Internal Audit Department.

### **Section 9. Powers regarding the internal control and risks management policy**

With regard to the internal control and risks management policy of the Company, the Committee shall have the following main duties:

- (a) To oversee the control and risks management function;
- (b) To submit recommendations or motions to the Board of Directors, with the relevant term for follow-up
- (c) To regularly review the internal control and risks management policy, including tax risks;
- (d) To ensure that the internal control and risks management policy contains at least:
  - (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;
  - (ii) The determination of the level of risk that the Company deems acceptable;
  - (iii) The measures planned to reduce the impact of the identified risks, should they materialize; and,

- (iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks;
- (e) To review the information about the risks that the Group is faced with, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and
- (f) To evaluate any question regarding non-financial risks (including without limitation operational, technological, legal, social, environmental, political and reputational) that the control policy and the risks management systems must contain.

### **Section 10. Powers regarding corporate governance**

With regard to the corporate governance policy of the Company and its Group, the Committee shall have the main basic duties:

- (a) To regularly evaluate the appropriateness of the corporate governance system for the purposes of fulfilling its mission of promoting corporate interest taking into account the lawful interests of the different stakeholders of the company;
- (b) To oversee compliance with the Internal Regulations of Conduct regarding transactions with Securities, with these Regulations and, generally, with the corporate governance rules of the Company, and to make the relevant motions to improve it;
- (c) To receive from the Code Compliance Office or, as the case may be, from the Code Compliance Supervisory Board, at least every six months and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its information functions, information on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and, namely, with the cases seen, if any, and the resolutions passed;
- (d) To prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report; and
- (e) To oversee the operation of the Company's website with regard to the posting of information on corporate governance included in Section 42 of the Board of Directors' Regulations.

### **Section 11. Powers regarding compliance with internal regulations**

With regard to compliance with the internal regulations of the Company, the Committee shall have the following main duties:

- (a) To establish and oversee the mechanisms that would allow all the Group's employees, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, to report with all due guarantees of confidentiality, indemnity and observing at any rate the regulations on data protection, any potential breach of the

Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the remaining internal regulations of the Group;

- (b) To receive from the Committee of Ethics at least every six months and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the degree of compliance with the Code of Conduct and Responsible Practices, on the reports of any potential breach of the Code of Conduct for Manufacturers and Suppliers, and, generally, on the enforcement of the regulatory compliance system of the Company, and to submit motions to the Board of Directors for the adoption of measures and policies seeking to improve compliance with such model; and
- (c) To receive information and, where appropriate, issue reports on the disciplinary measures that are intended for members of the senior management of the Company.

### **Section 12. Powers regarding corporate social responsibility**

With regard to the corporate social responsibility of the Company and its Group, the Committee has the following main duties:

- (a) To oversee the corporate social responsibility policy, ensuring that it focus on building value;
- (b) To follow up the strategy and practices of such social responsibility and to evaluate the degree of compliance thereof;
- (c) To verify the process of reporting corporate information and information on diversity pursuant to the applicable regulations and the international standards of reference; and
- (d) To receive from the Sustainability Department, at least once a year and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the social responsibility policy and namely on the following topics:
  - (i) Compliance with the Code of Conduct for Manufacturers and Suppliers, especially underscoring the result of the social audits carried out, directly or indirectly, by the Company for the purposes of ensuring the enforcement of human and social rights throughout its production line;
  - (ii) Social investment of the Company in the areas of education, employment and humanitarian relief, or in any other area it may determine; and
  - (iii) Compliance with the health and safety of the products standards of the products marketed by the Company.

### **Section 13. Powers regarding environmental sustainability**

With regard to the environmental sustainability of the Company and its Group, the Committee has the following main duties:

- (a) To oversee the environmental sustainability policy of the Company, ensuring that it focuses on building value;
- (b) To follow up the strategy and the practices of such environmental sustainability and to evaluate the degree of compliance thereof;
- (c) To receive from the Sustainability Department at least once a year and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the environmental sustainability policy and namely on the fulfillment of the goals of the Strategic Environmental Plan from time to time in force.

#### **Section 14. Powers regarding tax issues.**

With regard to tax issues of the Company and its Group, the Committee has the following main duties:

- (a) To advise beforehand the Board of Directors on the creation or acquisition, as the case may be, of interests in special vehicles or entities resident in countries or territories considered tax havens;
- (b) To receive from the head of tax issues of the Company in order to relay it to the Board of Directors prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company during the financial year, and on the degree of compliance with the Code on Good Tax Practices; and,
- (c) To inform the Board of Directors, based upon the information received from the head of tax issues of the Company, on the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, on the tax consequences thereof, when they represent a relevant factor.

#### **Section 15. Other powers entrusted to the Committee**

Additionally, the Committee has the following duties:

- (a) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders;
- (b) To oversee and evaluate the relations systems with the different stakeholders of the Company;
- (c) To inform the Board of Directors on such transactions that the Company or the companies comprising the corporate Group intend to carry out with the directors or with shareholders who hold a significant stake or who have proposed the appointment of any director of the Company, or with their respective related parties, from an arm's length perspective and the principle of equal treatment to shareholders.
- (d) To issue a report on such transactions which entail structural and corporate changes that the Company intends to carry out, reviewing the economic terms and the accounting impact thereof, and namely, where appropriate, the proposed exchange ratio; and

- (e) To prepare an annual report on the proceedings and activities of the Audit and Control Committee;

### **CHAPTER III. COMPOSITION**

#### **Section 16. Composition and offices**

1. The Audit and Control Committee shall be made up of a number of non-executive directors no lesser than three nor higher than seven, the majority of whom shall be independent and at least one of them shall be appointed taking into account his/her knowledge, qualifications and experience in the areas of accounting, audit or risks management.

Members of the Audit and Control Committee shall, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.

2. Members of the Committee shall be appointed by the Board of Directors after report of the Nomination Committee.
3. The Board of Directors shall appoint a Chair from among the independent directors sitting on the Committee, ensuring that he/she is sufficiently qualified and available for the appropriate discharge of his/her duties.
4. The Board of Directors shall also appoint a Secretary of the Committee, who need not be a member of the Board of Directors or of the Committee; in such case, the Secretary shall have the right to speak but not to vote.

#### **Section 17. Term of office**

1. Committee members shall hold their office while they remain as directors of the Company, except if the Board of Directors resolves otherwise.
2. The Chair shall be elected for a maximum four- year period, upon expiry of which he/she must be replaced. The Chair may be re-elected once a year has lapsed from the date he/she ceased to hold the office of Chair.
3. Committee members who are re-elected by the Company by resolution of the General Meeting of Shareholders shall remain in their office within the Committee, without the need for a new election, without prejudice to the power of revocation that lays with the Board of Directors.

#### **Section 18. Dismissal**

Committee members shall vacate office:

- a) When they cease to be directors of the Company;

- b) When they cease to be non-executive directors, even if they continue as directors of the Company; or
- c) By resolution of the Board of Directors.

## **CHAPTER IV. PROCEEDINGS OF THE COMMITTEE**

### **Section 19. Committee Meetings**

1. The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include within its annual public documentation.
2. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions. The Committee shall also meet when so requested by at least one third of its members; in such case, the meeting shall be called by the Chair to be held within fifteen days of the request.
3. Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair or the Secretary. The notice calling the meeting shall be given at least three days in advance.

The agenda of the meeting must be included in the notice calling the meeting, and the relevant information duly summarized and prepared must be provided with the notice.

4. The Chair may call extraordinary meetings of the Committee when, in his/her view, the circumstances so justify; in such cases the notice period and the remaining requirements laid down in the foregoing paragraph shall not apply.
5. The Committee shall prepare an annual calendar including its ordinary meetings and shall inform the Board thereof.

### **Section 20. Quorum**

1. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. In the event of an uneven number of directors, a quorum for the Committee meeting shall be declared when the whole number of directors immediately above half attends.
2. Directors shall make their best efforts to attend the meetings of the Committee and, whenever they cannot attend in person, they shall endeavor to grant proxy to another member of the Committee, with the relevant instructions, informing thereof the Chair of the Committee.

3. Without prejudice to the foregoing, a quorum for Committee meetings shall be declared if all its members, present or represented, unanimously accept to hold the meeting.

### **Section 21. Place of meeting**

1. Meetings of the Committee shall be held at the place designated in the call to the meeting.
2. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to the provisions of statute. Likewise, meetings of the Committee may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system. For such purposes, the notice for the meeting of the Committee shall state, in addition to the place of the meeting, where the Secretary of the Committee shall be present, the possibility that the meeting may be attended via conference call, videoconference or equivalent system, and the technical means required for such purpose, which shall, at any rate allow the instant and direct communication between the members in attendance, shall be stated and made available. The Secretary of the Committee shall record in the minutes of the meetings held by these means, not only the members who attend in person or, where appropriate, represented by another member, but also those members attending the meeting via conference call, videoconference or similar system.

### **Section 22. Attendance**

1. The Committee may call any employee or officer of the Company, who shall be bound to appear before the Committee, attend its meetings and provide it with assistance and access to the information available to them when the Committee so requests.
2. The Committee may also request the presence and attendance at its meetings of the Auditors.

### **Section 23. Resolutions**

1. Except in those cases where a larger majority is required by statute, the Articles of Association, the Board of Directors' Regulations or these Regulations, resolutions shall be passed by an absolute majority of the votes of the members attending the meeting. In case of equality, the Chair shall have a casting vote.
2. All deliberations and resolutions passed by the Committee shall be entered into a Book of Minutes. Minutes shall be signed by the Chair and the Secretary, or by the person acting in their stead in the meeting to which the minute refer. Copies and certificates of the minutes shall be authorized and issued by the Secretary with the approval of the Chair, or by the persons acting in their stead.
3. The Committee shall inform the Board of Directors of the business transacted and of the decisions made, and shall account for its proceedings and work done at the first meeting of the Board held immediately thereafter. Likewise, a copy of the minutes of the meetings of the Committee shall be made available to all of the directors.

## **CHAPTER V. POWERS OF THE COMMITTEE AND DUTIES OF ITS MEMBERS**

### **Section 24. Powers and advice**

1. The Committee may have, through the Secretary of the Board of Directors, access to any information or documentation available to the Company relating to matters within the remit of the Committee and which it deems necessary to perform its duties.
2. For the better discharge of its duties, the Committee may seek the advice of external experts, and for such purpose, the provisions of the Board of Directors' Regulations on this issue shall apply.

### **Section 25. Duties of Committee members**

1. Committee members must act with independence of judgment and action with respect to the rest of the organization and carry out their duties with the utmost diligence and professional competence.
2. Committee members are subject as such to all the duties of a director set forth in Board of Directors' Regulations, to the extent that they are applicable to the responsibilities discharged by the Committee.

### **Section 26. Conflicts of interest**

When the business to be transacted during the meetings of the Committee directly affects any of its members, or any persons related thereto, and, generally, when such member is involved in a conflict of interest situation, the proceedings provided for such purpose in the Board of Directors' Regulations shall be followed.

## **CHAPTER VI. RELATIONS OF THE COMMITTEE**

### **Section 27. Relations with the General Meeting of Shareholders**

1. The Committee shall inform the General Meeting of Shareholders about such questions raised therein by the shareholders regarding matters within its remit, and namely, about 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 .
2. The annual report on the activities of the Committee addressed in the following Section shall be made available to the shareholders and investors with the notice calling the Annual General Meeting of Shareholders.

### **Section 28. Relations with the Board of Directors**

1. The Chair of the Committee shall inform the Board of Directors of the business transacted and the resolutions passed during its meetings, at the first meeting of the

Board of Directors held immediately after. Likewise, a copy of the minutes of the meetings of the Committee shall be made available to all the directors.

2. Within the first six months following the close of each financial year, the Committee shall submit to the Board of Directors, for approval, an annual report on its proceedings and activities during the previous year.

### **Section 29. Relations with the Internal Audit function**

1. The Committee shall supervise the Internal Audit Department ensuring the good operation of the internal control and information systems. The Internal Audit Department will functionally report to the Chair of the Committee.
2. The Committee shall inform about the appointment and removal of the Chief Audit Officer prior to the report of the Nomination Committee.
3. The Committee shall propose to the Board of Directors the approval of the budget of the Internal Audit function, as well as the approval of the Internal Audit Charter and its amendments
4. The Committee shall guide and supervise the activities of the Internal Audit Department. For such purpose, it shall approve an annual plan which shall be submitted thereto by the Director of the Internal Audit Department, and shall follow up the recommendations thereof. In this respect, the Director of the Internal Audit Department shall directly inform the Committee of any incidences occurring during the execution of its annual work plan and shall submit thereto for approval an activities report at the end of each financial year

### **Section 30. Relations with the Auditor**

1. The Committee shall propose to the Board of Directors, to be submitted to the General Meeting of Shareholders, the appointment, re-election and replacement of the auditor of the Company, taking charge of the recruitment process pursuant to the provisions of the applicable regulations. Likewise, the Committee shall propose to the Board of Directors the terms and conditions of the contract to be executed with the auditor.
2. The Committee shall refrain from proposing to the Board of Directors, and in turn, this latter shall refrain from submitting to the General Meeting of Shareholders the appointment as Company's auditor of any audit firm which is affected by any incompatibility pursuant to the laws governing financial audits, as well as of any audit firm where the fees that the Company intends to pay on all grounds are in excess of the limits set by the financial audit legislation.
3. The Committee shall regularly receive from the auditor information regarding the audit plan and the results of its implementation, follow up the recommendations proposed by the auditor and may request its collaboration whenever this is deemed necessary.
4. The Committee shall request from the auditor a statement of independence of the firm as a whole and of the team members who participate in the process of auditing the financial statements of the Group, as well as detailed and separate information on additional services of any kind rendered by the auditors or by persons related thereto

pursuant to the provisions of the regulations on the audit activity. In addition, the Committee shall oversee the enforcement of the internal procedures on quality assurance and independence safeguarding implemented by the auditor.

5. The Committee shall oversee the hiring of the auditor for services other than financial audit pursuant to the internal procedure which shall be approved.

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