

**ANNUAL CORPORATE GOVERNANCE REPORT**

**LISTED COMPANIES**

ISSUER IDENTIFICATION

FISCAL YEAR

2012

Tax Identification No. [C.I.F.] A-15.075.062

Company Name:

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

**ANNUAL CORPORATE GOVERNANCE REPORT**  
**OF INDUSTRIA DE DISEÑO TEXTIL, S.A.**

In this Annual Corporate Governance Report, the Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (hereinafter, “**INDITEX**” or the “**Company**”) has included all the relevant information corresponding to fiscal year 2012 which commenced on 1 February 2012 and closed on 31 January 2013, excepting those cases in which other dates of reference are specifically mentioned. In Spain, Act 26/2003 of 17 July (hereinafter, the “Transparency Act”), which amended the *[Spanish]* Stock Exchange Act and the then prevailing Revised Text of the *[Spanish]* Corporation Act with the purpose of reinforcing the transparency of listed companies, developed the series of reflections on the principles and practices that should govern the corporate governance of listed companies that were contained in the Report of the Olivencia Commission and, subsequently, in the Report of the Special Commission for the Promotion of Transparency and Security in Financial Markets and Listed Companies (hereinafter, the “Aldama Report”), giving regulatory support to the findings and recommendations contained therein as regards the promotion of transparency. Finally, on 22 May 2006, the Board of the *Comisión Nacional del Mercado de Valores* (Spanish Stock Exchange Commission, hereinafter the “CNMV”), resolved to approve as a single document which encompasses the recommendations on corporate governance, the Unified Good Governance Code prepared by the Special Work Group set up further to a resolution of the Spanish Government with the goal of assisting the CNMV with the harmonisation and update of the recommendations included in the Olivencia and Aldama Reports.

The contents and structure of this Report adjust to the model laid down by Circular 4/2007 dated 27 December of CNMV, whereby the model of the annual corporate governance report of listed companies is amended, and to the new requirements set out in Act 2/2011 of 4 March on Sustainable Economy which adds on its fifth Additional Provision a new chapter VI to Part IV of Act 24/1988, of 28 July, on the Stock Exchange which governs the additional information to be provided on the model of annual corporate governance report currently in force.

This Annual Corporate Governance Report is subject to publication as a relevant fact and is available on the corporate web site: [www.inditex.com](http://www.inditex.com).

Corporate governance rules of INDITEX are established in its Articles of Association, Board of Directors’ Regulations, Regulations of the General Meeting of Shareholders, the Internal Regulations of Conduct regarding Transactions in Securities, the Code of Conduct and Responsible Practices and the Regulations of the Social Advisory Board, as it is explained in more detail below:

Articles of Association: These were approved by the General Meeting of Shareholders in July 2000. The Annual General Meeting held in April 2001 introduced an amendment consisting of a reduction in the number of shares required to attend the General Meeting, while the one held in July 2003 resolved new amendments, mostly on account of the new duties of transparency, information and protection of the shareholder, which were introduced by Act

44/2002 of 22 November, on Measures for the Reform of the Financial System (hereinafter, the "Financial Law") and by the recommendations and findings regarding corporate governance, and specifically those included in the Aldama Report. Subsequently, the AGM passed several amendments regarding the full adaptation to the Transparency Act and the inclusion of recommendations on corporate governance, underscoring the following ones: (i) the requirement to hold at least 50 shares in the Company to be eligible to attend Annual General Meetings was suppressed; (ii) the possibility for shareholders to grant proxy and to issue votes by mail or electronic means was included in the regulations of the company; (iii) some rules were laid down for those cases where a shareholders' proxy is in conflict of interest; (iv) the change in the composition of the Audit and Control Committee; (v) a new article regarding the Nomination and Remuneration Committee, and (vi) a new article on the web page of the company. Subsequent amendments were added to adjust the Articles of Association to the amendments introduced by Act 3/2009 of 3 April on Structural Amendments of Companies and to extend the maximum number of members sitting on the Supervision and Control Committees of the Board of Directors (the Audit and Control Committee and the Nomination and Remuneration Committee) to better meet the requirements of the Company and to mirror the composition of the Board of Directors, further to the resolution passed by the AGM held on 13 July 2010 regarding the appointment of two new independent directors. The Annual General Meeting of Shareholders held on 19 July 2011 resolved the adjustment of the Articles of Association to the Revised Text of the Act on Capital Companies, approved by *Real Decreto Legislativo* 1/2010 of 2 July. The amendment consisted of replacing any references to the "Spanish Corporation Act" or any other express reference to any given statute, with a generic reference to the "Law" or the "applicable regulations", for the purposes of preventing that any successive regulatory change might entail the relevant amendment to the Articles of Association. Likewise, certain amendments were introduced regarding the form and contents of the notice calling the Annual General Meeting of Shareholders, in order to adjust the duties of the Audit and Control Committee to the new wording of 18<sup>th</sup> Additional provision of the Act on the Stock Exchange and the contents of the web page regarding information to the shareholders.

Finally, certain articles of the Articles of Association were amended during the AGM held on 17 July 2012 in order to meet the regulatory changes introduced by Act 25/2011 of 1 August, whereby portions of the Act on Capital Companies were amended, and by Directive 2007/36/EC of the European Parliament and of the Council, of 11 July, on the exercise of certain rights of shareholders in listed companies, which has entailed certain amendments to the regulations of listed corporations.

Board of Directors' Regulations: These were approved by the Board of Directors in July 2000. Their purpose is to determine the principles of operation of the Board, the basic rules for its organisation and proceedings and the rules governing the conduct of its members; they include, among other matters, rules regarding the appointment and removal of directors, their rights and duties and the relationship of the Board with the shareholders, the markets and the external auditors, all this with the aim of achieving the highest possible degree of efficiency. The Board of Directors' Regulations were already subject to a major reform, as resolved by the Board of Directors on 20 March 2003, in order to adapt them to the new obligations introduced by the Financial Act, and to the recommendations of the Aldama Report. Said reform, however, did not take into account all the mandates of the

Transparency Act, which was published after such resolution. For such reason, a new amendment to the internal rules on governance of the Board of Directors was approved by the meeting it held on 10 June 2004 to fully include the provisions of the Transparency Act and the implementing regulations thereof, and to undertake other reforms, which although not mandatory, aimed at reviewing and updating the contents of the Board of Directors' Regulations in light of the most recent trends on the issue of good corporate governance, harmonising the terminology used. Then, the Board of Directors approved certain amendments to the Regulations in order to adjust them to the new recommendations of the Unified Good Governance Code. The reform of the Board of Directors' Regulations approved by said body on 13 July 2010 aimed at adjusting the wording of certain sections of the Board's Regulation to the amendments introduced to the Articles of Association, including the extension of the maximum number of members sitting on the Supervision and Control Committees (the Audit and Control Committee and the Nomination and Remuneration Committee), in order to adjust them to the requirements of the Company and to the new composition of the Board of Directors, further to the resolution passed by the AGM held on that same date, regarding the appointment of two new independent directors.

Finally, the Board of Directors held last 12 June 2012 resolved to amend the Board of Directors' Regulations in order to: (i) encompass the regulatory changes introduced by Act 25/2011 of 1 August, and Act 2/2011 of 4 March, on Sustainable Economy; among such changes, apart from those made to adjust such Regulations to the new wording of the Articles of Association, the following should be underscored: the change in section 17 to include the possibility that a third of Directors may call the Board of Directors under certain circumstances, as provided in section 246 of the Act on Capital Companies, as amended, and the amendment of paragraphs 3 and 4 of section 28 and paragraph 2 of section 39, to adjust their contents to sections 61 *bis* and 61 *ter* of Act 24/1988 of 28 July, on the Stock Exchange, as amended, which govern the requirement for listed companies to issue on an annual basis a report on corporate governance and another on the remuneration of Directors; (ii) include recommendations 44 and 54 of the Unified Good Governance Code of Listed Companies; (iii) extend the powers of the Audit and Control Committee and of the Nomination and Remuneration Committee; and (iv) remove any references to the repealed Spanish Corporation Act, and replacing them with the relevant references to the Act on Capital Companies and introducing technical and editorial improvements.

Regulations of the General Meeting of Shareholders: This text was approved at the Annual General Meeting held on 18 July 2003. Its aim is to govern the proceedings of the General Meeting as to calling of meetings, preparation, information, attendance, development and exercise of voting rights, and to inform the shareholders of their rights and duties relating to this. The Annual General Meeting of Shareholders held on 16 July 2004 approved the amendment to the Regulations of the General Meeting of Shareholders in order to include the provisions of the Transparency Act and the implementing regulations thereof, updating at the same time the contents of the Regulations in light of the most recent trends on the issue of good corporate governance. Subsequently, the AGM approved certain amendments to these Regulations in order to adjust their contents to the new recommendations laid down in the Unified Good Governance Code, and for the purposes of adjusting their wording to the regulatory changes introduced by the new Act on Capital Companies. Additionally, in order to prevent any successive amendment based exclusively upon any changes in the name of the applicable

regulations, any reference to the “Spanish Corporation Act” or any other express reference to the applicable regulations, have been replaced with a generic reference to the “Law” or the “applicable regulations”.

The latest amendment to the Regulations of the General Meeting of Shareholders, resolved by the AGM held on 17 July 2012 sought: (i) to adapt them to the new wording of the Articles of Association and encompass the regulatory changes introduced by Act 25/2011, of 1 August, which entailed several changes to the regulation of listed corporations; and, (ii) to adapt the remit of the Annual General Meeting of Shareholders concerning compensation by means of delivery of shares and the advisory say on pay vote on the annual report on Directors’ compensation.

Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the “Internal Regulations of Conduct” or “IRC”): Approved by the Board of Directors in July 2000, this document contains, among others, the rules governing the confidentiality of relevant information, transactions involving securities of INDITEX and its group of companies by the persons included in its scope, its treasury stock policy and communication of relevant facts. In its meetings on 20 March and 11 December 2003, the Board of Directors approved revised texts of the Internal Regulations of Conduct, in order to adapt them firstly to the new obligations introduced by the Financial Act, and secondly to the recommendations contained in the *Aldama* Report, redefining several concepts and strengthening control over those transactions that could be carried out at some point in the future by Affected Persons with securities of the company, amongst other amendments. Finally, said revised text was amended further to a resolution of the Board of Directors dated 13 June 2006 for the purposes of adapting the contents thereof to the provisions of *Real Decreto (Royal Decree)* 1333/2005, of 11 November, implementing the Stock Exchange Act in the matter of market abuse.

Code of Conduct and Responsible Practices of the INDITEX Group: Approved by the Board of Directors on 16 July 2012, this Code replaces the former Code of Conduct of the INDITEX Group and the Internal Guidelines for the Responsible Practices of the Inditex Group. The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties. Its goal consists of exacting an ethical and responsible professional conduct from INDITEX and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined. The Code of Conduct and Responsible Practices is based upon a number of general principles, inter alia, that according to which the operations of the INDITEX Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the INDITEX Group shall be treated in a fair and honourable manner and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

The full text of all the aforementioned documents is available on the corporate web site ([www.inditex.com](http://www.inditex.com)).

Regulations of the Social Advisory Board: The Social Advisory Board is the advisory body of INDITEX with regard to Corporate Social Responsibility. In December 2002, the Board of Directors authorised its creation and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and operation and the rules of conduct of its members.

**A OWNERSHIP STRUCTURE**

**A.1. Complete the following table about the share capital of the company:**

<b>Date of last amendment</b>	<b>Share capital (€)</b>	<b>Number of shares</b>	<b>Number of voting rights</b>
20-07-2000: Resolution passed by the Annual General Meeting of Shareholders	€93,499,560	623,330,400 shares	623,330,400

Please state whether there are shares of different classes with different rights attached thereto:

Yes

No

All shares are of the same class and series, represented by the book-entry method and are fully paid-up and subscribed.

INDITEX has been listed on the Spanish Stock Markets since 23 May 2001 and has been part of the selective Ibex 35 since July 2001. In addition, it has been part of the *Eurotox* 600 since September 2001, of the selective Morgan Stanley Capital International index since November 2001, of the Dow Jones Sustainability Index since September 2002, of the *FTSE4Good* since October 2002 and of the FTSE ISS *Corporate Governance* index, since its launching in December 2004.

**A.2. List the direct and indirect holders of significant holdings in your company at the date of the fiscal year end, excluding the directors:**

As INDITEX's shares are represented by the book-entry method and no shareholders register is kept by the Company, the ownership structure of the company may not be accurately known.

Anyway, according to the information provided by *CNMV* on its web site and to the information provided to INDITEX by shareholder Rosp Corunna Participaciones Empresariales, S.L., the owners of significant holdings in the company as at 31 January 2013, excluding the directors, were those shown below:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% Total of share capital
PARTLER 2006, S.L.	57,872,465		9.284%
Rosalía Mera Goyenechea <sup>(*)</sup>	0	31,494,806	5.053%

<sup>(\*)</sup> through:

Name or company name of the direct owner of the shareholding	Number of direct voting rights	% on total voting rights
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	31,494,806	5.053%

**Indicate the most significant movements in shareholding structure that have taken place over the fiscal year:**

The Company has not been given notice of any significant movements in the shareholding structure over the year.

**A.3. Complete the following tables on the members of the board of directors of the company, who have voting rights attached to shares in the company:**

As at 31 January 2013, the members of the Board of Directors who had a stake in the share capital of the Company were as follows:

Name or company name of the director	Number of direct voting rights	Number of indirect voting rights (*)	% on the total vote rights
Pablo Isla Álvarez de Tejera	361,064	0	0.058%
Amancio Ortega Gaona	0	369,600,063 <sup>(*)</sup>	59.294%
José Arnau Sierra	6,000	0	0.001%
GARTLER, S.L.	311,727,598	0	50.010%
Irene Ruth Miller	13,240	0	0.002%
Nils Smedegaard Andersen	7,000	0	0.001%
Carlos Espinosa de los	40,000	0	0.006%

Monteros Bernaldo de Quiros			
Emilio Saracho Rodríguez de Torres	0	0	0%
Juan Manuel Urgoiti López de Ocaña	27,739	0	0.004%

(\*) Through:

Name or company name of the direct holder of the stake	Number of direct voting rights	% on the total voting rights
GARTLER, S.L.	311,727,598	50.010%
PARTLER 2006, S.L.	57,872,465	9.284%
<b>Total:</b>	<b>369,600,063</b>	<b>59.294%</b>

<b>Total % of voting rights held by the Board of Directors</b>	<b>59.37%</b>
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Complete the following tables on the members of the Board of Directors who have rights over shares in the company:

No member of the Board of Directors has any rights over shares in the Company.

**A.4. Indicate, where applicable, the family, business, contractual or corporate relationships existing between the holders of significant holdings, to the extent that they are known by the company, unless these be scarcely relevant or stem from the ordinary course of trade:**

The Company has not been given notice of any family, business, contractual or corporate relationships existing between the holders of significant holdings that are of a relevant nature or that do not stem from the ordinary course of trade, without prejudice to that referred to under item A.3 above as regards the fact that Mr Amancio Ortega Gaona is the indirect holder of the shares held by two significant shareholders: Gartler, S.L. and Partler 2006, S.L.

**A.5. Indicate, where applicable, the business, contractual or corporate relationships existing between the holders of significant holdings and the company and/or its group, unless these be scarcely relevant or stem from the ordinary course of trade:**

There have been no relations of a business, contractual or corporate nature between the holders of significant holdings and the Company that are of a relevant nature or that do not stem from the ordinary

course of trade, subject to the information provided under section C regarding related-party transactions, for transparency purposes.

**A.6. Indicate if any para-social agreements affecting the company pursuant to the provisions of art. 112 of the LMV have been reported to the company. If so, describe them briefly and list the shareholders bound by the agreement:**

Yes

No

**Indicate whether the company knows of the existence of concerted actions among its shareholders. If so, give a brief account thereof:**

Yes

No

**In the event that during the year any modification or breaking of those pacts or agreements or concerted actions has occurred, indicate it expressly:**

The Company has not received any notices regarding the making of para-social agreements nor does it have any proof of the existence of concerted actions between its shareholders.

**A.7. Indicate if there is any legal or natural person who exerts control or could exert control over the company in accordance with section 4 of the Stock Exchange Act. If so, identify it/them:**

<b>Name or company name</b>
Amancio Ortega Gaona

<b>Remarks</b>
He holds through GARTLER, S.L. and PARTLER 2006, S.L. 59.294% in the share capital.

**A.8. Complete the following tables on the treasury stock of the company:**

**At year-end closing:**

Number of direct shares	Number of indirect shares	total % on share capital
0	0	0%

**List the significant variations, in accordance with the provisions of Royal Decree 1362/2007, occurred during the fiscal year:**

No significant variation occurred during the fiscal year.

**A.9. Give details of the conditions and term of the current mandate given by the general meeting to the board of directors to carry out acquisitions or transfers of the company's own shares**

At the date of the issue of this report, the authorisation granted by the Annual General Meeting of Shareholders of the Company held on 17 July 2012 remains in force, by virtue of which the Board of Directors was authorised to acquire the company's own shares. Below is a literal transcription of the resolution passed by the aforementioned Annual General Meeting on item nine of the Agenda:

*"To authorize the Board of Directors, so that, in accordance with the provisions of section 146 of the Act on Capital Companies, it may proceed to the derivative acquisition of treasury stock, either directly or through any subsidiaries in which the Company is the controlling company, observing the legal limits and requirements and under the following conditions:*

*a) Methods of acquisition: the acquisition shall be done through purchase and sale, exchange or dación en pago [acceptance in lieu of payment].*

*b) Maximum number of treasury stock to be acquired: shares with a nominal value which, added to that of those shares, directly or indirectly in the possession of the Company, do not exceed 10% of the share capital.*

*c) Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.*

*d) Duration of the authorization: five (5) years from the date of this resolution.*

*For the purposes of the provisions of paragraph a) of section 146.1 of the Act on Capital Companies, it is hereby stated that the shares purchased under this authorization may be allocated by the Company, among other things, to be handed out to the employees or directors of the Company, either directly or as a result of the exercise of any option they may hold, under remuneration schemes for staff of the Company or its Group.*

*This authorization supersedes the authorization approved by the Annual General Meeting of Shareholders held on 13 July 2010".*

**A.10. Indicate, where applicable, any legal or by-law restrictions on the exercise of voting rights, as well as any legal restrictions on the acquisition or transfer of interests in the share capital.**

**State whether there are any legal restrictions on the exercise of voting rights:**

Yes

No

**State whether there are any by-law restrictions on the exercise of voting rights:**

Yes

No

**State whether there are any legal restrictions on the acquisition or transfer of interests in the share capital:**

Yes

No

All shares of the Company have the same voting and financial rights attached and there are no legal or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that contained in section 83.1 of the Act on Capital Companies, which provides that any shareholder who is in arrears regarding any outstanding payments may not exercise their right to vote.

**A.11. Indicate whether the Annual General Meeting of Shareholders has resolved the taking of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007:**

Yes

No

## **B ADMINISTRATIVE STRUCTURE OF THE COMPANY**

### **B.1 Board of Directors**

Apart for the matters reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and controlling body of the company, as it is entrusted with the direction, administration, management and representation of the company, delegating in general the management of the day-to-day business of INDITEX to the executive bodies and to the management team and concentrating its efforts on the general supervisory function, which includes directing INDITEX's policy, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the company and acting as a link with the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have a decision power within the company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its functions in accordance with the corporate interest, it being understood as the viability and maximization of the company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activities, and specially those of the other "stakeholders" of the Company (employees, customers, suppliers and civil society in general), determining and reviewing its business and financial strategies in the light of said criterion, trying to achieve a reasonable balance between the selected proposals and the risks taken.

**B.1.1. List the maximum and minimum number of directors provided in the Articles of Association**

<b>Maximum number of directors</b>	12
<b>Minimum number of directors</b>	5

**B.1.2. Complete the following table with the members of the Board:**

<b>Name or company name of the director</b>	<b>Representative</b>	<b>Office on the Board</b>	<b>Date of first appointment</b>	<b>Date of latest appointment</b>	<b>Election procedure</b>
Pablo Isla Álvarez de Tejera		Chairman	9-06-2005	13-07-2010	AGM
Amancio Ortega Gaona		Ordinary member	12-06-1985	13-07-2010	AGM
José Arnau Sierra		Deputy Chairman	12-06-2012	17-07-2012	AGM
GARTLER, S.L.	Flora Pérez Marcote	Ordinary member	12-12-2006	17-7-2007	AGM
Irene Ruth Miller		Ordinary member	20-04-2001	19-07-2011	AGM
Nils Smedegaard Andersen		Ordinary member	08-06-2010	13-07-2010	AGM
Carlos Espinosa de los Monteros Bernaldo de Quirós		Ordinary member	30-05-1997	14-07-2009	AGM
Emilio Saracho Rodríguez de Torres		Ordinary member	08-06-2010	13-07-2010	AGM
Juan Manuel Urgoiti López de Ocaña		Ordinary member	02-01-1993	13-07-2010	AGM

<b>Total number of Directors</b>	9
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**Indicate the vacancies occurred on the Board of Directors during the period:**

As addressed in section B.1.5 below, in the year in course, and in accordance with the relevant fact disclosed to CNMV on 13 June 2012, the Board of Directors of INDITEX accepted the resignation tendered by Mr Francisco Luzón López, an independent director, who stepped down from the Board of Directors, the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee of the Company.

**B.1.3. Complete the following tables about the members of the board and their different categories:**

### **EXECUTIVE DIRECTORS**

<b>Name or company name of the board member</b>	<b>Committee which that member's appointment</b>	<b>Position in the organisational chart of the company</b>
Pablo Isla Álvarez de Tejera	Nomination and Remuneration Committee	Chairman and Chief Executive Officer (CEO)

<b>Total number of executive directors</b>	1
<b>Total % of Board members</b>	11.11%

### **NON-EXECUTIVE PROPRIETARY DIRECTORS**

<b>Name or company name of board member</b>	<b>Committee which that member's appointment</b>	<b>Name or company name of the significant shareholder being represented or who has proposed the appointment</b>
GARTLER, S.L.	Nomination and Remuneration Committee	Amancio Ortega Gaona
Amancio Ortega Gaona	Nomination and Remuneration Committee <sup>(1)</sup>	Amancio Ortega Gaona
José Arnau Sierra	Nomination and Remuneration Committee	Amancio Ortega Gaona

<b>Total number of proprietary directors</b>	3
<b>Total % of Board members</b>	33.33%

<sup>(1)</sup> The first appointment of proprietary director Amancio Ortega Gaona took place before the Nomination and Remuneration Committee was set up.

## **NON-EXECUTIVE INDEPENDENT DIRECTORS**

Name or company name of the board member	Committee which proposed that member's appointment	Profile
Nils Smedegaard Andersen	Nomination and Remuneration Committee	(1)
Carlos Espinosa de los Monteros Bernaldo de Quirós	Nomination and Remuneration Committee	(1)
Irene Ruth Miller	Nomination and Remuneration Committee	(1)
Emilio Saracho Rodríguez de Torres	Nomination and Remuneration Committee	(1)
Juan Manuel Urgoiti López de Ocaña	Nomination and Remuneration Committee	(1)
<b>Total number of independent directors</b>		5
<b>Total % of Board members</b>		55.55%

(1) A brief description of the profile of the non-executive independent members of the Board of Directors of the company is given below:

### Mr Nils S. Andersen. (54)

He has been an independent director since June 2010. He is a graduate in Business and Economics from the University of Aarhus in Denmark. He joined Carlsberg in 1983 and became Group Vice President in 1988. From 1990 to 1997 Nils Andersen worked abroad as CEO of Carlsberg Spain and later of Carlsberg German Brewery group. Nils Andersen left Carlsberg in 1997 to become CEO of Hero's drinks division based in Switzerland until he in 1999 returned to Carlsberg as member of the Executive Board with responsibility for European drinks operations. In 2001 he became CEO of Carlsberg A/S and led the group through a period of acquisitions and international growth until he in 2007 left Carlsberg to become Partner & Group CEO of A.P. Moller – Maersk. Nils Andersen is a member of the European Round Table of Industrialists (ERT) since 2001 and since 2007 member of the EU-Russia Industrialists' Round Table (IRT). Within the A.P. Moller – Maersk Group he is Chairman of the Executive Board, Chairman of Maersk Oil & Gas A/S and Chairman of Danish Supermarket A/S. In 2010 he was awarded "Knight of the Dannebrog"

### Mr Carlos Espinosa de los Monteros Bernaldo de Quirós. (68)

He has been an independent director since May 1997. He is a graduate in Law and Business Studies from ICADE and a Commercial Expert and State Economist. He has been the Chairman of the Board of Directors of Mercedes Benz España, Deputy Chairman of the *Instituto Nacional de Industria*, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the *Círculo de Empresarios*, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he chairs *Fraternidad-Muprespa*

and sits on the board of *Acciona, S.A., Schindler España*, and the Yell Group. He has been awarded the *Grandes Cruces del Mérito Civil and Mérito Aeronáutico*. He was appointed Alto Comisionado del Gobierno para la Marca España [*High Commissioner for the Brand "Spain"*] in July 2012.

Ms Irene R. Miller. (60)

She has been an independent director since April 2001. She is a Science graduate of the University of Toronto with a Bachelor in Science and of Cornell University with a Master of Science in chemistry. She began her career at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble as Senior Vice President of Corporate Finance and in 1993, before the flotation of Barnes & Noble, became Chief Financial Officer. At present time, she is the CEO of Akim, Inc., an American investment and consulting firm, which she first joined in 1997. She is also a member of the Boards of Directors of Coach Inc., (where she is *lead director*) and Toronto-Dominion Bank Financial Group. Previously, she served on the Board of Directors of Oakley Inc., Benckiser N.V., The Body Shop International Plc and Barnes & Noble, Inc.

Mr Emilio Saracho Rodríguez de Torres. (57)

He has been an independent director since June 2010. A Graduate in Economics from the Complutense University in Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of *Banco Santander de Negocios*, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of *Grupo Santander* and Deputy General Director. He has been a director of FISEAT, *Santander de Pensiones* and *Santander de Leasing*. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined J.P. Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 to January 1<sup>st</sup> 2008, he was Chief Executive Officer of J.P. Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He is in charge of Investment Banking operations of J.P. Morgan in Europe, the Middle East and Africa. He sits on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. He is Deputy C.E.O. for EMEA since December 2012.

Mr Juan Manuel Urgoiti López de Ocaña. (73)

He has been an independent director since January 1993. He is a graduate in Law from the University of Madrid, beginning his career in the *Banco de Vizcaya* in 1962. After holding many executive positions, he was appointed General Manager in 1978, director in 1984 and CEO in 1986. In 1988, after its merger with the *Banco Bilbao* he was appointed CEO of the *Banco Bilbao Vizcaya*. He has been President of *Ahorrobank*, *Banco de Crédito Canario*, *Banco Occidental*, *Instituto de Biología y Sueroterapia* and *Laboratorios Delagrangé* and Board member of *Antibióticos, S.A.* At the present time he is the Chairman of the *Banco Gallego* and Deputy Chairman of *Acciona, S.A.* He is President of the *Fundación Gaiás-Cidade da Cultura* and of private foundation *Fundación José Antonio de Castro*, and is a member of other foundations and institutions. He holds the *Gran Cruz de Mérito Civil* and has been awarded the honour of Commander of the Order of the British Empire (C.B.E.)

### **OTHER NON-EXECUTIVE DIRECTORS**

Name or company name of the board member	Committee which proposed that member's appointment

Total number of other non-executive Directors	
Total % of Board members	

**List the reasons why they cannot be considered proprietary or independent, as well as their ties, whether with the company or its management or with its shareholders**

Name or company name of the board member	Reasons	Company, officer or shareholder with whom the director has ties

**Indicate the variations that, where appropriate, have occurred during the period in the category of each director:**

Mr Juan Manuel Urgoiti López de Ocaña is currently a non-executive independent director. He was previously classified as "other non-executive directors" as he served on the Board of Directors of Banco Gallego, S.A. as executive director. Mr Antonio Abril Abadín was a director of *Banco Gallego, S.A.* until June 2012.

**B.1.4. Describe, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital:**

Name or company name of the shareholder	Reasons

No proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital.

**State whether formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied:**

Yes

No

Name or company name of the shareholder	Reasons

**B.1.5 State whether any director has withdrawn from his/her position before the expiry of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:**

Name or company name of the shareholder	Reasons
Francisco Luzón López	Resignation

Mr Francisco Luzón López addressed a letter to the Company on 12 June 2012 giving notice of his resignation after more than 15 years in office.

The resignation of Mr Luzón as ordinary member of the Board of Directors, the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee of the Company was accepted by the Board of Directors on 12 June 2012, in accordance with the relevant fact disclosed to *CNMV* on 13 June 2012.

**B.1.6. Indicate, in the event that there are any, the powers that have been delegated to the chief executive officer(s):**

The Chairman of the Board of Directors and the Executive Committee and C.E.O., Pablo Isla Álvarez de Tejera, has been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those that: a) involve the disposal of funds in excess of a certain amount, in which case the Chairman and C.E.O. should act jointly with another person who in virtue of any legal title is also empowered with the power in question and/or b) involve the alienation or encumbrance of real property of the Company, for which a prior resolution of the Board of Directors or, the Executive Committee, shall be required.

The requirement of joint action provided in the preceding paragraph shall not apply when it involves transactions, actions or contracts that, regardless of the amount involved, are carried out or awarded between companies belonging to the INDITEX group, understanding as such those companies, whether Spanish or foreign, in which INDITEX,., whether directly or indirectly through other investee companies, is the holder of at least 50% of its share capital, in which case any of the authorized individuals may act individually, in the name and on behalf of the company, independently of the amount involved in the matter in question.

List of powers:

1.- To appear and represent the Company vis-à-vis all manner of authorities, agencies, centres, departments and offices of the General State Administration, Central or Peripheral Government, autonomous communities, provinces, municipalities, the Corporate, Independent and European Administration, public registries of all types and, in general, any public or private entity or person whatsoever. To sign and file all manner of applications, petitions, unsworn statements or affidavits, pleadings and documents; make and pursue all types of claims; and, in general, exercise such powers as may be required for the management and defence of the rights of the Company.

2.- To sign, send and receive and collect from the Spanish postal and telegraphic authorities or offices ordinary or registered postal or telegraphic correspondence, declared value items and postal and telegraphic money orders. To file any claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3.- To verify consignments of all kinds of merchandise and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad and shipping companies and against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who intervene in the transport of individuals or in the sphere of the hotel and catering industry.

4.- To claim and collect amounts owing to the Company for whatever reasons and to sign the appropriate receipts. To make payments. To render and require the rendering of accounts, and to challenge or approve the same. To provide, cancel and recover all manner of bonds and deposits, including those at/of the Spanish General Savings Deposit and its branches.

5.- To enter into all manner of loan and credit agreements. To open current, loan, savings or any other account with credit institutions and/or finance companies, both public and private; with respect to all such accounts and any other account existing in the Company's name, to deposit or pay in cash sums, withdraw amounts or dispose of same by means of receipts, cheques and drafts, pay by transfer or order

transfers, endorse or send for debiting bills of exchange, trade bills and credit notes, as well as bills or invoices payable by the Company; and to approve or challenge the balances shown in such accounts; to stand guarantee for other companies belong to the "INDITEX" group and, in consequence, to sign in favour of those guarantees, bonds and other guarantee documents, as well as guarantee policies and counter-guarantee policies and, in general, to carry out all that is permitted under the legislation and banking practices.

6.- To draw, endorse, assign or transfer by any means other than endorsement, to accept, sign, require conformity, guarantee, cause the assignment of the provision for, collect, discount and pay bills of exchange, promissory notes, cheques, money orders and other commercial drafts, participate in the acceptance or payment of the same, protest such bills or drafts or make the equivalent declaration, and disclose in the protest document the reasons for not having accepted or paid the bills and drafts charged to the Company. To act as a plaintiff or defendant in connection with bills of exchange in all manner of legal matters, acts or dealings and pre-trial and procedural steps or actions due to non-acceptance or non-payment, and to bring any of the other actions provided for in the Bills of Exchange and Cheques Act or any other applicable legislation.

7.- To execute, with the aforementioned limitation in relation to real property, all manner of acts and contracts relating to movables and real property, rights, securities, participation units, shares, interests, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and terms as are deemed appropriate. Specifically, to acquire, assign, grant and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, all manner of movable or real property, rights, trademarks and other distinctive signs and industrial property rights, securities, participation units, shares and interests; take out all manner of compulsory and voluntary insurance; execution of works, services and supplies of all kinds; to rent and let, take in leasing or sublet; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and pledges without transfer of possession and all manner of encumbrances on real and movable property and rights owned by the Company; carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium ownership system, establishing the bylaws which shall govern the same; and to conduct and participate in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel or terminate the same.

8.- To grant all manner of acts and contracts relating to IT, management, security and communication products, equipment and systems, as well as those referring to intellectual property arising out of

or related with the same and, in general, any others referring to all manner of movables; to contract the execution of works, services and supplies of all types, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and conditions as are deemed appropriate. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to rent and let them, take them in leasing or subletting them; to create, amend, acknowledge and extinguish real property rights and guarantee rights on the movables belonging to the Company. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel, terminate or discharge them.

9.- To enter all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution, licence and agency contracts and, in general, all those that the national and international expansion of the company can require.

10.- To appear in deeds of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it.

11.- To attend, in the name and on behalf of the company, meetings, general meetings and assemblies of condominiums or co-owners, intervening therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it in Condominium Owner Communities, as well as in the meeting they these may hold in compliance with the current Condominium Property Law and other applicable legislation.

12.- To attend on behalf of the Company all kinds of auctions and bidding called by Central Government, autonomous communities and provincial and municipal authorities and private or public persons and entities and, to this effect, submit tender conditions, declarations, plans and estimates, make bids and provide bonds; holding, in short and without any limitation whatsoever, such powers as may be required to obtain and accept, provisionally or definitively, with such qualifications as are deemed appropriate, the relevant award and to exercise the rights and perform the obligations arising therefrom.

13.- To set up the offices, workplaces and buildings of the Company and to organize the services provided therein. To hire staff, establishing recruitment and joining terms; to freely appoint and

remove the same, including executives and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

14.- To represent the Company before any manner of authorities and administrative bodies, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file, prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the Company, to file its registration as a company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship; those that are necessary for or arise out of the training that has to be given to the personnel of the company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

15.- To represent the Company before all manner of authorities and administrative bodies, that have authority in respect of Health and Safety at Work and Labour Risks, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the workplaces, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and executive the policy for the prevention of risks; to act in the name of the company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorised entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks, medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts

that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Diseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been signed; to accept positions and participate in those governing boards and advisory boards of such entities collaborating in the management of Social Security.

16.- As regards procedural rules, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answers summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including Meetings of Creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, in general, exercising in the name of the company any rights that it may be entitled to.

17.- To compromise and refer to arbitrators all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

18.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and summons by Notaries.

19.- To replace some or all of the foregoing powers by granting the relevant powers of attorney and to revoke all the powers granted, and to get copies of all kinds of records and deeds.

20.- To execute in public deeds the resolutions passed by the Shareholders in General Meeting, the Board of Directors and the Executive Committee.

**B.1.7. Identify, where appropriate, the members of the Board who hold the position of director or officer in other companies that are part of the group of the listed company:**

Name or company name of the director	Company name of the entity of the group	Office
Carlos Espinosa de los Monteros Bernaldo de Quirós	ZARA UK, Ltd.	Director

**B.1.8. List in detail, where appropriate, the directors of your company that are members of the Boards of Director of other companies that are listed on official stock markets in Spain that are not part of the group, whose aforementioned membership has been communicated to the company:**

Name or company name of director	Name of listed company	Office
Pablo Isla Álvarez de Tejera	TELEFÓNICA, S.A.	Ordinary member of the Board of Directors
Carlos Espinosa de los Monteros Bernaldo de Quirós	ACCIONA, S.A.	Ordinary member of the Board of Directors
Juan Manuel Urgoiti López de Ocaña	ACCIONA, S.A.	2 <sup>nd</sup> Deputy Chairman of the Board of Directors

**B.1.9. State and, if applicable, explain whether the company has established rules regarding the number of boards of which its directors may be members:**

Yes

No

Pursuant to the provisions of section 21.2 of the Board of Directors' Regulations, the Board may not propose or appoint any persons to fill up a vacancy on the Board who already perform the duties of Directors at the same time, in more than four listed companies other than the Company.

**B.1.10. In connection with recommendation number 8 of the Unified Code, state the Company's general policies and strategies reserved for approval by the Board in plenary session**

	YES	NO
The investment and financial policy	X	
The definition of the structure of the group of	X	

<b>companies</b>		
<b>The corporate governance policy</b>	X	
<b>The corporate social responsibility policy</b>	X	
<b>The strategic or business Plan, as well as management goals and annual budgets</b>	X	
<b>The policy regarding compensation and assessment of performance of senior management</b>	X	
<b>The enterprise risk management and control policy as well as the periodic monitoring of the internal information and control systems</b>	X	
<b>The dividends policy as well as the treasury stock policy and especially, the limits thereto</b>	X	

**B.1.11. Complete the following tables with respect to the total remuneration of the directors that has accrued during the year.**

**a) In the company that is the subject of this report:**

<b>Item - remuneration</b>	<b>Amounts in EUR thousands</b>
Fixed remuneration	3,268
Variable remuneration	3,112
Per diems	
Provisions set forth in the Articles of Association	
Options on shares and/or other financial instruments	
Others	1,598
<b>Total</b>	<b>7,978</b>

<b>Other Benefits</b>	<b>Amounts in EUR thousands</b>
Advances	
Loans granted	
Pension Funds and Plans: Contributions	1,625
Pension Funds and Plans: Obligations contracted	1,625
Life insurance premiums	
Guarantees contracted by the company in favour of the directors	

**b) From the company's directors belonging to other boards of directors and/or the senior management of companies of the group:**

<b>Item - remuneration</b>	<b>Amounts in EUR</b>
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	<b>thousands</b>
Fixed remuneration	
Variable remuneration	
Per diems	
Provisions set forth in the Articles of Association	
Options on shares and/or other financial instruments	
Others	40
<b>Total</b>	<b>40</b>

<b>Other Benefits</b>	<b>Amounts in EUR thousands</b>
Advances	
Loans granted	
Pension Funds and Plans: Contributions	
Pension Funds and Plans: Obligations contracted	
Life insurance premiums	
Guarantees contracted by the company in favour of the directors	

**c) Total remuneration by type of director:**

<b>Type of director</b>	<b>By company</b>	<b>By group</b>
Executive	6,480	
Non-executive Proprietary	361	
Non-executive Independent	1,137	40
Other Non-executive		
<b>Total</b>	<b>7,978</b>	<b>40</b>

**d) With respect to the income attributed to the controlling company:**

<b>Total remuneration of directors (EUR thousands)</b>	8,018
<b>Total remuneration of the directors / income attributed to the controlling company (expressed in %)</b>	0.34

**B.1.12. Identify the members of senior management who are not in turn executive directors and indicate the total remuneration accrued in their favour during the fiscal year**

<b>Name or company name</b>	<b>Office</b>
Antonio Abril Abadín	General Counsel and Secretary of the Board
Marco Agnolin	Director of BERSHKA
Lorena Alba Castro	Logistics Director
Eva Cárdenas Botas	Director of ZARA HOME
Carlos Crespo González	Internal Audit Director
José Pablo del Bado Rivas	Director of PULL & BEAR
Jesús Echevarría Hernández	Chief Communication Officer
Ignacio Fernández Fernández	Chief Financial Officer
Begoña López-Cano Ibarreche	Human Resources Director
Abel López Cernada	Import, Export and Transport Director
Marcos López García	Capital Markets Director
Juan José López Romero	Procurement Director
Luis Maseres Ghiloni	Director of UTERQÜE
Gabriel Moneo Marina	IT Director
Javier Monteoliva Díaz	Legal Director
Jorge Pérez Marcote	Director of MASSIMO DUTTI
Óscar Pérez Marcote	Director of ZARA
Felix Poza Peña	Corporate Social Responsibility Director
Ramón Reñón Túñez	Director General Adjunto al Presidente y Consejero Delegado <i>[Deputy General Manager]</i>
Carmen Sevillano Chaves	Director of OYSHO
Jordi Triquell Valls	Director of STRADIVARIUS
<b>Total remuneration senior management (EUR thousands)</b>	14,094

**B.1.13. Identify additionally if there are any indemnity or golden parachute clauses, for cases of dismissal or changes in control, in favour of the members of the senior management, including the executive directors, of the company or of its group. Indicate if these contracts have to be reported to and/or approved by the governing bodies of the company or of its group:**

<b>Number of beneficiaries</b>	12
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	<b>Board of Directors</b>	<b>General Meeting of Shareholders</b>
<b>Decision-making body approving the provisions</b>	x	

	<b>YES</b>	<b>NO</b>
<b>Is information about these clauses provided to the AGM?</b>	x	

**B.1.14. Indicate the process used to establish the remuneration of the members of the Board of Directors and the clauses in the Articles of Association relating thereto**

The General Meeting of Shareholders is the body responsible for approving the system and the amount of directors' compensation.

Article 33 of the Articles of Association reads as follows:

*“1.- The remuneration of the directors shall consist of a fixed annual remuneration for each director the amount of which shall be decided by the General Meeting of Shareholders for each fiscal year or be valid for those fiscal years that the Meeting establishes. In the same manner, the General Meeting of Shareholders may assign per diems for attendance of the meetings of the Board of Directors or of its Delegate or Consultative Committees and set the amount thereof.*

*2.- Additionally, systems of remuneration may be established that are referenced to the market value of the shares or which entail the giving of shares or option rights over shares, destined for the directors. The application of said systems of remuneration must be agreed by the General Meeting of Shareholders, which shall determine the value of the shares that it takes as a reference, the number of shares to be given, the exercise price of the option rights, the period of duration of this remuneration system and the other conditions that it considers appropriate.*

*Likewise, and after having met the requirements laid down by the Law, similar remuneration systems may be established for the personnel, whether management personnel or not, of the company and of the companies in its group.*

*3.- The remuneration foreseen in this article shall be compatible with and independent of the salaries, remunerations, indemnifications, pensions or compensations of any kind, generally or extraordinarily established for those members of the Board of Directors who perform executive duties, whatever their relationship with the company, whether a labour (common or*

*special senior management relationship), mercantile or service relationship, relationships that shall be compatible with the status of member of the Board of Directors.*

- 4.- *The company may take out public liability insurance for its Directors.”*

Meanwhile, section 28 of the Board of Directors’ Regulations reads as follows:

- “1.- *Directors shall be entitled to receive the remuneration fixed by the General Meeting of Shareholders in accordance with provisions of the corporate bylaws and of these Regulations and in accordance with the instructions of the Nomination and Remuneration Committee.*
- 2.- *The Board shall endeavour for the remuneration of directors to be reasonable according to market demands. Likewise, the Board shall ensure that the remuneration of external directors is such so as to offer incentives to dedication by the directors, while not compromising their independence.*
- 3.- *A report on the compensation policy shall be approved every year by the Board of Directors, at the motion of the Nomination and Remuneration Committee, and such report shall include full, accurate and understandable information about the compensation policy of the Company approved by the Board 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 Director, separating fixed remuneration from variable remuneration and underscoring the remaining relevant terms of the employment agreements of those who discharge senior management duties.*
- 4.- *The annual report on Directors’ compensation shall be disclosed and put to the advisory say on pay vote of the Annual General Meeting of shareholders as a separate item of the agenda”.*

The Annual General Meeting held on 19 July 2011 resolved to amend in part the remuneration of the directors set by the AGM held on 18 July 2006 and 15 July 2008, with indefinite validity until a later General Meeting should resolve otherwise, and effective as of 1 February 2011. Below is a detail of the remuneration of the directors of INDITEX, the amounts stated in the sections below being totally independent and fully compatible between each other:

- (a) Each director shall receive a fixed annual amount of EUR one hundred thousand (€100,000) for the tenure of their office;
- (b) The Deputy Chairman or Deputy Chairmen of the Board of

Directors shall also receive an additional fixed annual amount of EUR eighty thousand (€80,000);

(c) The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed amount of EUR fifty thousand (€50,000); and

(d) The directors who for their part sit on the Audit and Control Committee or/and on the Nomination and Remuneration Committee (including the Chairmen of both Committees) shall also receive an additional fixed amount of EUR fifty thousand (€50,000).

**State whether the Board in plenary session has reserved the right to approve the following decisions:**

	Yes	No
<b>At the proposal of the chief executive of the company, the appointment and if applicable, the dismissal of senior managers, as well as their compensation clauses</b>	X	
<b>The remuneration of directors and, in case of officers, their additional remuneration on account of their executive duties and other terms which must be observed under their employment agreements</b>	X	

**B.1.15. State whether the Board of Directors approves a detailed compensation policy and specify the matters covered thereby:**

Yes

No

	Yes	No
<b>Amount of fixed components, with a breakdown, if applicable, of fees payable for attendance at meetings of the Board and its Committees and estimated annual fixed compensation arising therefrom</b>	X	
<b>Variable compensation items</b>	X	
<b>Main characteristics of the social security systems, with an estimate of the amount thereof or equivalent annual cost.</b>	X	
<b>Terms and conditions that must be included in the agreements with executive directors performing senior management duties, which will include :</b> i) <b>Term;</b>	X	

ii) deadlines for notice, and iii) any other provisions regarding employment premiums, as well as indemnity or golden parachute provisions in case of early termination of the employment agreement between the company and the executive director		
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**B.1.16. State whether the Board submits a report on director compensation policy to the advisory say on pay vote of the shareholders at a General Meeting of Shareholders, as a separate item of the agenda. If so, describe the relevant portions of the report regarding the compensation policy approved by the Board for the following years and the most significant changes experienced by such policies vis-à-vis the policy applied during the fiscal year, and provide an outline of the manner in which the compensation policy was applied during the fiscal year. Describe the role of the Nomination and Remuneration Committee and, if external advice has been provided, state the name of the external advisors that have given such:**

Yes  No

<b>Issues covered by the report on the compensation policy</b>
The annual report on directors' compensation describes the directors' compensation policy and addresses the remuneration of each director, including both fixed and variable remuneration, as well as the remaining terms of the Chairman and Chief Executive Officer, the sole executive director.

<b>Role of the Nomination and Remuneration Committee</b>
Pursuant to the provisions of sections 15.2.(j) and 28 of the Board of Directors' Regulations, the Nomination and Remuneration Committee prepares and submits to the Board the annual report on Directors' compensation. Said report is subject to the advisory say on pay vote of the Annual General Meeting of Shareholders as a separate item of the Agenda.

	<b>Yes</b>	<b>No</b>
<b>Has external advice been provided?</b>		<b>X</b>
<b>Name of external consultants</b>		

**B.1.17. Indicate, where appropriate, the identity of the members of the board who are, in turn, members of the Board of Directors, officers or employees of companies that possess significant stakes in the listed company and/or entities of the group:**

Name or company name of the director	Company name of the significant shareholder	Office
Amancio Ortega Gaona	GARTLER, S.L.	Chairman of the Board
Amancio Ortega Gaona	PARTLER 2006, S.L.	Chairman of the Board
José Arnau Sierra	GARTLER, S.L.	Secretary and Director
José Arnau Sierra	PARTLER 2006, S.L.	Secretary and Director

**List, where appropriate, any relevant relationships, other than those covered in the foregoing paragraph, of the members of the Board of Directors that link them with the significant shareholders and/or in entities of the group:**

There are no relevant relationships, other than those covered in the previous paragraph, of the members of the Board of Directors that link them to the significant shareholders and/or in entities of the group.

**B.1.18. State whether the regulations of the Board of Directors have been amended during the fiscal year.**

Yes

No

The Board of Directors' Regulations were amended last 12 June 2012, for the purposes of: (i) encompassing the regulatory changes introduced by Act 25/2011 of 1 August and Act 2/2011 of 4 March, on Sustainable Economy, including, *inter alia* and apart from those made to adapt the Regulations to the new wording of the Articles of Association, the amendment of section 17 to provide the possibility that the Board of Directors may, under certain circumstances, be called by a third of Directors, and the amendment of paragraphs 3 and 4 of section 28 and paragraph 2 of section 39 of the Board of Directors' Regulations to adapt their content to the new sections 61 *bis* and 61 *ter* of Act 24/1988, of 28 July on the Stock Exchange, which govern the requirement for listed companies to issue on an annual basis two reports: one on corporate governance and the other on directors' compensation; (ii) including recommendations 44 and 54 of the Unified Good Governance Code of Listed Companies; (iii) extending the powers of the Audit and Control Committee and of the Nomination and Remuneration Committee; and (iv) removing any references to the repealed Spanish Corporation Act, and replacing them with the relevant references to the Act on Capital Companies and introducing technical and editorial improvements.

**B.1.19. Indicate the procedures for the appointment, re-election, assessment and removal of directors. Give details of the authorised bodies, the procedures to follow and the criteria to be used in each of the procedures:**

The system for the selection, appointment and re-election of members of the Board of Directors of INDITEX constitutes a formal and transparent procedure, expressly regulated in the Articles of Association and the Board of Directors' Regulations.

Directors shall be appointed by the General Meeting, and shall hold their office during the period established to this purpose by the Articles of Association, which at present is of five years.

Directors may be re-elected indefinitely, for periods of equal duration, by the General Meeting, which may likewise resolve on the removal of any of these at any time.

The Board of Directors itself may fill the vacancies that arise on said Board, temporarily, appointing from among the shareholders the persons who will have to fill the vacancies until the first General Meeting thereafter.

The proposals for the election of directors that the Board of Directors submits to be considered by the General Meeting, and the election resolutions that said body passes by virtue of those powers to co-opt that are legally attributed to it, must be preceded by the relevant report from the Nomination and Remuneration Committee, and regarding independent directors, by the relevant proposal of the Nomination and Remuneration Committee

Where the Board departs from the Nomination and Remuneration Committee's suggestions, it must state the reasons for its actions and place them on the record.

The Board of Directors and the Nomination and Remuneration Committee, within the scope of their competences, shall endeavour for the choice of candidates to fall on persons of well-known ability, competence and experience, and must maximize its care in relation to those persons called to cover the office of independent directors.

The Board of Directors may not propose or appoint to fill a director's position any persons who hold the office of director simultaneously in more than four listed companies other than the Company. Where the vacancy which needs to be filled in is that of an independent director, the Board may not propose or appoint any persons who do not meet the independence criteria established in paragraph 1(c) of section 7 of the Board of Directors' Regulations.

The proposals for re-election of directors that the Board of Directors shall submit to the General Meeting will have to be subject to a formal process of preparation, which shall include, necessarily, a report issued by the Nomination and Remuneration Committee in which the quality of work

and the dedication to office of the proposed directors during their previous mandate shall be assessed, and regarding independent directors, the relevant proposal of the Nomination and Remuneration Committee.

In this respect, the Nomination and Remuneration Committee has, amongst others, the following responsibilities:

- a) To prepare and check the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates;
- b) To advise on the proposals for nominations of directors, and regarding independent directors, to make such proposals so that they are approved by the Board of Directors prior to their appointment by the General Meeting of Shareholders or, where appropriate, by the Board of Directors by the co-optation procedure;
- c) To advise on the appointment of the internal offices (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors;
- d) To propose to the Board the members that must form part of each of the Committees;

Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions presented by the Chairman, the members of the Board, the officers or the shareholders of the Company.

Additionally, the Board of Directors shall explain to the Annual General Meeting in charge of appointing or ratifying the appointment of directors the nature thereof, and said nature shall be confirmed or, where appropriate, reviewed in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee.

As regards the assessment and removal of directors, the Nomination and Remuneration Committee is expressly entrusted with the following functions:

- a) To advise on the proposal, where appropriate, of the early dismissal of an independent director, as provided in section 24 of the Board of Directors' Regulations.
- b) To annually advise the Board on the assessment of the performance of the chief executive of the Company.

**B.1.20. Indicate the cases under which the resignation of directors is mandatory.**

Section 24 of the Board of Directors' Regulations provides the obligation for directors to resign in such scenarios which could have a negative impact on the running of the Board or the credit and reputation of INDITEX.

Directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

- a) When they reach a certain age, under the terms detailed in section B.1.25.
- 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 cases of incompatibility or prohibition foreseen in the Law, the Articles of Association or in the Board of Directors' Regulations. Namely, independent directors shall place their office at the disposal of the Board of Directors and shall tender, where appropriate, their resignation in the event that they fall under any of the cases of incompatibility or prohibitions provided by section 7.1 (c) of those Regulations or in the event that they suddenly come to hold the post 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 their remaining on the Board might have an impact on the reputation or name of the Company or otherwise jeopardise the interest of the company or when the reasons for their appointment cease to exist.

Likewise, proprietary directors must resign 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.

**B.1.21. Explain if the function of chief executive of the company is incumbent on the office of chairman of the board. Where appropriate, indicate the measures that have been adopted to limit the risks of the accumulation of power in a single person:**

YES  NO

Mr Pablo Isla Álvarez de Tejera has been the Chief Executive Officer of the Company since 9 June 2005 and the Chairman of the Board of Directors since 19 July 2011.

Mr Amancio Ortega Gaona, the founder and majority shareholder of the Company and Chairman of the Board of Directors until 19 July

2011, remains on such Board and its Executive Committee as proprietary director.

Mr José Arnau Sierra, proprietary director since 12 June 2012 has been Deputy Chairman of the Board of Directors since 17 July 2012. He sits on the Executive Committee, the Audit Committee and the Nomination and Remuneration Committee.

Mr Carlos Espinosa de los Monteros Bernaldo de Quirós is the lead director pursuant to the provisions of sec. 18.1.2) of the Board of Directors' Regulations, which is reproduced in section 2 below.

In addition to such measures, certain powers delegated to the Chairman and C.E.O., are subject to certain restrictions. Namely, those involving the disposal of funds in excess of a given sum, expressly require the joint signature of the Chairman and C.E.O, with another individual who, by virtue of any legal title is also empowered with the power in question; or/and powers which involve the alienation or encumbrance of real property of the company, for which a prior resolution of the Board of Directors or the Executive Committee, shall be required.

**Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of non-executive directors and to direct the assessment by the Board of Directors.**

YES  NO

Pursuant to the provisions of section 18.2 of the Board of Directors' Regulations, where the Chairman of the Board is also the chief executive of the Company, the lead director shall have the following additional powers: i) to call the meeting of the Board and the addition of new items on the agenda, the Chairman being bound to comply with these requests and ii) to coordinate and to echo the concerns of external directors.

**B.1.22 Are enhanced majorities, other than the legal majorities, required for any type of decision?**

YES  NO

**Indicate how the resolutions are passed on the board of directors, indicating at least the minimum quorum of attendance and the type of majorities required to pass the resolutions:**

Article 28 of the Articles of Association of the Company provides:

*"1.- The Board shall meet whenever such meeting is required by the*

*interests of the Company. Meetings shall be convened by the Chairman or acting Chairman, at his behest, or at the request of at least one third of the Directors.*

*Likewise, directors representing at least one third of the size of the Board of Directors may convene any meeting of the Board, stating the agenda in the notice, to be held in the place where the registered office of the company is situate, where after request submitted to the Chairman, he should have failed to call the meeting, without reasonable grounds, within one month*

- 2.- *Board meetings shall be validly held when attended either in person or by proxy by half plus one of the members in office.*

*Without prejudice to the foregoing, the Board shall be understood to be validly constituted without the need for notice if all its members are present in person or by proxy and they unanimously agree to the holding of a meeting.*

*The Board may also pass resolutions in writing without needing to hold a meeting, in accordance with the provisions of the applicable laws and regulations Likewise, the meetings of the Board shall be held via telephone multi conference, videoconference or via any other similar system that allows one or several directors to attend the meeting through such system. To this end, the notice of the meeting of the Board of Directors shall state the location where the meeting is physically to be held, to which the Secretary of the Board must go. It shall also state that it is possible to attend said meeting via telephone conference call, videoconference or via an equivalent system, and it must indicate and have available the appropriate technical devices required for this purpose, in order to permit direct and simultaneous communication among the members attending the meeting. The Secretary of the Board of Directors shall include in the minutes of the meetings of the Board of Directors held by such means, in addition to the directors physically attending or, where appropriate, represented by another director, those directors attending the meeting via telephone multi conference system, videoconference or via a similar system.*

- 3.- *Any director can appoint in writing another director as proxy, each meeting requiring a special proxy, notifying the Chairman of the same in writing.*
- 4.- *For resolutions to be passed, an absolute majority of votes in favour by the directors attending the meeting shall be required. In the case of an equality of votes, the Chairman shall have a casting vote. The foregoing is understood without prejudice to the provisions of Article 30.2 of these Articles of Association.*
- 5.- *The Board's debates and resolutions shall be entered in a Minutes Book, each one of which shall be signed by the Chairman and the Secretary or by those who acted for them at the meeting to which the minutes refer. Copies and certificates of the Minutes shall be*

*authorized and issued by the Secretary of the Board with the approval of the Chairman or by those who substituted them.*

- 6.- *The Board shall have to decide which of its members shall make effective its own resolutions as well as those the General Meeting of Shareholders, when the latter has not expressed who shall execute them. Failing such a decision by the Board, the making effective of resolutions shall be the duty of the Chairman, or the acting Chairman at that time, according to the certification of the Secretary of the Board.*
- 7.- *The Secretary and, where appropriate, the Deputy Secretary, even when they are not directors, shall be empowered to convert the company's resolutions into public documents”.*

The reference in Article 28.4 of the Articles of Association to Article 30.2 (permanent delegation of powers of the Board of Directors) and to section 3.4 of the Board of Directors' Regulations (amendment to the Board of Directors' Regulations) represent the only scenarios of enhanced majority for the passing of resolutions by the Board of Directors.

The aforementioned Article 30.2 of the Articles of Association provides that it shall be necessary that two-thirds of the members of the Board vote in favour in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the CEO, if such post has been appointed, and for the appointment of the directors who have to fill such positions. However, this enhanced majority is required pursuant to the provisions of section 249.3 of the Act on Capital Companies, and therefore it does not constitute a higher quorum than the one required at law.

As for section 3.4 of the Board of Directors' Regulations, it requires the resolution to be passed by a majority of two-thirds of the directors present for the modification of said Regulations, which actually means an enhanced majority not required at law.

For its part, Section 17 of the Board of Directors' Regulations provides:

1. *The Board of Directors shall ordinarily meet quarterly and, at the behest of the 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 the fifteen days following the request.*

*Where further to the request made to the Chairman, 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 electronic mail, and shall be authorized with the signature of the Chairman or that of the Secretary or the Vice-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.*

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

*Furthermore, the Board may hold a meeting via videoconference or conference call; these means shall allow one or more directors to attend the meeting. For this purpose, the notice for the meeting of the Board, shall state not only the place of calling, 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 instant and direct communication between the members in attendance. The Secretary of the Board shall register in the minutes of the meetings held by these means, not only the members of the Board physically present or represented by other director, but also the members attending the meeting via multi-conference call, videoconference or similar system.*

5. *The Board shall draw up an annual calendar of its ordinary meetings”.*

**B.1.23. Explain if there are any specific requirements that are different from those relating to the directors, in order to be appointed chairman:**

YES  NO

**B.1.24. Indicate if the chairman has a casting vote:**

YES  NO

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting. This is understood without prejudice to the provisions of article 30.2 of the Articles of Association and of section 3.4 of the Board of Directors' Regulations, referred to in section B.1.22 above.

**B.1.25. Indicate if the Articles of Association or the Board of Directors' regulations establish any age limits for the directors:**

YES  NO

Section 24.2 of the Board of Directors' Regulations provides that the directors must place their office at the disposal of the Board of Directors and, should the Board deem it appropriate, tender the relevant resignation:

- "a) *When they reach the age of 68. However, the directors who hold the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon reaching 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 founding Chairman of the company, Amancio Ortega Gaona*".

**B.1.26. Indicate if the Articles of Association or the Board's Regulations establish a limited term of office for the independent directors:**

YES  NO

**B.1.27. If the number of female directors is scant or nil, describe the reasons therefore as well as the measures taken to correct such situation.**

Description of reasons and initiatives

**In particular, state whether the Nomination and Remuneration Committee has established procedures which ensure that recruitment processes are free from any implied bias hindering the selection of female directors and which allow for the free search for women**

YES  NO

Pursuant to the provisions of section 15.2 (l) of the Board of Directors' Regulations, the Committee shall ensure when filling up any new vacancies and when appointing new Directors that the recruitment process does conform to the prohibition of any manner of discrimination.

**B.1.28. Indicate if there are formal procedures for the granting of proxies in the board of directors. Where appropriate, list them briefly.**

Article 28.3 of the Articles of Association establishes that any director can grant proxy to another director in writing for his representation, such proxy being of a special nature for each meeting, communicating this in writing to the Chairman.

In line with this provision, section 19.1 of the Board of Directors' Regulations states that the Board meeting will be validly held when it is attended by at least half plus one of its members (or the whole number of directors immediately above half, should the Board be comprised of an odd number), whether in person or by proxy, stating further that the directors shall do their best to attend the Board meetings and, when they cannot do so in person, they shall endeavour to grant a proxy to another member of the Board giving instructions as to its use and communicating the same to the Chairman of the Board of Directors.

**B.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present:**

<b>Number of Board meetings</b>	5
<b>Number of Board meetings without the presence of the Chairman</b>	0

**Indicate the number of meetings held over the fiscal year by the different committees of the Board:**

<b>Number of meetings of the Executive Committee</b>	0
<b>Number of meetings of the Audit Committee</b>	6
<b>Number of meetings of the Nomination and Remuneration Committee</b>	5

**B.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year at which not all of its members have been in attendance. Proxies granted without specific instructions must be counted as absences:**

<b>Number of non attendance of directors during the fiscal year</b>	2
<b>% of non attendance over the total votes during the fiscal year</b>	4.44

**B.1.31. Indicate if the individual and consolidated annual accounts that are presented for approval to the board are previously certified:**

YES  NO

**Identify, where appropriate, the person or persons who has/have certified the individual and consolidated annual accounts of the company, for their preparation by the Board:**

The individual and consolidated annual accounts that are presented in order to be prepared by the Board are previously certified by the Chairman of the Board and C.E.O. and by the Chief Financial Officer.

**B.1.32. Explain, where appropriate, the mechanisms established by the board of directors to prevent the individual and consolidated accounts being presented to the General Meeting with qualifications in the auditors' report.**

The Audit and Control Committee, mostly made up of independent, non-executive directors, has meetings, without the presence of the management of the company, with the auditors of the individual and consolidated annual accounts in order to review the company's annual accounts and certain periodic financial information that the Board must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drawing up thereof. In such meetings, any disagreement or difference of opinion existing between the management of the company and the external auditors is put forward, so that the Board of Directors can take the necessary steps so that the audit reports are issued without qualifications.

Furthermore, previously to the drafting of the annual or quarterly accounting statements, the management of the company also holds a meeting with the Audit and Control Committee and is subjected by the latter to suitable questions as to the application of accounting principles, estimations made in the preparations of the financial statements, etc., matters which are subject to discussion with the external auditors.

In this respect, section 43.4 of the Board of Directors' Regulations provides that:

*"The Board of Directors shall endeavour to definitively prepare the accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board considers that it must maintain its opinion, it shall publicly explain the content and scope of the discrepancy".*

**B.1.33. Is the Secretary of the Board of Directors a Director?**

YES NO

**B.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nomination and Remuneration Committee and approved by the Board in plenary session**

Pursuant to the provisions of section 10 of the Board of Directors' Regulations, the appointment and removal of the Secretary of the Board shall be approved by the Board in plenary session, prior report of the Nomination and Remuneration Committee; the Secretary needs not be a director.

	Yes	No
Does the Nomination and Remuneration Committee report on the appointment?	x	
Does the Nomination and Remuneration Committee report on the dismissal?	x	
Does the Board in plenary session approve the nomination?	x	
Does the Board in plenary session approve the dismissal?	x	

**Is the secretary of the Board responsible for specially ensuring compliance with good governance recommendations?**

YES  NO

**B.1.35. Indicate, where appropriate, the mechanisms established by the company to preserve the independence of the auditor, the financial analysts, investment banks and credit rating agencies.**

Section 43 of the Board of Directors' Regulations, under the heading "Relations with the auditors" states in paragraphs 1, 2 and 3 as follows:

1. *The relations of the Board with the external auditors of the company shall be channelled through the Audit and Control Committee.*
2. *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 any auditing firm which would be incompatible in accordance with auditing legislation as well as those audit firms where the fees that the company expects to pay them for all services in all areas are greater than five percent of the audit firm's total revenues during the last fiscal year.*
3. *The Board of Directors shall publicly disclose the whole of the fees that have been paid by the company to the audit firm for services other than auditing.*

The mechanisms established to preserve the independence of the external auditor are the following:

- It is incumbent on the Audit and Control Committee, mostly made up of independent directors as defined in section 7.1 c) of the Board of Directors' Regulations, to propose to the Board of Directors, in order to be studied by the General Meeting of Shareholders, the appointment of the auditors. Furthermore, to propose to the Board of Directors the terms of their contracts, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;
- Among the functions of the aforementioned Committee is that of liaising with the external auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.
- The Committee shall issue a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors, and addressing in all events the rendering by the external auditor of any manner of additional services other than those covered in the audit agreement.
- Likewise, the Audit and Control Committee monitors the conditions and the enforcement of the contracts entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit agreement.
- The external auditors consult periodically with said Committee, as mentioned in section B.1.32 above, in order to review the annual accounts of the company that the Board of Directors must provide to the markets and its supervisory boards.
- The Company reports in its consolidated annual report on the fees paid to its external auditors for each item other than the auditing of the financial statements.

As regards the mechanisms established to guarantee the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

The company has not contracted services from Investment Banks or Credit Rating Agencies during fiscal year 2012.

**B.1.36. Indicate whether during the fiscal year the Company has changed its external auditor. Identify, where appropriate, the external auditor and the outgoing one:**

YES  NO

Outgoing external auditor: KPMG Auditors, S.L.  
New external auditor: Deloitte, S.L.

**B.1.37. Indicate if the auditing firm carries out work for the company and/or its group other than that of auditing and, in such case, declare the amount of the fees received for said work and the percentage that it represents of the fees charged to the company and/or its group.**

The auditing firm does carry out other work for the company and its group other than that of auditing.

	Company	Group	Total
Amount of work other than auditing (EUR thousands)	25	662	687
Amount of work other than that of auditing / total amount charged by the auditing firm (in %)	8.5%	15.1%	14.6%

**B.1.38 State whether the audit report on the Annual Accounts for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of such observations or qualifications**

YES  NO

**B.1.39. Indicate the consecutive number of years that the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate the percentage that represents the number of years audited by the current audit firm over the number of years in which the annual accounts have been audited:**

	Company	Group
Number of consecutive years	1	1
No of years audited by the current audit firm / no. of years that the company has been audited (in %)	3.6%	4.3%

**B.1.40. Indicate the stakes held by members of the board of directors of the company in the capital of entities that have the same or a similar or complementary type of business as that which makes up the corporate object, both of the company and of its group, and that have been communicated to the company. Likewise, indicate the offices and functions they perform in those companies:**

Mr Nils Smedegaard Andersen, non-executive independent director, has reported that he holds a 0.010% stake in the company A.P. Moller-Maersk A/S. Mr Andersen is the Chairman of Dansk Supermarked and CEO of A.P. Moller-Maersk A/. Both companies are engaged in business which is complementary to the objects of the Company. On the other hand, non-executive independent director Ms Irene R. Miller has reported to the Company that she holds a 0.041% stake in the share capital of Coach Inc., whose business is similar or complementary to that of the Company, and in which Board she serves as lead director.

**B.1.41. Indicate and where appropriate give details whether there is any procedure for directors to get external advice:**

YES  NO

The possibility that the directors can request external advice is expressly covered in the Board of Directors' Regulations, which in section 27 provides the following:

*"1. In order to be aided in the performance of their duties, the 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 particular 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 Company Chairman and can 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 adequately dispensed by in-house experts and technicians,*

d) *the confidentiality of the information to be provided to the expert may be jeopardised*".

**B.1.42. Indicate and, where appropriate, give details if there is a procedure to enable the directors to have the necessary information to prepare the meetings of the administrative bodies in a timely manner:**

YES  NO

Section 17.2 of the Board of Directors' Regulations, within chapter V ("Running of the Board"), after establishing that the notice for the ordinary meetings of said body shall be given at least three days in advance of the meeting, states that the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

This is complemented:

- On the one hand, by section 26 of the aforementioned Regulations, which recognises the widest powers for directors to obtain information on any issue of the Company (and its subsidiary companies), to examine its books, registers, documents and other records of the company's operations and to inspect all its facilities, likewise establishing that the exercise of the powers of information shall be channelled through the Chairman, the Deputy Chairman or any of the Deputy Chairmen, where appropriate, or the Secretary of the Board of Directors, who will attend to the requests of directors by providing them with the information directly, offering appropriate interlocutors at the appropriate level in the organisation or establishing such measures so as to enable them to conduct the desired examinations and inspections *in situ*.
- On the other hand, through the director's obligation to diligently obtain information on the course of business of the Company and prepare suitably for the Board meetings and for the subcommittees they belong to, as is referred to in section 29 of the Regulations.

**B.1.43. State whether the Company has established any rules requiring Directors to inform the Company —and, if applicable, resign from their position— in cases in which the credit and reputation of the Company may be damaged. If so, describe such rules:**

YES  NO

Pursuant to the provisions of section 24.3 of the Board of Directors' Regulations, Directors shall inform the Board and, if appropriate, place their office at the disposal of the Board and formalize the relevant resignation, if said body deems it convenient, when circumstances that may harm the name and reputation of the company concur in them or, in any other way, jeopardize the company's interests, as well as when the reasons for their appointment disappear.

**B.1.44. State whether any member of the Board of Directors has informed the Company that he has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for the commission of any of the crimes covered in Section 124 of the Spanish Corporation Act:**

YES  NO

## **B.2 Committees of the Board of Directors**

**B.2.1. Give details of all the committees of the Board of Directors and their members:**

### **EXECUTIVE COMMITTEE**

In accordance with the provisions of article 30 of the Articles of Association, an Executive Committee was set up by the Board of Directors on 28 February 1997, which holds in delegation all the powers of the Board, except those that cannot be delegated by law or by its Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

Composition of the Executive Committee as at 31 January 2013:

<b>Name</b>	<b>Office</b>
Pablo Isla Álvarez de Tejera	Chairman
José Arnau Sierra	Deputy Chairman
Amancio Ortega Gaona	Ordinary Member
Nils Smedegaard Andersen	Ordinary Member
Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member
Emilio Saracho Rodríguez de Torres	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Executive Committee.

### **AUDIT COMMITTEE**

Sections 31 of the Articles of Association and 14 of the Board of Directors' 'Regulations set out the regulations governing the Audit and Control Committee.

Composition of the Audit and Control Committee as at 31 January 2013:

<b>Name</b>	<b>Office</b>
Juan Manuel Urgoiti López de Ocaña	Chairman
Irene Ruth Miller	Ordinary Member
José Arnau Sierra	Ordinary Member
Nils Smedegaard Andersen	Ordinary Member
Carlos Espinosa de los Monteros y Bernaldo de Quirós	Ordinary Member
Emilio Saracho Rodríguez de Torres	Ordinary Member

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Audit and Control Committee.

**NOMINATION AND REMUNERATION COMMITTEE**

Sections 32 of the Articles of Association and 15 of the Board of Directors' Regulations set out the regulations governing the Nomination and Remuneration Committee.

Composition of the Nomination and Remuneration Committee as at 31 January 2013:

<b>Name</b>	<b>Office</b>
Carlos Espinosa de los Monteros Bernaldo de Quirós	Chairman
Irene Ruth Miller	Ordinary Member
Nils Smedegaard Andersen	Ordinary Member
José Arnau Sierra	Ordinary Member
Emilio Saracho Rodríguez de Torres	Ordinary Member
Juan Manuel Urgoiti López de Ocaña	Ordinary Member

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Nomination and Remuneration Committee.

**B.2.2 State whether the Audit and Control Committee has the following duties:**

	<b>Yes</b>	<b>No</b>
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Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	X	
Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known.	X	
Ensure the independence and effectiveness of the internal audit function; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit department; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the findings and recommendations contained in its reports	X	
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	X	
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired.	X	
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	X	
Ensure the independence of the external auditor.	X	
In the case of groups of companies, favor the auditor of the Group as the auditor responsible for audit work at the companies that form part thereof.	X	

**B.2.3. Give a brief description of the organisational and working rules, as well as the responsibilities, attributed to each of the committees of the board.**

The Executive Committee

The regulation of the Executive Committee is found in the Board of Directors' Regulations, section 13 whereof provides that this shall be made up of a number of directors being no less than three nor greater than seven.

The passing of the resolutions of appointment of the members of the Executive Committee will require at least two-thirds of the members of the Board to have voted in favour thereof.

The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Secretary of the Board, who may also be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chairman of the Executive Committee is held by the Deputy Chairman of the Board of Directors.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote in favour and may include, at the Board's discretion, all or a part of the powers of the Board itself. In any case, those powers that legally or according to the Articles of Association cannot be delegated may not be delegated to the Executive Committee and nor may those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

The Executive Committee reports to the Board of Directors on the matters discussed and the decisions taken in its meetings.

#### Audit and Control Committee

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, the majority of whom must be independent directors as defined in section 7.1 c) of the Board of Directors' Regulations. For this purpose, those professionals of repute who are linked to the management team or to the significant shareholders and who meet the requirements to ensure their impartiality and objectivity of judgment shall be deemed to be independent

The Chairman of the Audit and Control Committee shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his ceasing in the post.

The Committee shall meet in ordinary meeting on a quarterly basis in order to review the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issue of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

The members of the management team or of the personnel of the Company and its group shall be bound to attend the meetings of the Committee and to collaborate with it and make available the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of the auditors to its meetings.

For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts.

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee shall be made up of a number of directors that is not less than three or greater than seven the majority of whom must be independent directors as defined in section 7.1. c) of the Board of Directors' Regulations. A Chairman will be appointed from among its members.

Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions presented to it by the Chairman, the members of the Board, management or the shareholders of the Company.

The Nomination and Remuneration Committee shall meet each time that it is called to meet by its Chairman, who must do so each time the Board or its Chairman requests the issue of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors' remuneration that the Board has to approve and include in its annual public documentation.

#### **B.2.4. Indicate, where appropriate, the advisory and consultative powers of each one of the committees and (where appropriate) the powers delegated to them:**

##### The Executive Committee

The Executive Committee, created from within the Board of Directors of the Company, holds in delegation all the powers of the Board, apart from those that by law or by the Articles of Association cannot be delegated, and those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

The Executive Committee reports to the Board on the matters discussed and the decisions taken in its meetings, in such manner that the Board has complete knowledge of the decisions of the Executive Committee.

##### Audit and Control Committee

The Audit and Control Committee is an advisory committee, with informational, advisory and proposal powers in the matters determined by the Board itself.

Without prejudice to other tasks that the Board assigns to it, the Audit and Control Committee will have the following basic responsibilities, which are (section 14 of the Board of Directors' Regulations):

- a) To report to the General Meeting of Shareholders on those questions put forward by shareholders regarding matters within the scope of its competence.
- b) To propose to the Board of Directors, in order to be submitted to the General Meeting of Shareholders, the appointment of the auditors of the accounts. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment.
- c) To liaise with the external auditors in order to receive information on those matters that could put at risk their independence, which shall be subject to review by the Committee, and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards; specifically, to receive from the auditors every year written confirmation of their independence vis-à-vis the Company, as well as the information about any manner of additional services, other than those covered under the audit agreement, rendered by said auditors to the Company.
- d) To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor’s report to be drawn up in a clear and precise manner and to evaluate the results of each audit process.
- e) To supervise the terms and the observance of the contracts entered into with the external auditors of the Company for the performance of assignments or tasks other than those included in the audit contract.
- f) To issue on a yearly basis and prior to the issue of the audit report, a report featuring an opinion on the independence of the external auditors of the Company, which shall address at all events the rendering of any manner of additional services other than those covered under the audit agreement referred to under paragraph (c) above.
- g) To supervise the Internal Audit Department of the Company and its Group, approving the budget of the Department, the Plan of Internal Audit, and the Annual Activities Report, and supervising the material and human resources, whether internal or external, of the Internal Audit Department for the performance of their work. To report on the appointment of the Internal Audit Department Director prior to the corresponding report from the Nomination and Remuneration Committee.
- h) To supervise the process of preparation and release of the regulated financial information and the effectiveness of the internal control systems of the Company, and (in particular that

regarding the internal control on the financial information) and, by checking the suitability and integrity of the same and by discussing with the external auditors of the Company the significant weaknesses of the internal control system revealed in the course of the audit.

- i) To periodically review the risk control and management policy and the management systems, which may contain, at least, the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks, and the systems of information and internal control.
- j) To review the Company's annual accounts and the periodic financial information that the Board must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.
- k) To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet.
- l) To examine compliance with the Internal Regulations of Conduct Regarding Transactions in Securities, with the Board of Directors' Regulations, and in general, with the governance regulations of the Company and to make the necessary proposals for their improvement.
- m) To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management team of the Company.
- n) To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Code of Conduct and with any additional documents which make up the prevailing policy on internal regulations compliance, from time to time in force, and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with such policy on regulatory compliance.
- o) To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.
- p) To draw up an annual report on the activities carried out by the Audit and Control Committee itself.
- q) To supervise the functioning of the Company's web page regarding the provision of information on corporate governance as referred to under Section 40.

- r) To report to the Board of Directors about the creation or, as the case may be, acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature.
- s) 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 about tax criteria enforced by the Company during the fiscal year and the degree of compliance with the Code on Best Tax Practices.
- t) To report to the Board of Directors, based upon the information received from the head of tax issues of the Company, on tax policies enforced, and in respect of issues which shall be submitted to the Board of Directors for approval, on their tax consequences, where they are deemed to be a relevant factor.

#### Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an advisory committee, with informational, advisory and proposal powers in the matters determined by the Board itself.

Without prejudice to other tasks that are assigned to it by the Board, the Committee shall have the following basic responsibilities (section 15 of the Board of Directors' Regulations):

- a) To prepare and review the criteria that must be followed for the composition of the Board of Directors, and to select the candidates.
- b) To advise on proposed nominations, and where appropriate, on the re-election of directors and, in case of independent directors, to submit said proposals to the Board of Directors for approval, prior to the nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors for the co-optation procedure.
- c) To advise on the nomination of internal positions (Chairman, Deputy Chairman or Chairmen, CEO, Secretary and Deputy Secretary) of the Board of Directors.
- d) To propose to the Board the members that should form part of each of the Committees.
- e) To advise on the appointment and dismissal of senior managers as proposed by the chief executive to the Board of Directors.
- f) To annually advise the Board on the evaluation of the performance of the chief executive of the Company, and also of the Nomination and Remuneration Committee itself.

- g) To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company.
- h) To report to the Board, before it holds its meeting, on those contracts of the personnel that include severance agreements, for those cases that imply dismissal or changes in control.
- i) To prepare and submit to the Board of Directors for approval the annual report on Directors' compensation.
- j) To advise on transactions that imply or may imply conflicts of interest, transactions with related parties or those transactions that imply the use of corporate assets and, in general, to report on the matters included in Chapter IX of the Board of Directors' Regulations.
- k) To draw up and keep up-to-date a contingency plan to cover those vacancies in key positions within the company or its group.
- l) To ensure that when filling up any new vacancies and when appointing new Directors the recruitment process should conform to the prohibition of any manner of discrimination.
- m) To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements.

**B.2.5. Indicate, where appropriate, the existence of rules for the Board's committees, the place where they are available for consultation and any modifications introduced during the year. In turn, please indicate if an annual report has voluntarily been prepared on the activities of each committee.**

The rules governing the Audit and Control Committee and the Nomination and Remuneration Committee are contained in the Board of Directors' Regulations and in the Articles of Association, and there are no specific individual regulations for each of them.

The full text of the Board of Directors' Regulations is available for consultation on both the corporate web page ([www.inditex.com](http://www.inditex.com)) and on the website of the *CNMV*.

In compliance with the provisions of Sec. 14.2.(p) of the Board of Directors' Regulations, the Audit and Control Committee prepared a report on the activities it carried out during fiscal year 2012; likewise, the Nomination and Remuneration Committee drew up an annual report on the activities it performed during fiscal year 2012.

**B.2.6. Indicate if the composition of the executive committee reflects the participation on the Board of the different directors in accordance with their categories:**

YES  NO

The Executive Committee is made up of one executive director, two proprietary director and four independent directors. All categories of directors sitting on the Board of Directors also sit on the Executive Committee.

**C RELATED-PARTY TRANSACTIONS**

Below is a list of the transactions with related parties during FY2012 pursuant to the definitions, criteria and groupings provided in Order EHA/3050/2004 of 15 September, to which refer the Instructions to complete this Annual Report included in Annex I of the Circular 1/2004, of 1 April, in the wording provided by Circular 4/2007 of 27 December, of *CNMV*, whereby the form of the annual corporate governance report of listed companies is amended.

**C.1. State whether the Board in plenary session has reserved for itself the power to approve, after a favourable report of the Audit and Control Committee or any other committee entrusted with such duty, transactions carried out by the Company with Directors, with significant shareholders or shareholders represented on the Board, or with persons related thereto:**

YES  NO

**C.2. Give details of the relevant transactions carried out which entail a transfer of resources or obligations between the company, or entities of its group, and the significant shareholders of the company:**

During FY2012, the INDITEX Group has carried out with the majority shareholder Gartler, S.L, or with the individuals and companies related thereto, or with Partler, S.L., and other individuals related thereto, the following transactions:

<b>Nature of transaction</b>	<b>Type of transaction</b>	<b>Amount (€thousands)</b>
Contractual	Assets lease	(25,344)
Contractual	Assets lease	161
Contractual	Other expenses	(20)
Contractual	Sale of products	177
Contractual	Rendering of services (construction works)	87

**C.3. Give details of the relevant transactions carried out which entail a transfer of resources or obligations between the company or entities of its group, and the directors or officers of the company:**

With regard to remunerations received by directors and officers of the Company, reference is made to the provisions of sections B.1.11 and B.1.12, respectively.

Likewise, INDITEX approved in FY2010 a Deferred Incentive Payment Plan (hereinafter, "the Plan") addressed to members of the Management team and other key employees of the Inditex Group, a description of which is provided in the Annual Report. For the purposes of transactions with related parties, an estimate of the amount accrued during the fiscal year, in respect of the incentive assigned to directors and officers which would be paid provided that, however the requirements covered in the Plan are met, is broken down below:

	<b>DIRECTORS</b>	<b>OFFICERS</b>
ASSIGNED INCENTIVE (in € thousands)	1,333	2,293

No other relevant transaction has taken place between the Company or any company belonging to its corporate Group and the directors or officers of the Company and their related-parties pursuant to Second Rule of Order EHA/3050/2004 of 15 September, to which refer the Instructions to complete this Annual Report included in Annex I of Circular 1/2004 of 1 April, in the wording provided by Circular 4/2007, of 27 December of CNMV, whereby the form of the annual corporate governance report of listed companies is amended.

**C.4. Give details of the relevant transactions carried out with other companies belonging to the same group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the company as regards its object and conditions:**

Entity	Brief description of the transaction	Amount (€ thousands)
Joint ventures	Purchase of goods	(352,258)
Transactions with Group companies	Transactions in securities	(518,240)

**C.5. State whether the members of the Board of Directors have been subject to situations of conflicts of interest, according to the provisions of section 127 *ter* of the SCA.**

YES  NO

Subject to the information provided in section B.1.40 above, the company has no evidence that any of its directors is in a situation of

conflict of interests, whether directly or indirectly, with the interests of the company.

**C.6. Give details of the mechanisms established to detect, determine and resolve any potential conflicts of interest between the company and/or its group and its directors, officers or significant shareholders.**

Section 32 (“Conflicts of Interest”) of the Board of Directors’ Regulations reads as follows:

*“1.- It shall be understood that a conflict of interest exist 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 they hold the office of director or senior manager or in which they hold a significant participation, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in section 53 of the Spanish 24/1998 Act, passed on 28 July – “The Stock Exchange Act”, and its regulations, and for the case of unlisted national or foreign companies, any direct or indirect participation over twenty (20) percent of its issued share capital.*

*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 the situations provided in section 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange.*
- b) Those companies that are part of the same corporate group, as defined in section 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange, and their partners.*

- c) *The representative, who is a natural person, the administrators de iure or de facto, the liquidators and the attorneys-in fact of the director, who is a legal entity.*
- d) *Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the above-referred provisions regarding directors who are natural persons.*

2.- *The following rules shall apply to the situations of conflict of interest:*

- a) *Information: directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any situation of conflict in which they are.*
- b) *Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in conflict of interest. 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*
- c) *Transparency: in the Corporate Governance Report, the Company must inform of any situation of conflict of interest 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”.*

In addition, the following situations which can give rise to conflicts of interest are addressed in the Board’s Regulations:

- The rendering of professional services in competing companies (section 31).
- The use of corporate assets (section 33).
- The use of non-public company information for private ends (section 34).
- The taking advantage of business opportunities of the company (section 35).

Furthermore, section 37 of the Board of Directors’ Regulations, under the heading “Duties of information of the director”, provides that directors must inform the company:

- a) of the shares in the same of which he is the direct or indirect holder, as well as of those other shares which are in the possession, directly or indirectly, of his closest relatives, all of

which in accordance with the provisions of the Internal Regulations of Conduct Regarding Transactions in Securities;

- b) of any stake they might hold in the capital of any companies with the same, similar or complementary business range as the one that makes up the corporate purpose, and of the offices and posts they hold in same. They shall also inform of those business conducted for themselves or for somebody else, with the same, similar or complementary business range as the one that makes up the corporate purpose. Said information shall be included on the Annual Report, and
- c) of all the positions they hold and of the activities that they carry out in other companies or entities, and, in general, about any fact or situation that could be relevant for their acting as a director of the Company.

As it is expressly provided under section 1 of the Board of Directors' Regulations, the rules of conduct established thereon for the directors shall apply, to the extent that they are compatible with their specific nature, to the senior management of the company who are not directors. More particularly and with the due nuances, the following sections shall apply to them: section 30 (duty of confidentiality); 32 (conflicts of interest), in connection with the duty of informing the Company; 33 (use of corporate assets); 34 (non-public information); 35 (business opportunities), and 36 (prohibition to make undue influence of the office).

Likewise, as regards significant shareholders, paragraphs 1 through 4 of section 38 of the above referred Regulations provides as follows, under the heading "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 significant shareholder.*
- 2. In no event will it approve such a transaction if previously a report has not been issued by the Nomination and Remuneration 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”.*

In addition, section 5 of the Internal Regulations of Conduct regarding Transactions in Securities, after stating in the first paragraph that the general principles that must govern the actions of the persons subjected to conflicts of interest are those of independence, abstention and confidentiality lay down the following:

*“5.2. Declaration of conflict*

*The Affected Persons shall undertake in writing to act independently in their activities and to make known to the CCO (Code Compliance Office) using the standard model that is established for this purpose, those conflicts of interest to which they are subject due to their activities outside the INDITEX group, their family relationships, their personal property, or for any other cause with:*

- a) Suppliers, external workshops not being part of the company and significant contractors for goods or services, or their Directors and general proxies.*
- b) Agents and franchisees of the Inditex group, or their Directors and general proxies.*
- c) People who are engaged in similar or analogous activities to those of the INDITEX group and that compete with the Inditex group in the same markets.*
- d) External advisors and suppliers of professional services to the INDITEX Group.”*

Among the powers granted to the Nomination and Remuneration Committee is that of reporting on the transactions that involve or could involve conflicts of interest, transactions with related parties or that involve the use of company assets and, in general, on the matters contemplated in chapter IX of the Board of Directors’ Regulations (in which all the foregoing sections of the Board of Directors’ Regulations are included). In view of that report, it is incumbent on the Board of Directors to approve, where appropriate, the transaction.

Additionally, section 4.8 of the Code of Conduct and Responsible Practices of the INDITEX Group provides that:

*“INDITEX’s employees shall avoid any situation which might entail any conflict between their personal interests and those of the company. They shall also refrain from representing the company and from taking part or having a say in any decision making wherein they may have, either directly or indirectly, either themselves or through any related party thereto, any personal interest. They may not avail themselves of*

*their position in the company to obtain any economic or personal benefit, or any business opportunity for them.*

*No employee of INDITEX may render services as consultant, director, officer, employee or advisor to any of INDITEX's competitors, except for such services which may be rendered at the request of INDITEX or with the authorization of the Committee of Ethics.*

*INDITEX respects the private life of its employees and therefore the private sphere of their decisions. In the framework of this policy of respect, employees are urged to report to the Committee of Ethics any personal conflicts of interest or any conflicts of interest involving their relatives, that might jeopardize the necessary objectivity or professionalism of their duties within Inditex, so that, in the respect of the confidentiality and privacy of individuals, the relevant measures might be taken for the mutual benefit of the company and of the affected individuals.*

*Namely, the cases below shall be considered as potential situations of conflict of interest and they shall be reported to the Committee of Ethics:*

- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which is the same, similar or supplementary to the business conducted by INDITEX.*
- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which involves an exchange of goods and/or services, regardless of the remuneration system agreed."*

**C.7. Is more than one company of the Group listed in Spain?**

YES  NO

**D SYSTEMS FOR CONTROL OF RISKS**

**D.1. General description of the risk policy of the company and/or of its group, detailing and assessing the risks covered by the system, together with the justification for the adjusting of those systems to fit the profile of each type of risk.**

Enterprise Risks management in the INDITEX Group is a process driven by the Board of Directors and the Senior Management, incumbent on each and every single member of the Organization, which aims at providing a reasonable safety in the achievement of the targets established by the Group, ensuring the shareholders, other

stakeholders and the market in general, an appropriate level of guarantee which ensures protection of created value.

In this context, Enterprise Risks Management in the Group starts with the identification and assessment of those factors that may affect negatively the achievement of the business goals, and this translates into a risks map that includes the main risks grouped in different categories, together with an assessment thereof in accordance with their potential impact, the likelihood of their occurring and the level of preparation of the Group to face up to them. The risk map is subject to review regularly in order to keep it updated by including the amendments regarding the evolution of the Group and of the environment where it operates. Risks management process also covers the taking of a certain answer versus such factors, and the organization of the required controls measures for such answer to be effective.

Below are the main corporate areas that specialize in the risks management process in different fields:

- Enterprise Risks Management
- Code Compliance Office
- Financial Management
- Planning and Management Control
- Corporate Social Responsibility
- Occupational Hazards
- Environment
- IT Safety

Additionally, certain specific Committees have been set up in respect of the follow-up of the major risks:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Code Compliance Supervisory Board

Among the policies developed and implemented by the above mentioned areas regarding the management of the different risks, the following should be pointed out:

- Investment Policy
- Payment Management Policy
- Foreign Exchange Risk Management Policy
- Proxies Policy
- Code of Conduct for Manufacturers and Suppliers
- Health and Safety of the Product Policy
- Occupational Hazards Policy
- Environmental Risk Management Policy
- IT Safety Policy

Risks management system is overseen in an independent and objective manner by Internal Audit, which informs the Board of Directors thereof, through the Audit and Control Committee.

Additionally, these risks are considered upon preparing the Business Plan, etc., as part of the ERM system of the Group.

Risks reviewed are classified and grouped in the following categories:

### **1. Business environment**

These are risks stemming from external factors, connected with the Group's business.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which the company operates, whether as regards procurement processes or distribution and sale of goods processes. This is inherent in the fashion retail business and consists in the eventual incapacity of the Group to follow and offer a response to the evolutions of its target market or to adjust to the new situations in procurement countries.

With this respect, demographic and social and economic changes in procurement or distribution countries, the new ways of communication that arise, and changes in consumption habits, or the consumption decline in certain markets are, *inter alia*, factors which may have an impact on the effective achievement of the business goals of the Group.

In order to reduce the exposure to risk in this area, the Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the expected figures are met or not. Moreover, the business model of the Group is not only based upon the management of new openings, but also on improvements in the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the current business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and the use of new technologies as an option for communicating and selling to our customers, represent a way to diversify this risk, which downplays the global exposure to this risk of the market.

### **2. Regulatory risk**

Those are risks to which the Group is exposed arising from the different laws and regulations in force in the different countries where it is present.

In order to provide a better management of the risks included in this category, they have been classified in accordance with their nature,

into two groups: risks regarding the tax, customs, employment, trade and consumption and industrial and intellectual property regulations and risks associated to the remaining laws and regulations.

In order to reduce the exposure to risk in this area and secure the appropriate enforcement of the prevailing local legislation in force, the corporate Legal, Tax, Industrial Property and Human Resources departments, as well as the General Counsel's Office work in coordination with the different supervisors and with the legal external advisors of each country or geographic area. In Section D.4 below, the laws that usually affect the Group in those countries where it operates are identified.

Special mention should be made of criminal regulatory risks. For the purposes of reducing such risks, the Group relies on a Manual on Criminal Risks Prevention.

The Internal Audit department conducts regulatory compliance audits on a regular basis with teams of independent professionals specializing in certain regulations which apply to business.

Additionally, the Corporate Social Responsibility Department regularly carries out social audits together with teams of independent professionals, with a great command of the language as well as of the local labour and environmental legislation, to ensure the appropriate enforcement of both the labour requirements covered by the International Labour Organisation (ILO) Treaties and the Human Rights covered in the major Treaties that govern this subject.

### **3. Reputation**

Those are the risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the Society in general.

These risks arise out of a potential improper management of the issues regarding the social responsibility and sustainability, the responsibility on account of the composition of products, as well as of the corporate image of the Group.

The Group has developed a Social Audit Program, based on the external and independent verification of the degree of implementation and compliance with the Code of Conduct for Manufacturers and Suppliers in order to minimize the potential risks of harming the image due to improper behaviours by third parties. Said program specifies the review procedures which secure the gathering of information and evidences on the minimum working conditions that all manufacturers, suppliers and external workshops must comply with. Additional information on this Program is provided in the "CSR with suppliers" section of the Annual Report.

In such sizable and visible organisations as the Group, some conflicts could arise out of an inappropriate relationship with third parties alien to

the proceedings of the Group (CNVM, communication media, Investors, public authorities, etc.,).

The Group, through its Division of Communication and Institutional Relations, responsible for the centralized management of the communications with third parties, sets out the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office and the Capital Markets department are charged with managing specifically the relationship with CNMV and the latter is also charged with dealing with the investors.

Moreover, the large experience gained by the Group, given its long international career, allows it to minimize the risk attached to the difficulty in adapting its products and proceedings to the different social and cultural realities, uses and special features of specific markets, by setting up the right policies which allow it to identify and as the case may be, implement the required measures. Additionally, the Group controls and verifies the level of compliance with its health and safety of the products standards ("Safe to Wear" and "Clear to Wear"), as part of its production process.

#### **4. Human Resources**

The main risks in the human resources area are those arising out of the difficulty in properly identifying and managing talent, which could lead to an inappropriate positioning, qualifications and flexibility of human resources, an inappropriate labour environment, high turnover or a potential dependence on key personnel.

To minimize said risk, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel. It has also developed a regular training program for its staff and has implemented specific systems:

- to combine quality in the performance of their duties by the employees and the satisfaction they may obtain at their workplace;
- to facilitate the exchange of jobs among those employees wishing to broaden their experience in the different areas of the Organisation

On the other hand, the work system implemented within the Organization favours the transfer of knowledge between the relevant employees in the different areas, thus minimizing the risk linked to depending excessively on the knowledge of key personnel. Additionally, the use of career development, training and compensation policies seeks to retain key employees.

To ensure the appropriate labour environment, the Human Resources department is governed by a series of acting rules which are thoroughly reviewed in the Social and Environmental Performance Report.

On the other hand, a growing demand has arisen lately within the labour market, linked to the social responsibility of companies, which has become a key factor upon selecting a company for the job of choice. Therefore, such issues as equal opportunities or labour and work-family balance are *inter alia*, factors that the Company takes into account, with policies designed for such purposes.

With this respect, the INDITEX Group has implemented the Equal Opportunities Plan, with measures that seek to meet different goals, such as, *inter alia*: fostering the commitment and effective implementation of the equal opportunities principle between female and male employees, contributing to reduce inequality and imbalance, preventing labour discrimination, fostering the corporate commitment towards a better life quality, ensuring a healthy work environment and providing actions to promote family and work balance.

## 5. Operations

The main operational risks the Group has to face up to arise out of a potential difficulty in recognizing and taking in the ongoing changes in fashion trends, manufacturing, supplying and putting on the market new models meeting customers' expectation.

The Group reduces the exposure to this risk through a manufacturing and procurement system that ensures a reasonable flexibility to answer to the unforeseen changes in the demand by our customers. Stores are permanently in touch with the designer team, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows cutting the manufacturing and delivery terms as well as to reduce the stock volume, while the reaction capacity that allows to introduce new products throughout the season, is kept.

Given the relevance that an efficient logistics management has on the appearance of such risks, the Group conducts a review of all the factors which may have a negative impact on the target of achieving the maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

The risk arising out of the interruption of the transaction is linked with the likely occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or suppliers, discontinuance in the supply of power or fuel, etc.) that might affect significantly the normal operative.

Given the operative of the Group, the main risks included in this category are to be found at the logistics centres and in external operators charged with transporting the goods. The distribution of apparel, footwear, accessories and home ware for all the formats is based upon 13 logistics centres spread throughout the territory of Spain. Logistics operations are also ensured by other smaller distribution centres located in 7 different countries. The size and use of

all logistics centres is optimized on account of the volume of each format or the specific requirements existing in each geographic area serviced. Namely, some of the above referred logistics centre specialize in distribution of goods associated with on-line sales. Location of such centres has been considered so that they may be versatile to undertake storage capacity and distribution of other centres in the event of any contingency resulting from any potential accidents or stoppage of the distribution activities.

Additionally, the Group takes active measures to reduce risk exposure, by keeping high levels of safety and protection in all its distribution centres, together with insurance policies covering both the potential property damage incurred by the facilities and stock, as well as any loss of profit which might arise out of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assess the need and envisages, where appropriate, investing in new distribution centres or in the extension of the existing ones, so as to minimize the risk linked to the logistics planning and sizing. Additionally, investments are carried out towards the improvement and automation within the existing centres so as to increase their capacity and efficiency.

To minimize the risks attached to the quality of finished product, the Group resorts to different monitoring systems based upon defined standards (“Safe to Wear” and “Clear to Wear”) whose implementation is mandatory within the production line, for all finished products, footwear and accessories.

To reduce exposure to the risk arising out of an improper customer satisfaction and service, the Group applies standard store service procedures, training and monitoring programs for store managers and assistants, and communication channels available for customers in order to ensure the quality of the sale and post sale service. Likewise, as a result of the introduction of a new sale channel through the online sale, certain mechanisms to follow-up the degree of satisfaction of customers regarding their online purchase have been set up. With this respect, Marketing and Internet departments of the two formats which currently offer online sale have prioritized the design of their websites, taking into account such premises, while, at the same time, making a large team of professionals available to support the queries, concerns or requests of the customers regarding their online purchase experience.

The Group reduces the risk linked to the real estate management, regarding the search and selection of business premises, through the monitoring of local markets where it operates and through the evaluation and supervision of new openings by the Expansion Committee.

## **6. Financial**

In the regular conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk, counterparty credit risk, liquidity risk and interest rates risk. Additionally, given the ever growing international dimension of the Group's business, the Company is exposed to the country risk in different markets.

The Euro is the functional currency of the Group. Its international transactions give rise to the use of a large number of other than the Euro, which gives rise to the foreign exchange risk. This risk must be managed in a proactive, sufficient and systematic manner; to achieve this, the Group has implemented the Foreign Exchange Risk Management Policy with the major goal of reducing potential economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. The above referred policy sets the guidelines to manage all such exposures.

Payment Management Policy addresses the principles leading to ensure compliance with Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective and prompt payment management. Such policy determines the best manner, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Policy covers the potential exceptions and the procedure to authorize such exceptional payments. Meanwhile, the Proxies Policy determines the different proxies of Groups authorized to approve financial transactions on behalf of the Group, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

Under the current policy in force, exchange rate management is incumbent on the corporate Financial Management Department. Such policy lays down the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure for acquiring derivatives and the recording and registration thereof. At present, forward contracts are the main hedging instrument.

The Group has various investments abroad, the net assets of which are exposed to exchange rate risk. As the consolidated financial statements of all the companies in the group are drafted in the functional currency, i.e., Euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the European Union. The company is also faced with the risk resulting from transactions in currencies other than Euro of flows of collections and payments for acquisition and rendering of goods both in respect of transactions within the Group and outside the Group.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is primarily made in cash or through credit card. Anyway, the Group is faced with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of cash or

other financial and securities vehicles, and from derivatives used for financial risks hedging.

The Investment Policy of the Group, which aims at ensuring security, integrity and liquidity of financial assets of the company, provides the guidelines which need to be observed by counterparties and classifies them in panels in accordance with their rating and solvency profile and their relevance for the Group. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk.

The Group has enough liquidity to undertake the funding requirements of its regular functional transactions and to face its future growth expectations. At present, the Group has no external debt and keeps on its balance sheet a sufficient position in very liquid assets (cash and cash equivalents). For the purposes of attending to any potential cash need, the Group relies on a sufficient number of loan agreements, both in Euro and in other currencies.

With regard to the interest rate risk, direct exposure of the Group to such risk is rather scarce, considering the non existence of leverage. However, as the value of financial assets depends upon the evolution of interest rates, the Group is exposed to such risk in terms of its financial investments. The Investment Policy of the Group aims also to minimize such risk by determining the nature, term and credit quality of the underlying integrating the investment vehicles of the company.

Finally, the international nature of the Group's business determines the exposure to country risk in a growing number of markets. The Investment Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

## **7. Information for the decision making**

The risks hereunder included are those linked to the appropriate information at all levels: transactional and operative, financing-accounting, management, budgeting and control.

These are not significant risks in relative terms, although the various departments of the Group and especially the Planning and Management Control Department and the Administration Department, which report to the Financial Division, are directly responsible for producing and supervising the quality of such information. Moreover, in order to reduce exposure to this kind of risks, the Group regularly reviews the management information disclosed to the relevant officers and invests in IT, follow-up and budgeting systems, among others.

With regard to the risks associated to financial reporting, the Group has set up an Internal Control System on Financial Reporting (*SCIIF*, *Spanish acronym*) aimed at achieving an ongoing follow-up and assessment of the main risks associated, which permits ensuring

reasonably the reliability of the public financial information of the Group. Section 7 of the schedule to this report: “Additional information to the current Model of Annual Corporate Governance Report pursuant to Sec. 61 *bis* of Act 24/1988 of 28 July, on the Stock Exchange (*LMV*, *Spanish acronym*) (as amended by the Fifth Final Provision of Act 2/2011 of 4 March, on Sustainable Economy)”, provides additional information on this issue.

In addition, the consolidated Annual Accounts and those of each and every relevant company are subject to review by the independent auditors who are also in charge of carrying out certain audit works regarding the financial information. Likewise, as regards the most significant companies of the Group, independent auditors are requested to issue recommendations on internal control.

## **8. Technology and information systems**

The risks hereunder covered are those linked to the technical infrastructure and the efficient management of information and of the computing and robotic networks. The risks connected with the physical and logical safety of the systems are also included.

To reduce exposure to this type of risks, the IT department permanently monitors the streamlining and coherence of the systems, for the purposes of minimizing the number of software packages, maximising training of all users involved in handling these and guaranteeing the security and stability required for the continuous development of the activities of the Group.

Moreover, there are contingency systems in the event of computer stoppage, with double equipment and data storage in a different location to the main Centre, which would reduce the consequences of a breakdown or stoppage.

## **9. Corporate Governance**

This category includes the risk of not having the appropriate management of the Group which might entail a breach of the Corporate Governance and transparency standards.

Therefore, compliance with the corporate governance system of the Company, which comprises the Articles of Associations, the Board of Directors’ Regulations, the Regulations of the General Meeting of Shareholders, the corporate policies implemented for enterprise risk management, and the internal regulations of the Group (the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct regarding Transactions in Securities – hereinafter, IRC).

The Code Compliance Supervisory Board and the Code Compliance Officer are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act “ex officio” or further to a report.

- D.2. Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.,) affecting the Company and/or its Group materialized during the fiscal year.**

YES  NO

**If so, indicate the circumstances giving rise to them and whether the established control systems have worked:**

**Risk that occurred during the fiscal year**

Risks inherent in the business model and in the market environment, which fail to have any material impact.

**Circumstances giving rise thereto**

Those inherent in the development of business and the prevailing economic climate.

**Performance of control systems**

The risks described in the foregoing section are inherent in the business model and the activity of the Group; therefore they are always present somehow, throughout each financial year. However, none of them has had any significant impact on the Organization during last fiscal year, as control systems anticipated to meet such risks have been duly operative.

- D.3. Indicate whether there is any committee or other governing bodies responsible for establishing and supervising these mechanisms of control:**

YES  NO

**If so, list their functions:**

The main governing bodies responsible for controlling risks are the Board of Directors and the Audit and Control Committee.

1.- The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and for organising the appropriate internal control and information systems.

## 2.- The Audit and Control Committee

The Audit and Control Committee assists the Board of Directors in its supervision and control duties by reviewing the internal control systems. The duties of the Audit and Control Committee are provided under the Articles of Association and the Board of Directors' Regulations.

The Board of Directors' Regulations provide that it is incumbent on the Audit and Control Committee, exclusively comprised of non-executive directors of the Group, to supervise the process for preparing and presenting the regulated financial information and the effectiveness of the internal control systems of the Group, (namely, of the internal control system on financial information) and to check the appropriate type and integrity of said systems. Additionally, the Audit and Control Committee is charged with overseeing the Internal Audit Department of the Group, approving the budget of the Department and the Internal Audit Plan, the annual report of activities of the Internal Audit department and supervising the material and human resources thereof, whether internal or external, to discharge its duties.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports, through the Audit and Control Committee, thus ensuring the full independence of its acts.

In accordance with the Internal Audit Charter of the Group, the mission of the Internal Audit function is that of contributing to the good running of the Group, by assuring an independent supervision of the internal control system, and by providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hinder the accomplishment of the objectives of the Organization.

Likewise, according to the Charter, the goals of the Internal Audit function are to promote the existence of appropriate internal control and risk management systems, the homogeneous and efficient application of internal control system policies and procedures which make up such internal control system and to serve as communication channel between the Organization and the Audit and Control Committee, in relation to those matters that are responsibility of Internal Audit.

### **D.4. Identification and description of the processes of compliance with the various regulations that affect your company and/or its group.**

Among the external risks that affect the Group, a specific category described as "Regulatory" has been included, which is described in section D.1 above. Within this category, it has been thought fit to classify the risks in six groups, depending on the kind of regulation to which they refer and on the potential impact they have on the Group. This classification shall be used to detail the legislation that affects the Group in the conduct of its business.

- Consumer and trade legislation: linked with laws and regulations which govern those commercial issues which apply to retail: (business hours, end of season sales, etc.) and any other regulations regarding consumers and users. Included in this group are such issues as: licence for store opening, business hours; end of season sales period and advertisement terms related thereto; conditions that must be met by the products being sold in stores, especially in relation to the labels and packaging, and generally, all aspects that affect retail sales.
- Tax legislation, relating to the taxes that are charged on the Group's activities and profits.
- Customs legislation, referring to cross-borders movements of merchandise.
- Labour legislation, which regulates the relations with its workers as regards wages, working hours, labour calendar, health and safety, etc.,
- Intellectual and Industrial property legislation, which refers to protection of intellectual and industrial property rights, such as trademarks, industrial designs, copyrights, etc.,
- Other legislations, including common legislations for any listed company and specific legislation relating to the activity performed by the Group:
  - Accounting legislation, relating to the accounting principles and standards.
  - Securities market legislation, which affects all listed companies.
  - General civil and mercantile legislation, relating to company law and civil and commercial contracts.
  - Competition law, which specifically affects the relations with other competitors in the market.
  - Real Estate legislation which fundamentally affects urban regulations, commercial properties and namely, the leases of business premises where the stores of the Group are located.
  - Legislation governing the personal data protection, regarding protection in the processing of such data.
  - Environmental legislation, regarding the proper treatment of waste, spillage, etc.,

## **E GENERAL MEETING OF SHAREHOLDERS**

The General Meeting of Shareholders duly convened and constituted in accordance with all legal formalities and those of the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the company. Its resolutions are

binding on all its shareholders, including those absent or dissenting shareholders, without prejudice to any remedies they may have at law.

In accordance with the provisions of the Articles of Association and the Regulations of the General Meeting of Shareholders, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, it is granted with the following exclusive powers:

- (a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.
- (b) To appoint and remove administrators, as well as, confirm or revoke those provisional appointments of said administrators made by the Board, and to review their management
- (c) To appoint and remove the auditors.
- (d) To resolve the issuance of bonds, the increase or reduction of capital, the exclusion or restriction of pre-emption rights, transformation, merger, split-off or dissolution of the Company, the global allotment of assets and liabilities, the approval of the final liquidation balance sheet, the transfer of the registered office abroad and, in general, any amendment to the Company's Articles of Association.
- (e) To authorize the Board of Directors to increase the Company's capital, or to proceed to the issuance of bonds and other fixed yield securities.
- (f) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors, and to conduct an advisory say on pay vote on the annual report on Directors' compensation.
- (g) To pass the Regulations of the General Meeting of Shareholders and their subsequent amendments.
- (h) To resolve on the matters submitted to it by a resolution of the Board of Directors.
- (i) To grant the Board of Directors the powers it may deem fit to deal with unforeseen issues
- (j) To approve those transactions which might entail an effective amendment of the corporate purpose and those whose effect may be equivalent to the liquidation of the Company.

The Board of Directors shall convene the Annual General Meeting necessarily once a year; within the first six months of the closing of each financial year in order to; at least, review the company's management, to approve, where appropriate, the accounts of the previous year and to decide upon the distribution of income or loss.

The Extraordinary General Meeting shall meet when the Board of Directors so resolves or when a number of shareholders which represent at least five percent of the share capital so request, expressing in the request the matters to be discussed. In this latter case, the General Meeting of Shareholders must be convened to meet within the deadline provided in the applicable regulations; the agenda of the meeting will necessarily include the matters that were the subject of the request.

In the resolutions to call the General Meeting, the Board of Directors shall require the presence of a Public Notary to take the minutes of the General Meeting.

Both the Annual and the Extraordinary General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register, on the web site of the Company and on *CNMV's* web site, at least one month in advance of the day appointed for the meeting or the greatest period that is required by law, where appropriate, due to the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call, and there must be at least a 24-hour period between one call and the other. The notice shall likewise state, clearly and precisely, all the matters to be discussed therein.

No later than the date of publication, or in any event the business day that immediately follows, the notice of the meeting shall be sent by the company to the *CNMV*, and to the Governing Organisations of the Securities Markets where the company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be accessible through the company's web page.

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and validly held to discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

**E.1. Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the *[Spanish] Corporation Act [SCA]* in connection with the quorum required to hold a valid General Meeting of Shareholders**

YES  NO

	<b>Quorum % different from that established as a general rule in sec. 102 of the SCA</b>	<b>Quorum % different from that established in sec. 103 of the SCA for special cases covered therein</b>
<b>Quorum required on 1<sup>st</sup> call</b>	<b>50% of the subscribed voting stock</b>	
<b>Quorum required on 2<sup>nd</sup> call</b>		

Both article 21.1 of the Articles of Association and section 15 of the Regulations of the General Meeting provide that the General Meeting will be validly held on first call where shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote. On second call, generally, the General Meeting shall be validly held regardless of the capital attending the same. However, if the Meeting is called to decide on an increase or a reduction in the share capital, the issue of debentures, the transformation of the company, the merger for the creation of a new company or via the taking-over of the company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the substitution of the company purpose as well as any other modification whatsoever of the Articles of Association, shall require, on second call, the attendance of twenty-five percent of the subscribed share capital with the right to vote.

Therefore, the only difference between said rules and the provisions of the Act on Capital Companies (and formerly, the Spanish Corporation Act), both in general and for special cases, consists of the quorum necessary for the holding of the General Meeting on first call in accordance with section 193 of the Act on Capital Companies, that the Articles of Association and the Regulations of the General Meeting of the company have made equal to the quorum for valid meetings on first call in accordance with section 194 of the Act on Capital Companies (shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote). This enhanced quorum may not be deemed to be a restriction on the control by the Company, since it is only applicable to first calls.

This is expressly permitted by section 193 of the Act on Capital Companies, where, after laying down that the General Meeting of Shareholders shall be validly held on first call when the shareholders present or represented by proxy possess, at least, twenty-five per cent of the subscribed voting share capital, it goes on to provide that the Articles of Association can establish a higher quorum.

**E.2. Indicate and, if applicable, explain whether there are differences with the rules provided by the Spanish Corporation Act [SCA] for the passing of corporate resolutions:**

YES  NO

**E.3. List the rights of the shareholders in relation to general meetings, that are different from those established in the SCA.**

Within the rights for the shareholders recognised by section 93 of the Act on Capital Companies (former section 48 of the Spanish Corporation Act), the following can be listed in relation to the General Meetings: the right to attend and to vote in the general meetings and to challenge the resolutions of the company, and the right of information.

These rights are developed in section 179 and subsequent and in Part XIV (“Listed Corporations”) of the Act on Capital Companies (former sections 104 (“Right to attend the meeting”), 105 (“Limitations on the right to attend and vote”), 106 (“Proxies”), 108 (“Representation by a relative”), 112 (“Right to information”) and 115 and following (relating to the challenging of resolutions) of the Spanish Corporations Act.

The rights of the shareholders of INDITEX in relation to the general meetings are scrupulously respected by the company, in the terms established in the legislation in force, in the Articles of Association and the Regulations of the General Meeting of Shareholders.

Right to information of the shareholders

The Investor Relations Department and the Shareholders’ Office at INDITEX (Capital Markets Department) are at the disposal of the shareholders to provide all the information on the General Meeting that they may need. Prior to the General Meeting, those shareholders who so request are sent a copy of the Annual Report and of the relevant documentation relating to the items on the agenda.

Moreover, the Company deals, as far as is possible, with the requests for information that are made by the shareholders in relation to the items on the agenda of the General Meeting, both before the General Meeting and during the meeting itself through the question and answer session, which all shareholders attending the meeting can participate in if they wish and whose participation is always answered.

Section E.4 hereof deals with the regulation of the right of information of shareholders covered by the Regulations of the General Meeting. With regard to the information made available to shareholders from notice of the Meeting, these two issues below are established in addition to the provisions of the Act on Capital Companies (formerly the SCA):

- a) The full text of all the proposed resolutions that the Board of Directors submits to the AGM for debate and approval regarding the various items of the agenda; and
- b) The following information regarding directors whose ratification or appointment is proposed: i) professional profile and biography; ii) other Boards of Directors where they sit,

whether in listed companies or otherwise (except for Boards of property holding companies of the director in question or of his/her next of kin); iii) the category to which they belong, and in case of proprietary directors, stating the shareholders they represent or with whom they have links; iv) date of their first appointment and, as the case may be, of any further appointments to sit on the Board of Directors, and v) the shares in the company and stock options they hold.

#### Attendance of General Meetings. Right to Vote

The right to attend is dealt with in section E.9.

Each share entitles its holder to one vote.

#### Proxies at the General Meeting

Section E.10 deals with the issue of proxies at the General Meeting.

### **E.4. Indicate, where appropriate, the measures taken to promote the participation of the shareholders in the general meetings.**

In addition to the publication of the notices provided by Law and in the Articles of Association and of the making available to the shareholders in the registered office of the company, free of charge, of the information and the documentation related to the agenda of the meeting, the company publishes the notice of the General Meetings through the corporate web page, including all the relevant documentation to facilitate the attendance and the participation of the shareholders, including the agenda, the directors' reports and the remaining documentation in relation to the General Meeting that is required by Law.

Furthermore, the Regulations of the General Meeting of Shareholders, establishes new instruments directed at favouring the participation of the shareholders, in particular, through developing their rights of information, attendance and proxy.

In this respect, sections 9, 10 and 10 *bis* of the Regulations of the General Meeting provide the following:

*“Section 9. Information available as from the notice of the Meeting*

*1. From the publication of the notice, the Company shall make available to the shareholders the following information*

*(a) The notice of the General Meeting*

*(b) The aggregate number of shares and voting rights as at the date of the notice.*

- (c) *The documents (such as, among others, the annual accounts, proposals for the distribution of income or loss, management reports, auditors reports, directors reports, proposals for resolutions, full text of the amendments to the Articles of Association, auditors and/or independent experts' reports, merger or split-off plans) that must be necessarily provided according to statute, regarding the different items included on the agenda.*
- (d) *The full text of the motions that the Board of Directors submits to the deliberation and approval of the General Meeting in respect of the different items on the agenda, including the proposed resolutions submitted by the shareholders, as well as all the information regarding directors whose ratification or appointment is proposed, pursuant to the provisions of the Board of Directors' Regulations. As an exception, the Board of Directors may omit the publication of those proposals not required by statute or by the Articles of Association to be made available to the shareholders from the date of the notice to the General Meeting, whenever concurrent justified reasons advise against their early publication.*
- (e) *Practical information linked to the Meeting and the way in which the shareholders exercise their voting rights, such as, amongst others:*
  - (i) *The communication channels existing between the Company and the shareholders, and namely those explanations necessary for shareholders to exercise their right to information, stating the postal addresses and e-mail addresses where they can address their queries.*
  - (ii) *The ways and procedures to grant proxy for the General Meeting.*
  - (iii) *The ways and procedures to cast votes through remote communication systems, including, the exercise of vote by proxy and through remote means at the General Meetings, unless they are directly sent by the Company to each shareholder. Where such ways and procedures can't be posted on the web page for technical reasons, the Company shall state on the web page how to get the paper forms, which it shall send to any shareholders requesting so.*
  - (iv) *Information on the location of the place where the General Meeting is to be held and the way to access same*
  - (v) *Information, where appropriate, on the systems or procedures that may facilitate the monitoring of the Meeting, such as simultaneous translation devices, broadcasting through audiovisual means, information available in foreign languages, etc.*

- (f) *Any other information deemed appropriate in order to facilitate the attendance and participation of the shareholders at the General Meeting*

*Shareholders may get at the registered office, free of charge and immediately, the documents and information referred to in the paragraphs above, and request their free delivery or dispatch, in accordance with the provisions of the Law. Furthermore, such documents and information shall be included on the Company's web page".*

*"Section 10. Right to information prior to the Meeting*

*1. From the very day the notice of the General Meeting is published, and until the seventh day, included, prior to the day set for the General Meeting to be held, every shareholder may request in writing to the Board of Directors the information or clarification they may deem necessary or ask the questions they might think fit, regarding the items on the agenda. Moreover, in the same term and manner, every shareholder may request information or clarifications or ask questions in writing concerning the information available to the public that the Company might have already furnished to the CNMV from the date the last General Meeting was held and concerning the auditor's report. Likewise, shareholders may gather any other information they may need regarding the General Meeting through the Company's web page or through the Shareholders' Service Department telephone number to be established for that purpose, which shall be appropriately disseminated.*

*2. The Board of Directors must provide the required information except (i) where the Chairman should consider that the publicity of the information requested may be detrimental to the Company's best interests, (nevertheless, this exemption may not be claimed where the request is supported by shareholders representing at least twenty five (25) per cent of the share capital; (ii) where the information or clarification requested does not concern the items on the agenda or the information available to the public that the Company has furnished to the CNMV from the date the last General Meeting was held; (iii) where the information or clarification requested is not deemed to be reasonably necessary in order to reach an opinion over those matters raised to the General Meeting or, if by any means, it is considered abusive; (iv) where prior to the raising of the question, the information requested is clearly and directly available to all shareholders on the web page of the Company under the question-answer format, or (v) where legal provisions or regulations so provide.*

*3. The shareholders' requests for information shall be answered by the full Board of Directors, any member thereof, the Secretary, even if he/she is not a member of the Board, or by any other person expressly authorized by the Board for this purpose.*

*4. Under the terms provided in Law the requests for information must be answered in writing and prior to the General Meeting, unless the*

*characteristics of the required information make it unsuitable. Those requests for information that due to the proximity to the date of the General Meeting, cannot be answered prior to said General Meeting or those that are submitted during the same shall be answered during the General Meeting, in accordance with the criteria stated in these Regulations or, where appropriate, in the shortest period of time as of the date on which the General Meeting was held and always, within the maximum term provided by the Law for this purpose.*

*5. Those answers given to significant questions and made available to the shareholders prior to the date on which the meeting is set to be held, shall be made available to the shareholders attending the meeting at the beginning of the same, and shall also be disseminated through the Company's web page”.*

*“Section 10 bis. Electronic Forum of Shareholders*

*With regard to the notice of General Meetings of Shareholders, an Electronic Forum of Shareholders shall be made available on the web page of the company, which may be accessed with all due guarantees, both by individual shareholders and voluntary associations which may be established under the legal requirements, for the purposes of promoting communication with shareholders prior to the General Meetings. Any motion intended to be submitted as a supplement to the agenda disclosed on the notice, any requests for adhering to such motions, any motion to reach the required percentage enabling to exercise a minority right provided by law and any offer or request of voluntary representation may be published on such Forum. The Board of Directors may implement the foregoing, by fixing the procedure, the terms and any other conditions for the operation of the Electronic Forum of Shareholders”.*

The right to information is supplemented by those of attendance and proxy, which are dealt with in sections E.9 and E.10 below.

**E.5. Indicate whether the chairman of the General Meeting of Shareholders is also the chairman of the Board of Directors. Give details, where appropriate, of which measures have been adopted to ensure the independence and good working of the general meeting:**

YES  NO

Section 16 of the Regulations of the General Meeting of Shareholders, implementing the provisions of article 22 of the Articles of Association, provides that the General Meeting shall be chaired by the Chairman of the Board of Directors or, failing the Chairman, by the Deputy Chairman who replaces him in accordance with the Articles of Association, and failing the Chairman and Deputy Chairman, by the shareholder appointed by the General Meeting itself.

Once the panel of the General Meeting has prepared the list of the attendees, expressing the nature or proxy of each one and the number of own shares or shares of the proxy-grantors attending the meeting, the Chairman shall declare the Meeting to be validly held; shall submit for its deliberation the business that has to be discussed according to the agenda or the previous agreement of the Universal Meetings; shall direct and order the debates signalling the turns for speaking and granting the floor to those shareholders who have made a written request to speak and then to those who have made a spoken request to speak, and may establish turns for speakers in favour and against the motion and may limit the number of those who may speak in favour or against or the time allowed for each speaker; shall declare the business to have been discussed sufficiently and shall order that the voting thereon proceed, proclaiming the result of the voting after such vote. All of these aspects, as well as others regarding the good working of the General Meeting, are developed in detail in the Regulations of the General Meeting of Shareholders.

Lastly, and as a guarantee of the independence and good working of the General Meeting, mention must be made, on one hand, that the preparation of the list of those attending and the calculation of the quorum for the valid holding of the Meeting is entrusted to a company of repute in its sector of activity and which acts according to qualified professional practices; and, on the other hand, that the Board of Directors, in compliance with the provisions of section 7.2 of the Regulations of the General Meeting of Shareholders, requires the presence of a Notary to take the minutes of the Meeting.

**E.6. Indicate, where appropriate, the modifications introduced during the year in the regulations of the general meeting.**

In the course of FY2012, the AGM held on 17 July resolved the partial amendment of the following sections of the Regulations of the General Meeting of Shareholders: section 4: (The General Meeting), 6 (Powers of the General Meeting), 9 (Information available from notice), 10 (Right to information prior to the General Meeting), 12 (Proxies), 13 (Proxy solicitation), 20 (Speeches and questions by shareholders), 22 (Voting of the proposed resolutions) and 28 (Publicity of the resolutions. Likewise, a new section - section 10*bis* - (Electronic Forum of Shareholders) was introduced to the Regulations of the General Meeting of Shareholders, in line with the amendments introduced to the correlate sections of the Articles of Association, for the purposes of encompassing the regulatory changes introduced by Act 25/2011, of 1 August, which has entailed several amendments to the regulations of listed corporations. Meanwhile, section 6 of the Regulations of the General Meeting of Shareholders was amended to adapt the powers of the AGM in the matter of remuneration to the provisions of 219 of the Act on Capital Companies and to expressly include the powers of the General Meeting with regard to its say, further to an advisory say on pay vote, on the annual report on Directors' compensation, as provided in section 61 *ter* of Act 24/1988, of 28 July, on the Stock Exchange.

**E.7. Give the attendance figures for the general meetings held during the year to which this report refers:**

Attendance data					
Date AGM	% attendance in person	% attendance by proxy	% distance voting		Total
			Electronic vote	others	
17-07-2012	59.38%	22.50%	0.08 <sup>(1)</sup>		81.96%

(1) A total number of one hundred and forty-three shareholders cast remote vote by post.

**E.8. Indicate briefly the resolutions passed in the general meetings held in the year to which this report refers and the percentage of votes with which each resolution was passed.**

The Annual General Meeting of Shareholders of INDITEX held on 17 July 2012 passed in accordance with the agenda the following resolutions, which are summarised below:

**“First.- Review and approval, where appropriate, of the financial statements (Balance Sheet, Profit and Loss Account, Shareholders’ Equity Statement, Cash Flow Statement and Annual Report) and Management Report of Industria de Diseño Textil, S.A. (Inditex, S.A.) for fiscal year 2011, ended 31<sup>st</sup> January 2012.**

*To approve the Financial Statements (Balance Sheet, Profit and Loss Account, Shareholders’ Equity Statement, Cash Flow Statement and Annual Report) and the Management Report of Industria de Diseño Textil, S.A. (Inditex, S.A.) for fiscal year 2011 (ended 31<sup>st</sup> January 2012), laid by the Board of Directors at its meeting held on 20<sup>th</sup> March 2012 and signed by all the directors.*

*This resolution was passed with the vote in favour of 99.85% of the voting quorum.*

**Second.- Review and approval, where appropriate, of the financial statements (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders’ Equity Statement, Cash Flow Statement and Annual Report) and Management Report of the consolidated group (Inditex Group) for fiscal year 2011, ended 31<sup>st</sup> January 2012 and of the management of the company.**

*To approve the Financial Statements (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders’ Equity Statement, Cash Flow Statement and Annual Report) and the consolidated management report of the Inditex Group for fiscal year 2011 (ended 31<sup>st</sup> January 2012), laid by the Board of Directors at its meeting held on 20<sup>th</sup> March 2012 and signed by all the directors*

To approve the management of the Board of Directors of Industria de Diseño Textil, S.A. (INDITEX, S.A) for fiscal year 2011.

This resolution was passed with the vote in favour of 99.55% of the voting quorum.

**Third.- Distribution of the income or loss of the fiscal year and distribution of dividends.**

To approve the proposed distribution of the income of fiscal 2011 (ended 31<sup>st</sup> January 2011), in the amount of EUR one thousand one hundred fifty-three million two hundred seventy four thousand, to be distributed as shown below:

	€ THOUSANDS
- To voluntary reserve.....	31,279
- To dividends.....	1,121,995

Dividends (maximum amount to be distributed for a fixed gross dividend of €1.80 per share, corresponding to an ordinary dividend of €1.60 per share and an extraordinary dividend of €0.20 per share, for the aggregate 623,330,400 ordinary shares into which the share capital is divided)

- TOTAL.....	1,153,274
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It is thus resolved to pay the shares with the right to dividends the gross amount of EUR one and eighty cents (€1.80) per share. The gross amount of EUR ninety cents (€0.90) having been paid last 2<sup>nd</sup> May 2012 as interim dividend, it is thus resolved to pay the shares with a right to dividends, a supplementary dividend (ordinary and extraordinary) in the gross amount of EUR ninety cents (€0.0) per share, remaining amount to add up to the total dividend.

This supplementary dividend shall be paid to shareholders as of 2<sup>nd</sup> November 2012, through those entities linked to the Spanish Central Securities Depository, in charge of the Register of Securities, and the Clearing and Settlement of all trades (Iberclear) where they have their shares deposited.

This resolution was passed with the vote in favour of 99.90% of the voting quorum.

**Fourth.- Re-election of GARTLER, S.L. to the Board of Directors as proprietary director.**

To approve the re-election of GARTLER, S.L., with VAT No (Spanish C.I.F.) B-70080601, whose particulars are already recorded with the Companies Register, to the Board of Directors, for the performance of the duties inherent in the office, as proprietary director, for the five-year term provided in the Articles of Association, as from the date of this Annual General Meeting.

This resolution was passed with the vote in favour of 98.25% of the voting quorum.

**Fifth- Ratification and appointment of a director as proprietary director**

To approve and ratify the appointment through the co-option procedure of Mr José Arnau Sierra, whose personal details are already recorded with the Companies Registers, as new member of the Board of Directors, further to the resolution passed by that body in the meeting held on 12<sup>th</sup> June 2012 and to appoint Mr Arnau Sierra to hold the office of director for the five-year term provided in the Articles of Association of the company, as proprietary director.

This resolution was passed with the vote in favour of 98.28% of the voting quorum

**Sixth.- Appointment of Auditors for the Company and its Group for fiscal years 2012 through 2014, both inclusive**

To appoint Deloitte, S.L, with registered office at Madrid, Plaza Pablo Ruiz Picasso 1, with VAT No B-79104469, registered with the Official Register of Auditors under number S0692, to be the Auditors of the Company in order to review the annual accounts and the management reports of the Company and the consolidated annual accounts and reports of the Inditex Group, for a period running from 1<sup>st</sup> February 2012 through 31<sup>st</sup> January 2015.

This resolution was passed with the vote in favour of 99.85% of the voting quorum.

**Seventh.- Motion to amend the Articles of Association: sections 15 (the General Meeting), 17 (Notice. Universal General Meetings), 20 (Representation at the General Meeting), 23 (Passing of Resolutions), 28 (Convening and quorum of Board Meetings. Passing of resolutions), 31 (Audit and Control Committee), 32 (Nomination and Remuneration Committee), 40 (Depositing of the accounts) and 42 (Procedure as to liquidation).**

To introduce sections **15.4**; **17.3** (with the subsequent renumbering of former paragraph **17.3** which shall hereinafter become paragraph **17.4**); and **20.6** (with the subsequent renumbering of former paragraphs **20.6** and **20.7** which shall hereinafter become **20.7** and **20.8**, respectively); to amend sections **17.1, 2 and 4** (former **17.3**); **20.2** and **5**; **23.2**; **28.1**; **31.1** and **2**; **33.1** and **2**; **40** and **42** of the Articles of Association which shall hereinafter read as follows:

**a)“Section 15.- The General Meeting**

**4.** The Company shall ensure equal treatment for all its shareholders in the same position, in the acknowledgement of their right to information, their participation and the exercise of their right to vote at the General Meeting of Shareholders.”

**b) “Section 17.- Notice. Universal General Meetings**

*1.- General Meetings, both Annual and Extraordinary, must be called by the Board of Directors by notice published in the Official Gazette of the Companies Register, on the web page of the Company (www.inditex.com) and on the web page of the Comisión Nacional del Mercado de Valores (CNMV), at least one month prior to the date set for the meeting, such notice having to state the name of the Company, the place, date and time on which the meeting is to be held, the agenda with all the business to be transacted, the date on which, where appropriate, the meeting shall be held on second call (considering that at least twenty four hours must lapse between those two dates) as well as any other mentions required by statute.*

*2.- Shareholders who represent at least five (5) percent of the share capital, may request that a supplement to the notice of the General Meeting be published, to include one or more items to the agenda, provided that, however new items are duly evidenced or accompanied, where appropriate, by a duly supported motion. This right must be exercised by means of an irrefutable notice to be received at the registered office within five (5) days of the date of publication of the notice. The supplement to the notice must be published at least fifteen (15) days prior to the date set for the meeting of the General Meeting of Shareholders.*

*3.- Likewise, shareholders who represent at least five (5) percent of the share capital, may submit, within the same term provided in the paragraph above, duly supported motions on items already included or which shall be included on the agenda of the General Meeting called. The Company shall ensure that such motions and any attached document, where appropriate, are duly disclosed on the web page of the Company.*

*4.- Notwithstanding the provisions set forth in paragraph 1 above, a General Meeting shall be deemed to be properly called and validly held to deal with any business, provided that shareholders representing the whole share capital are present and the attendants unanimously resolve to hold such meeting.”*

**c) “Section 20.- Representation at the General Meeting**

*2.- Proxies may be granted by postal or electronic mail, or by any other means of distance communication, provided that the identity of the participating individual and the security of distance communications is ensured, and in such case, the provisions of clause 23 regarding the casting of votes by such means shall apply, provided that it is not incompatible with the nature of proxy.*

*5. Prior to his/her appointment, the proxy-holder shall provide to the shareholder detailed information about the existence of any conflict of*

*interests. Should such conflict occur after the appointment of the proxy-holder, and the represented shareholder has not been warned of the potential existence of such conflict, the former shall forthwith inform the latter of such conflict. In both cases, and in the absence of any new and accurate voting instructions regarding each and every item of the agenda on which the proxy-holder shall cast a vote on behalf of the shareholder, the proxy-holder shall abstain from voting*

*Unless the proxy-grantor so indicates, should the proxy-holder be involved in a conflict of interests, it shall be assumed that the proxy-grantor has appointed as proxies as well, jointly and severally and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.*

**6.** *Where any members of the governing body of the Company, or any other person acting on behalf of any of them should have resorted to any public solicitation of proxies, the director who has obtained such proxy shall not exercise the right to vote corresponding to the represented shares regarding those items of the agenda in respect of which such director is involved in any conflict of interest, unless he/she would have received from the proxy-grantor accurate voting instructions for each of such items.*

**7.** *If no instructions regarding the vote on proposals of the agenda were given, it shall be understood that the proxy shall vote in favour of said proposals submitted by the management body. If no instructions regarding the vote on proposals not included on the agenda were given, it shall be understood that the proxy shall vote against said proposals.*

**8.** *Where the document containing the proxy or delegation is submitted to the Company without expressly stating the name of the proxy, it shall be assumed that the proxy-giver has appointed as proxies as well, jointly and severally and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.”*

**d) “Section 23.- Passing of resolutions”**

**2.-** *Shareholders with a right to attend and vote may vote on the proposals concerning items of the agenda by post, by electronic means, or via any other means of distance communication, provided that the identity of the participating or voting individual and the security of distance communications is ensured, whenever the Board of Directors, bearing in mind the state of the art and the available means, so decides pursuant to the provisions of the General Meeting of Shareholders’ Regulations, after considering that there are enough guarantees to secure the identification of shareholders who exercise their right to vote and the certainty and authenticity of the will expressed.”*

**e) “Section 28.- Convening and quorum of Board meetings. Passing of resolutions**

1. *The Board shall meet whenever such meeting is required by the interests of the Company. Meetings shall be convened by the Chairman or acting Chairman, at his behest, or at the request of at least one third of the Directors.*

*Likewise, directors representing at least one third of the size of the Board of Directors may convene any meeting of the Board, stating the agenda in the notice, to be held in the place where the registered office of the company is situate, where after request submitted to the Chairman, he should have failed to call the meeting, without reasonable grounds, within one month.”*

**f) “Section 31.- Audit and Control Committee**

1. *An Audit and Control Committee shall be formed within the Board of Directors made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board itself, a majority of whom must necessarily be independent directors, and out of whom at least one of them shall be appointed taking into account his/her knowledge and expertise in accounting or audit matters or in both*

*For such purposes, independent directors are understood as those professionals of repute not linked to the executive team or the significant shareholders and that meet the requirements that ensure their impartiality and objectivity of opinion”.*

2. *The Chairman of the Audit and Control Committee, who needs to be an independent director, shall be elected for a maximum four-year term, upon expiry of which he shall be replaced. He may be re-elected after expiry of one year of the date of his removal.”*

**g) “Section 32.- Nomination and Remuneration Committee**

1. *A Nomination and Remuneration Committee shall be formed within the Board of Directors, made up of a minimum of three and a maximum of seven external directors, a majority of whom shall be independent directors.*

*For such purposes, independent directors are understood as those that meet the requirements referred to under the second paragraph of section 31.1.*

2. *The Chairman of the Nomination and Remuneration Committee shall be appointed by the Board of Directors out of its independent members.”*

**h) “Section 40.- Filing of the accounts”**

*Within the month following the approval of the annual accounts and the consolidated annual accounts, where appropriate, the Board of Directors shall submit, for their filing with the Companies Register of the registered office, certificates (i) of the resolutions passed by the General Meeting approving the annual accounts and the consolidated annual accounts, where appropriate, and (ii) of the distribution of income or loss. A copy of each one of said accounts as well as the management report and the Auditors’ report shall be attached to such certificates.”*

**i) “Section 42.- Procedure as to liquidation”**

*The General Meeting of Shareholders, having resolved to wind up the Company, shall, at the proposal of the Board of Directors, decide on the procedure as to liquidation, appoint one or more liquidators, always being an odd number, and determine their powers. Should any liquidators be appointed by the General Meeting of Shareholders, those who were directors as at the time of the winding up of the Company, shall become liquidators.*

*Where such liquidation would result from any insolvency proceedings involving the company, no liquidator shall be appointed.”*

*This resolution was passed with the vote in favour of 99.90% of the voting quorum*

**Eighth.- Motion to amend the General Meeting of Shareholders’ Regulations: section 4 (The General Meeting), 6 (Powers of the General Meeting), 9 (Information available from notice), 10 (Right to information prior to the General Meeting), 12 (Proxies), 13 (Proxy solicitation), 20 (Speeches and questions by shareholders), 22 (Voting of the proposed resolutions) and 28 (Publicity of the resolutions) as well as proposed introduction of section 10bis (Electronic Forum of Shareholders) of the General Meeting of Shareholders’ Regulations.**

*To introduce section 10 bis and to amend sections 4.2; 6 (f); 8.1, 2, 3, 4 and 5; 9.1.a), b), c), d), e) y f) and 2; 10; 12.1, 2 and 5, and subsequent renumbering of former sections 5, 6, 7 and 8; 13; 20.2; 22.3; 22.5 and 28.1 and 2 of the General Meeting of Shareholders’ Regulations, which shall hereinafter read as follows:*

**a) “Section 4. The General Meeting**

**2.** *The Company shall ensure equal treatment for all its shareholders in the same position, in the acknowledgement of their right to information, their participation and the exercise of their right to vote at the General Meeting of Shareholders”.*

**b) “Section 6. Powers of the General Meeting**

*(f) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors, and to conduct a consultative vote on the annual report on Directors' compensation".*

**c) "Section 8. Notice**

*1. General Meetings, either Annual or Extraordinary, shall be called by the Board of Directors by notice published in the Official Gazette of the Companies Register, on the Company's Web page and on the web page of the Comisión Nacional del Mercado de Valores ("CNMV"), at least one month in advance of the date set for the meeting or any longer period of time required by the Law, where appropriate, depending on the resolutions submitted to its discussion*

*2. The notice shall state all the issues required by statute, where appropriate, and namely:*

*(a) the name of the Company, the place, day and time on which the General Meeting is to be held on first call, the date on which the General Meeting is to be held on second call, where appropriate (at least a 24-hour period shall lapse between the first and the second call) and the office of the individual or individuals who call the meeting.*

*(b) The notice shall also state clearly and accurately the agenda of the General Meeting, with all the business to be transacted.*

*(c) The requirements that need to be met in order to attend the General Meeting and the ways to evidence such fulfilment to the Company, as well as the date by which shareholders shall have registered in their own name the number of shares required to take part and to vote at the General Meeting.*

*(d) Where and how to get the full text of the documents and proposed resolutions and the web page of the Company where such information shall be available*

*(e) The right of shareholder to be represented at the General Meeting by someone else, even though the proxy-holder is not a director, and the requirements and procedures to exercise such right, including the right to add items on the agenda and to submit motions, and the deadline to exercise such right.*

*(f) The right of information that shareholders have and the manner to exercise it.*

*(g) The information on the systems to cast vote by proxy, the forms that need to be filled out to act by proxy and the means that need to be used for the Company to accept any notice of proxies granted given by electronic means, and the procedures set forth for casting of remote voting, either by post or by electronic means.*

**3.** *Shareholders who represent at least five (5) percent of the share capital, may request that a supplement to the notice of the General Meeting be published, to include one or more items on the agenda, provided that, however new items are duly evidenced or accompanied, where appropriate, by a duly supported motion. This right must be exercised by means of an irrefutable notice to be received at the registered office within five (5) days of the date of publication of the notice. The supplement to the notice must be published at least fifteen (15) days prior to the date set for the meeting of the General Meeting of Shareholders.*

*Likewise, shareholders who represent at least five (5) percent of the share capital, may submit, within the same term provided in the paragraph above, duly supported motions on items already included or which shall be included on the agenda of the General Meeting called. The Company shall ensure that such motions and any attached document, where appropriate, are duly disclosed on the web page of the Company.*

**4.** *No later than the day of publication, or in any case the immediate following working day, the Company must send the notice, and where appropriate, the eventual supplement thereto, to the CNMV, as well as to the Governing Companies of the Stock Exchanges where the shares of the Company are quoted for its insertion in the Stocks' Gazettes. The text of the notice and, where appropriate, the eventual supplement thereto, shall also be available on the Company's web page.*

**5.** *Notwithstanding the provisions of the paragraphs above, the General Meeting shall be deemed to be properly called and validly held to deal with any business, provided that shareholders representing the whole share capital are present and the attendants unanimously resolve to hold such meeting”.*

**d) “Section 9. Information available from notice**

**1.** *From the publication of the notice, the Company shall make available to the shareholders the following information*

(a) *The notice of the General Meeting*

(b) *The aggregate number of shares and voting rights as at the date of the notice.*

(c) *The documents (such as, among others, the annual accounts, proposals for the distribution of income or loss, management reports, auditors reports, directors reports, proposals for resolutions, full text of the amendments to the Articles of Association, auditors and/or independent experts' reports, merger or split-off plans) that must be necessarily provided according to statute, regarding the different items included on the agenda.*

*(d) The full text of the motions that the Board of Directors submits to the deliberation and approval of the General Meeting in respect of the different items on the agenda, including the proposed resolutions submitted by the shareholders, as well as all the information regarding directors whose ratification or appointment is proposed, pursuant to the provisions of the Board of Directors' Regulations. As an exception, the Board of Directors may omit the publication of those proposals not required by statute or by the Articles of Association to be made available to the shareholders from the date of the notice to the General Meeting, whenever concurrent justified reasons advise against their early publication.*

*(e) Practical information linked to the Meeting and the way in which the shareholders exercise their voting rights, such as, amongst others:*

*(i) The communication channels existing between the Company and the shareholders, and namely those explanations necessary for shareholders to exercise their right to information, stating the postal addresses and e-mail addresses where they can address their queries.*

*(ii) The ways and procedures to grant proxy for the General Meeting.*

*(iii) The ways and procedures to cast votes through remote communication systems, including, the exercise of vote by proxy and through remote means at the General Meetings, unless they are directly sent by the Company to each shareholder. Where such ways and procedures can't be posted on the web page for technical reasons, the Company shall state on the web page how to get the paper forms, which it shall send to any shareholders requesting so.*

*(iv) Information on the location of the place where the General Meeting is to be held and the way to access same*

*(v) Information, where appropriate, on the systems or procedures that may facilitate the monitoring of the Meeting, such as simultaneous translation devices, broadcasting through audiovisual means, information available in foreign languages, etc.*

*(f) Any other information deemed appropriate in order to facilitate the attendance and participation of the shareholders at the General Meeting*

**2.** *Shareholders may get at the registered office, free of charge and immediately, the documents and information referred to in the paragraphs above, and request their free delivery or dispatch, in accordance with the provisions of the Law. Furthermore, such documents and information shall be included on the Company's web page".*

**e) "Section 10. Right to information prior to the Meeting**

**1.** *From the very day the notice of the General Meeting is published, and until the seventh day, included, prior to the day set for*

*the General Meeting to be held, every shareholder may request in writing to the Board of Directors the information or clarification they may deem necessary or ask the questions they might think fit, regarding the items on the agenda. Moreover, in the same term and manner, every shareholder may request information or clarifications or ask questions in writing concerning the information available to the public that the Company might have already furnished to the CNMV from the date the last General Meeting was held and concerning the auditor's report. Likewise, shareholders may gather any other information they may need regarding the General Meeting through the Company's web page or through the Shareholders' Service Department telephone number to be established for that purpose, which shall be appropriately disseminated.*

**2.** *The Board of Directors must provide the required information except (i) where the Chairman should consider that the publicity of the information requested may be detrimental to the Company's best interests, (nevertheless, this exemption may not be claimed where the request is supported by shareholders representing at least twenty five (25) per cent of the share capital; (ii) where the information or clarification requested does not concern the items on the agenda or the information available to the public that the Company has furnished to the CNMV from the date the last General Meeting was held; (iii) where the information or clarification requested is not deemed to be reasonably necessary in order to reach an opinion over those matters raised to the General Meeting or, if by any means, it is considered abusive; (iv) where prior to the raising of the question, the information requested is clearly and directly available to all shareholders on the web page of the Company under the question-answer format, or (v) where legal provisions or regulations so provide.*

**3.** *The shareholders' requests for information shall be answered by the full Board of Directors, any member thereof, the Secretary, even if he/she is not a member of the Board, or by any other person expressly authorized by the Board for this purpose.*

**4.** *Under the terms provided in Law the requests for information must be answered in writing and prior to the General Meeting, unless the characteristics of the required information make it unsuitable. Those requests for information that due to the proximity to the date of the General Meeting, cannot be answered prior to said General Meeting or those that are submitted during the same shall be answered during the General Meeting, in accordance with the criteria stated in these Regulations or, where appropriate, in the shortest period of time as of the date on which the General Meeting was held and always, within the maximum term provided by the Law for this purpose.*

**5.** *Those answers given to significant questions and made available to the shareholders prior to the date on which the meeting is set to be held, shall be made available to the shareholders attending the meeting at the beginning of the same, and shall also be disseminated through the Company's web page".*

**f) “Section 10 bis. Electronic Forum of Shareholders**

*With regard to the notice of General Meetings of Shareholders, an Electronic Forum of Shareholders shall be made available on the web page of the company, which may be accessed with all due guarantees, both by individual shareholders and voluntary associations which may be established under the legal requirements, for the purposes of promoting communication with shareholders prior to the General Meetings. Any motion intended to be submitted as a supplement to the agenda disclosed on the notice, any requests for adhering to such motions, any motion to reach the required percentage enabling to exercise a minority right provided by law and any offer or request of voluntary representation may be published on such Forum. The Board of Directors may implement the foregoing, by fixing the procedure, the terms and any other conditions for the operation of the Electronic Forum of Shareholders”.*

**g) “Section 12.- Proxies**

*1. Any shareholder who has the right to attend may be represented by someone else in the General Meeting, even if the proxy-holder is not a shareholder. Such proxies shall be conferred in writing and specifically for each particular General Meeting. This requirement shall not apply when the proxy-holder is the spouse, ancestor or descendant of the proxy-granter, or when the proxy-holder has been conferred a general power of attorney, granted as a deed, with powers to manage all the assets that the proxy-grantor has on national territory. No shareholder may be represented at a General Meeting by more than one proxy-holder, except for such cases where a financial intermediary is involved who may grant proxy to any third party appointed by the client; in such case, the number of proxies granted can't be restricted.*

*2. Proxies may be granted by postal or electronic mail, or by any other means of distance communication, provided that the identity of the participating individual and the security of distance communications is ensured, and in such case, the provisions of section 23 of the Articles of Association regarding the casting of votes by such means shall apply, provided that it is not incompatible with the nature of proxy.*

*5. Prior to his/her appointment, the proxy-holder shall provide detailed information to the shareholder about the existence of any conflict of interests. Should such conflict occur after the appointment of the proxy-holder, and the represented shareholder has not been warned of the potential existence of such conflict, the former shall forthwith inform the latter of such conflict. In both cases, and in the absence of any new and accurate voting instructions regarding each and every item of the agenda on which the proxy-holder shall cast a vote on behalf of the shareholder, the proxy-holder shall abstain from voting.*

*6. Unless the proxy-grantor so indicates, should the proxy-holder be involved in a conflict of interests, it shall be assumed that the proxy-*

*grantor has appointed as proxies as well, jointly and severally and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.*

*7. If no instructions regarding the vote on proposals included on the agenda were given, it shall be understood that the proxy-holder shall vote in favour of said proposals submitted by the governing body. If no instructions regarding the vote on proposals not included on the agenda were given, it shall be understood that the proxy-holder shall vote against said proposals.*

*8.- Where the document containing the proxy or delegation is submitted to the Company without expressly stating the name of the proxy-holder, it shall be assumed that the proxy-grantor has appointed as proxies as well, jointly and severally and in succession, the Chairman of the General Meeting, and if this should be involved in a conflict of interest, the Secretary of the General Meeting, and if this should also be involved in a conflict of interest, the Capital Markets Director of the Company”.*

**h) “Section 13. Proxy solicitation**

*The rules laid down in the prevailing regulations governing companies which apply to proxy solicitation shall apply to the proxy solicitations publicly made by the Board of Directors, the entities in charge of the book-entries registry, or any other person or public entity. Namely, the document containing the proxy shall state or have attached the agenda, the request for instructions in order to exercise the voting rights and the indication on the way the proxy shall vote in case he is not given precise instructions. If the proxy solicitation is made by the Board of Directors, and no instructions are given to the proxy-holder, the vote will be understood to be in favour of the proposal submitted by the Board of Directors, within the legal limitations provided by the regulations in force.*

*Where members of the governing body of the Company or any other person acting for or on behalf of any of them should have resorted to any public solicitation of proxies, the director who has obtained such proxy shall not exercise the right to vote corresponding to the represented shares regarding those items of the agenda in respect of which such director is involved in any conflict of interest, unless he/she would have received from the proxy-grantor accurate voting instructions for each of such items”.*

**i) “Section 20. Speeches and questions by shareholders**

*2. While they take the floor, shareholders may request verbally the reports or clarifications they may deem necessary on the items of the agenda, the information available to the public that the Company would*

have furnished to the CNMV from the date the latest General Meeting was held, and the auditor's report.

The requested information or clarification shall be furnished to the shareholder by the Chairman or, where appropriate, and following the latter's indications, by the Chairman of the Audit and Control Committee, the Secretary, any director or, where appropriate, any employee or expert on the subject, unless any of the circumstances envisaged under Article 10 above should occur (if so, Article 10 shall prevail) or unless the requested information is not available during the General Meeting itself; in such case, said information shall be provided within the shortest period of time following the date on which the General Meeting was held and anyway in compliance with the maximum term legally provided for said purpose. Directors are not bound to answer any specific question raised by the shareholders where, prior to raising them, the information requested was clearly and directly made available to all the shareholders on the corporate web page under the question-answer format".

**j) "Section 22. Voting on the proposed resolutions**

**3.** The Secretary need not read out in advance entirely the proposed resolutions which were furnished to the shareholders at the beginning of the session pursuant to Section 14 and available to them and posted on the web page of the Company as of the date the notice calling the General Meeting of Shareholders was published, pursuant to the provisions of section 9. Anyway, the Secretary shall mention to the members in attendance which proposed resolution must be voted at each time, and shall summarize the essential contents of those resolutions which have not been entirely read out in advance. Where alternative proposed resolutions to those submitted by the Board of Directors regarding items included on the agenda had been put forward, the proposal of the Board shall be put to the vote first and then, where appropriate, those proposed by other speakers in chronological order, according to the moment in which they have been submitted.

Upon passing of a resolution by the General Meeting, the remaining proposals regarding the same item on the agenda, and which are incompatible with the passed resolution shall become automatically void, and shall not be put to vote.

**5.** With regard to financial intermediaries and pursuant to the provisions of law, they may cast, on behalf of their clients, a dissenting vote pursuant to different voting instructions, should they have received them. For such purposes, they should have submitted to the Company, within the seven days prior to the date slated for the General Meeting to be held, a list with the identity of each client, the number of shares in respect of which they exercise the right to vote, and the voting instructions received by such intermediary, where appropriate".

**k) "Section 28.- Publicity of the resolutions**

1. Subject to having to record with the Companies Register any resolutions eligible for registration, and subject to all applicable legal provisions on the publicity of corporate resolutions, the full text of the resolutions passed by the General Meeting shall be relayed to CNMV as a relevant fact on the same day the General Meeting was held or on the first working day immediately after said date, and shall be posted on the web page of CNMV. The text of the resolutions shall also be available on the Company's web page.

Resolutions passed and the result of the votes cast shall be available on the web page of the Company within five (5) days of the date when the General Meeting was held. Namely, regarding each resolution put to vote at the General Meeting, at least the number of shares in respect of which votes have been validly cast shall be determined, as well as the percentage such votes represent on the share capital of the Company, and the aggregate number of valid votes, the number of votes for, and against each resolution and, where appropriate, the number of abstentions".

This resolution was passed with the vote in favour of 99.80% of the voting quorum.

**Ninth.- Authorization to the Board of Directors for the derivative acquisition of treasury stock, superseding the authorization approved by the Annual General Meeting held in 2010.**

To authorize the Board of Directors, so that, in accordance with the provisions of section 146 of the Act on Capital Companies, it may proceed to the derivative acquisition of treasury stock, either directly or through any subsidiaries in which the Company is the controlling company, observing the legal limits and requirements and under the following conditions:

- a) *Methods of acquisition: the acquisition shall be done through purchase and sale, exchange or dación en pago [acceptance in lieu of payment].*
- b) *Maximum number of treasury stock to be acquired: shares with a nominal value which, added to that of those shares, directly or indirectly in the possession of the Company, do not exceed 10% of the share capital.*
- c) *Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.*
- d) *Duration of the authorization: five (5) years from the date of this resolution.*

For the purposes of the provisions of paragraph a) of section 146.1 of the Act on Capital Companies, it is hereby stated that the shares purchased under this authorization may be allocated by the Company, among other things, to be handed out to the employees or directors of

*the Company, either directly or as a result of the exercise of any option they may hold, under remuneration schemes for staff of the Company or its Group.*

*This authorization supersedes the authorization approved by the Annual General Meeting of Shareholders held on 13<sup>th</sup> July 2010”.*

*This resolution was passed with the vote in favour of 99.37% of the voting quorum.*

**Tenth.- Approval of the corporate web page ([www.inditex.com](http://www.inditex.com))**

*To approve, for the purposes of the provisions set forth in section 11 bis of the Act on Capital Companies, the corporate web page of Industria de Diseño Textil, S.A. (INDITEX, S.A.): [www.inditex.com](http://www.inditex.com)*

*For the record, it is hereby stated that such corporate web page was created prior to the enactment of said section 11bis of the Act on Capital Companies, and due notice thereof was given to the Companies Register”.*

*This resolution was passed with the vote in favour of 99.90% of the voting quorum.*

**Eleventh.- Advisory say on pay vote on the Annual report on Directors’ compensation**

*To approve, by means of an advisory say on pay vote, the annual report on Directors’ compensation of Industria de Diseño Textil, S.A. (INDITEX, S.A.), the full text of which was made available to the shareholders, together with the remaining documentation for the Annual General Meeting of Shareholders, as of the date the notice of the Annual General Meeting was published.*

*This resolution was passed with the vote in favour of 84.39% of the voting quorum.*

**Twelfth.- Information provided to the Annual General Meeting of Shareholders about the amendment of the Board of Directors’ Regulations**

*Pursuant to the provisions of section 528 of the Act on Capital Companies, the Annual General Meeting of Shareholders is hereby informed that it was resolved by the Board of Directors in the meeting held last 12 June 2012, after report and memorandum in support issued by the Audit and Control Committee, to amend sections 14, 15, 17, 20, 23, 28, 30 and 39 of the Board of Directors’ Regulations in order to:*

*i) include the regulatory changes introduced as a result of the entry into force of Act 25/2011, of 1 August which amends in part the Act on Capital Companies and includes Directive 2007/36/EC of the European Parliament and of the Council, of 11 July, on the exercise of certain*

*rights of shareholders listed companies and Act 2/2011, of 4 March on Sustainable Economy which gave rise to several amendments to Act 24/1988 of 28 July, on the Stock Exchange; (ii) embrace recommendations 44 and 54 of the Unified Code on Good Governance of Listed Companies, with a consistency approach regarding the composition of the different Supervision and Control Committees of the Board of Directors of the Company; iii) extend the powers of the Audit and Control Committee; and iv) delete any regulatory references to the extinct Spanish Corporation Act and replace them with the relevant references to the Act on Capital Companies, and improve the wording of the prevailing Board of Directors' Regulations in force.*

*Namely, it was resolved by the Board: a) to amend paragraphs one and two of sections 14 and 15 for the purposes of upholding consistency with regard to the composition of the different Supervision and Control Committees of the Board of Directors and adapting the wording of said sections to the contents of recommendations number 44 and 54 of the Unified Code on Good Corporate Governance of Listed Companies. Thus, sections 14 and 15 provide that both the Audit and Control Committee and the Nomination and Remuneration Committee are entirely composed of external directors, most of whom shall be independent directors, and that such Committees shall be chaired by an independent director. Both recommendations had been already embraced by the Company. Additionally, amend subparagraph (n) of section 14 so that the Audit and Control Committee, in addition to reporting on compliance with the Code of Conduct, would also report to the Board of Directors on compliance with the additional documents which make up the internal regulatory compliance model from time to time in force and include two new sub-paragraphs (s) and (t) into section 14, for the purposes of adding to the duties of the Audit and Control Committee some duties provided in the Code of Best Tax Practices, issued by the Foro de Grandes Empresas, to which the Company has adhered. Likewise, a new sub-paragraph (i) is added to the second paragraph of section 15, to allocate to the Nomination and Remuneration Committee the responsibility of preparing and submitting to the Board of Directors an annual report on Directors' compensation, provided to the provisions of new section 61 ter of Act 24/1988, of 28<sup>th</sup> July on the Securities Market; b) to add a new sub-paragraph to the first paragraph of section 17 for the purposes of technically improving its wording and matching its contents with the new wording of section 246 of the Act on Capital Companies, further to the amendments introduced by Act 25/2011. Thus, the Board of Directors of the Company may be convened: (i) by the Chairman (or acting chairman), when he/she shall deem it fit, or upon request of one third of the members of the Board, and (ii) by directors representing at least one third of the members of the Board, where, further to the request made to the Chairman of such body, he/she would have failed to convene the Board of Directors within one month; c) to amend the fourth paragraph of section 17, the first paragraph of section 20 and section 30, for the purposes of deleting any references to the extinct Spanish Corporation Act, and replacing them with the relevant reference to the Act on Capital Companies; (iv) to amend the first paragraph of section 23 to delete a superfluous reference to the length of the tenure, provided in*

*the Articles of Association which shall not be in excess of six years, pursuant to the provisions of section 221 of the Act on Capital Companies; and (v) to amend paragraphs three and four of section 28 and paragraph two of section 39 to adjust their contents to the new sections 61bis and 61ter of Act 24/1988, of 28 July, on the Stock Exchange, introduced by Act 2/2011, of 4 March, on Sustainable Economy which governs the obligation for listed companies to draft every year two annual reports, on corporate governance and on directors' compensation. The Board of Directors subjected the effectiveness of such resolutions to the condition precedent that the motions to amend the Articles of Association and the General Meeting of Shareholders' Regulations addressed in items six and seven of the agenda would be passed by this Annual General Meeting.*

**Thirteenth.- Granting of powers for the implementation of resolutions.**

*Delegate to the Board of Directors, expressly empowering it to be substituted by the Executive Committee or by any of its members, as well as to any other person expressly authorised for these purposes by the Board, of the necessary powers as wide as required in law for the correction, development and implementation, at the time that it considers most appropriate, of each of the resolutions passed in this Annual General Meeting.*

*In particular, to authorise the Chairman of the Board of Directors and C.E.O., Mr Pablo Isla Álvarez de Tejera and to grant a special power of attorney as broad as might be required in law, to the Secretary of the Board, Mr Antonio Abril Abadín so that, either of them, jointly and severally, without distinction, and as widely as is necessary in Law, may carry out whatever actions are appropriate to implement the resolutions passed in this General Meeting in order to record them in the Companies Register and in any other Registries, including, in particular, and amongst other powers, that of appearing before a Notary Public to execute the public deeds and notary's certificates that are necessary or expedient for such purpose, correct, rectify, ratify, construe or supplement the agreements and execute any other public or private document that is necessary or appropriate so that the resolutions passed are implemented and fully registered, without the need for a new resolution of the Annual General Meeting, and to proceed to the mandatory filing of the individual and consolidated annual accounts with the Companies Register.*

*This resolution was passed with the vote in favour of 99.90% of the voting quorum".*

The full text of these resolutions was available to the public as of 17 July 2012 on the corporate website ([www.inditex.com](http://www.inditex.com)) and also on the web site of CNMV.

**E.9. Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.**

YES

NO

**E.10. Indicate and justify the policies followed by the company in relation to proxies in the general meeting of shareholders.**

Section 12 of the Regulations of the General Meeting of Shareholders, implementing the provisions of article 20 of the Articles of Association, lays reads as follows:

- “1. Any shareholder who has the right to attend may be represented by someone else in the General Meeting, even if the proxy-holder is not a shareholder. Such proxies shall be conferred in writing and specifically for each particular General Meeting. This requirement shall not apply when the proxy-holder is the spouse, ancestor or descendant of the proxy-granter, or when the proxy-holder has been conferred a general power of attorney, granted as a deed, with powers to manage all the assets that the proxy-grantor has on national territory. No shareholder may be represented at a General Meeting by more than one proxy-holder, except for such cases where a financial intermediary is involved who may grant proxy to any third party appointed by the client; in such case, the number of proxies granted can't be restricted.*
- 2. Proxies may be granted by postal or electronic mail, or by any other means of distance communication, provided that the identity of the participating individual and the security of distance communications is ensured, and in such case, the provisions of section 23 of the Articles of Association regarding the casting of votes by such means shall apply, provided that it is not incompatible with the nature of proxy.*
- 3. Proxies shall be included in the list of members in attendance, stating in case they are granted in a public document, the date of execution, the authorizing Notary, and the number of the record. Notwithstanding the above, the person acting as Chairman of the General Meeting in accordance with the provisions of Section 22 of the Articles of Association, may ask the proxy to provide the documentation that proves the nature of its representation. The Company shall keep a record of those documents containing the proxies granted.*
- 4. Proxies can always be revoked. The attendance of the proxy-giver at the Meeting, either in person, or having effected the vote by remote communication systems, shall have the effect of a revocation, regardless of the date on which the proxy was granted.*
- 5. Prior to his/her appointment, the proxy-holder shall provide detailed information to the shareholder about the existence of any conflict of interests. Should such conflict occur after the appointment of the proxy-holder, and the represented shareholder has not been warned of the potential existence of such conflict, the former shall*

*forthwith inform the latter of such conflict. In both cases, and in the absence of any new and accurate voting instructions regarding each and every item of the agenda on which the proxy-holder shall cast a vote on behalf of the shareholder, the proxy-holder shall abstain from voting.*

- 6. Unless the proxy-grantor so indicates, should the proxy-holder be involved in a conflict of interests, it shall be assumed that the proxy-grantor has appointed as proxies as well, jointly and severally and in succession, the Chairman of the General Meeting, and if this should also be in conflict of interest, the Secretary of the General Meeting, and if this should also be in conflict of interest, the Capital Markets Director of the Company.*
- 7. If no instructions regarding the vote on proposals included on the agenda were given, it shall be understood that the proxy-holder shall vote in favour of said proposals submitted by the governing body. If no instructions regarding the vote on proposals not included on the agenda were given, it shall be understood that the proxy-holder shall vote against said proposals.*
- 8. Where the document containing the proxy or delegation is submitted to the Company without expressly stating the name of the proxy-holder, it shall be assumed that the proxy-grantor has appointed as proxies as well, jointly and severally and in succession, the Chairman of the General Meeting, and if this should be involved in a conflict of interest, the Secretary of the General Meeting, and if this should also be involved in a conflict of interest, the Capital Markets Director of the Company”.*

**E.11. Indicate if the company is aware of the policy of the institutional investors as to participation or lack of participation in the company’s decisions:**

The share capital of INDITEX is represented by the book-entry system and there is no shareholders’ register. The Company is not expressly aware nor has it received any notice regarding the policy of the institutional shareholders with respect to participation in company decision-making.

**E.12. Indicate the address and means of access to the corporate governance contents on your web site**

The address of the corporate website of INDITEX is [www.inditex.com](http://www.inditex.com).

During FY2004, INDITEX’s web page was updated, to adapt its content and the time allocated for the disclosure of information to the requirements of Spanish Ministerial Order ECO/3722/2003 of 26 December, and, above all, to the requirements established in Circular 1/2004 of CNMV.

In order to access the corporate governance contents, please take the following steps: once you are on the corporate web page

([www.inditex.com](http://www.inditex.com)), a menu with several tabs is displayed on the home page, among them the one called “Information for Shareholders and Investors”. If you click on that heading, or place the cursor thereon, the tabs headed “Investor Relations”, “*Relevant Facts*”, “Corporate Governance” and “Contact for Shareholders” will appear. Likewise, many different documents of interest to shareholders and investors may be downloaded from this same page.

Within these last tabs of the web page, the following information and documentation is available:

- Rules and regulations: Articles of Association, the Regulations of the General Meeting of Shareholders and the Board of Directors’ Regulations and the Internal Regulations of Conduct regarding Transactions in Securities.
- Shareholding structure: share capital, number of shares, significant holdings, information on treasury stock, etc.
- The General Meeting of Shareholders: notices of meeting, agendas of meetings, proposed resolutions, reports from the members of the Board, full texts of the documents put forward to the General Meeting for approval or that are submitted thereto for its information, presentations given, quorums, resolutions passed, votes cast and which way they were cast.
- Board of Directors: composition of the Board, of the Executive Committee, of the Audit and Control Committee and the Nomination and Remuneration Committee, with details of the different types of directors and the offices they hold in each of the committees or bodies and shares held in the company by the members of the Board of Directors.
- Relevant facts.
- Other information: daily and historic price of the share, investor diary, dividends, financial information, Annual Report for the last few years; financial information (annual, half-yearly and quarterly results), presentations and webcasts, press releases, public periodic information, para-social agreements, transactions with related parties, Annual Corporate Governance Reports and communication channels with the company.

Furthermore, and in accordance with the provisions in Circular 1/2004 of the *CNMV*, certain corporate governance documents are directly available from the site map on the web site.

Finally, it must be pointed out that the information included on the web page is given in two languages: Spanish and English, except for certain documents.

Additionally, the Annual General Meeting of Shareholders dated 17 July 2012 resolved to approve INDITEX's corporate web page for the purposes of the provisions laid down in section 11 *bis* of the Act on Capital Companies.

**F**

**DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED**

Indicate the degree of conformance of the company to the recommendations of the Unified Code on Good Governance.

In the event of non-compliance with any of them, explain the recommendations, rules, practices or criteria applied by the company.

- 1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.**

See sections: A.9, B.1.22, B.1.23, B.1.24 and E.1, E.2

Complies  Explain

- 2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:**

**a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;**

**b) The mechanisms in place to resolve any conflicts of interest that may arise.**

See sections: C.4, C.5, C.6 and C.7

Complies  Complies in part  Explain  Not applicable

- 3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Meeting of Shareholders for approval:**

**a) The transformation of listed companies into holding companies through "subsidiarization" or reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;**

**b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;**

**c) Transactions whose effect is tantamount to the liquidation of the company.**

Complies  Complies in part  Explain

Although the case described under letter a) of this Recommendation is not expressly covered in the Regulations of the General Meeting of Shareholders, Chapter III of Act 3/2009 of 3 April on the structural amendments of private companies, expressly governs the segregation (full transfer on account of universal succession of one or several parts of the assets of one company, each of which sets an economic unit, to one or several companies, and the segregated company receives shares of the beneficiary companies) and the “subsidiarization” (full transfer of the assets of a company to a newly incorporated company, in exchange for the full stock of the beneficiary company) of private companies, by submitting the above referred transactions (segregation and subsidiarization) to the regulation of split-off, where appropriate. Therefore, such transactions which basically encompass the case referred to under letter a) of this Recommendation should be subject to the prior approval of the Annual General Meeting of Shareholders, pursuant to the provisions of the above referred Act.

Likewise, the cases described under letters b) and c) are expressly provided in Section 6.j) of the Regulations of the General Meeting of Shareholders as issues which need to be approved by the AGM.

**4. Detailed proposals of the resolutions to be adopted at the Annual General Meeting, including the information to which recommendation 28 refers, are made public at the time of publication of the notice of the General Meeting of Shareholders.**

Complies  Explain

**5 Matters that are substantially independent are voted on separately at the General Meeting of Shareholders, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:**

**a) To the appointment or ratification of directors, issues which shall be voted on individually;**

**b) In the event of amendments of the Articles of Association, to each article or group of articles that is substantially independent of one another.**

See section: E.8

Complies  Complies in part  Explain

6. **Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for different clients can divide their votes in accordance with the instructions given by such clients.**

See section: E.4

Complies  Explain

7. **The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.**

**It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it operates and upholds any other social responsibility standards to which it has voluntarily adhered.**

Complies  Complies in part  Explain

8. **The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the goals set while pursuing the company's interest and corporate purpose. As such, the Board in plenary session reserves for itself the right to approve:**

**a) The company's policies and general lines of strategy, and in particular:**

**i) The Strategic or business Plan as well as the management goals and annual budgets;**

**ii) The investment and financing policy;**

**iii) The design of the structure of the corporate group;**

**iv) The corporate governance policy;**

**v) The corporate social responsibility policy;**

**vi) The policy for compensation and assessment of the performance of senior managers;**

**vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.**

**viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.**

See sections: B.1.10, B.1.13, B.1.14 and D.3

**b) The following decisions:**

**i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.**

See section: B.1.14

**ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.**

See section: B.1.14.

**iii) The financial information that the Company must periodically disclose publicly due to its status as listed company.**

**iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Meeting of Shareholders.**

**v) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.**

**c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto (“related-party transactions”).**

**However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:**

**1<sup>st</sup> They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;**

**2<sup>nd</sup> They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;**

**3<sup>rd</sup> The amount thereof is not higher than 1% of the annual revenues of the Company**

It is recommended that related-party transactions be approved by the Board after favourable report of the Audit and Control Committee or, where appropriate, such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should be absent from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the Board in plenary session.

See Sections C.1 and C.6

Complies  Complies in part  Explain

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no less than five and no more than fifteen members.

See section: B.1.1

Complies  Explain

10. Non-executive proprietary and independent directors are a vast majority on the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.2, A.3, B.1.3 and B.1.14.

Complies  Complies in part  Explain

11. If there is an external director who cannot be deemed either proprietary or independent, the company explains such circumstance and the links such director maintains with the company or its managers or with its shareholders

See section B.1.3

Complies  Explain  Not applicable

12. Among non-executive directors, the relation between the number of proprietary directors and independent directors reflects the

proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital.

This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1<sup>st</sup> In large cap companies, where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2<sup>nd</sup> In case of companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Complies  Explain

13. The number of independent directors represents at least one-third of the total number of directors.

See section: B.1.3

Complies  Explain

14. The status of each director is explained by the Board at the General Meeting of Shareholders at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: B.1.3 and B.1.4

Complies  Complies in part  Explain

15. Where female directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

a) Recruitment processes do not have an implied bias that hinders the recruitment of female directors;

**b) The company deliberately seeks women with the target professional profile and includes them among the potential candidates.**

See section: B.1.2., B.1.27 and B.2.3

Complies  Complies in part  Explain  Not applicable

**16. The Chairman, being responsible for the effective running of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular assessments of the Board and, where appropriate of the Chief Executive Officer.**

See section: B.1.42

Complies  Complies in part  Explain

**17. Where the Chairman of the Board is also the chief executive officer, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new items on the agenda; to coordinate and echo the concerns of non-executive directors; and to lead the Board's assessment of the Chairman.**

See section: B.1.21

Complies  Complies in part  Explain  Not applicable

**18. The Secretary of the Board takes particular care to ensure that the Board's actions:**

**a) Adhere to the letter and the spirit of laws and their implementing regulations, including those approved by the regulatory authorities;**

**b) Comply with the Articles of Association and the Regulations of the General Meeting of Shareholders, the Board of Directors' Regulations and other regulations of the company;**

**c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.**

**And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal**

are reported by the Nominating Committee and approved by the Board in plenary session; and that such appointment and removal procedures are set forth in the Board's Regulations

See section: B.1.34

Complies  Complies in part  Explain

19. **The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.**

See sections: B.1.29

Complies  Complies in part  Explain

20. **Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.**

See sections: B.1.28 and B.1.30

Complies  Complies in part  Explain

21. **Where directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.**

Complies  Complies in part  Explain  Not applicable

22. **The Board in plenary session assesses the following on a yearly basis:**

a) **The quality and efficiency of the running of the Board;**

b) **On the basis of the report submitted by the Nomination and Remuneration Committee, the performance of their duties by the Chairman of the Board and by the chief executive officer;**

c) **The running of its Committees, on the basis of the report they submit;**

See section: B.1.19

Complies  Complies in part  Explain

**23. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.**

See section: B.1.42

Complies  Explain

**24. All directors are entitled to call on the company for the advice they need to carry out their duties. The company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.**

See section: B.1.41

Complies  Explain

**25. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.**

Complies  Complies in part  Explain

**26. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:**

**a) Directors inform the Nomination and Remuneration Committee of their other professional duties, in case they might detract from the necessary dedication;**

**b) Companies lay down rules about the number of boards on which their directors may sit.**

See sections: B.1.8, B.1.9 and B.1.17

Complies  Complies in part  Explain

**27. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Meeting of**

Shareholders, as well as their interim appointment through the co-option system, are approved by the Board:

a) On the proposal of the Nomination and Remuneration Committee, as regards independent directors;

b) After report of the Nomination and Remuneration Committee, as regards the remaining directors.

See sections: B.1.2 and B.2.4

Complies  Complies in part  Explain

28. Companies post the following information regarding directors on their websites, and keep such information updated:

a) Professional and biographical profile;

b) Other Boards of Directors of listed or unlisted companies on which they sit;

c) Indication of the director's category, stating, as regards proprietary directors, the shareholder they represent or to whom they are related.

d) Date of their first and subsequent appointments as a company director; and

e) Shares held in the company and options thereon held by them.

Complies  Complies in part  Explain

See sections: E.12

29. Independent directors do not hold office as such for a straight period of more than 12 years.

See sections: B.1.2

Complies  Explain

Having reviewed the personal and professional circumstances of the three independent directors concerned by the above referred time limit, the Board of Directors considered that the higher experience and knowledge of the company acquired by such three independent directors has contributed largely to their better discharge of their duties, without their independence being questioned for the mere lapse of time in their tenure.

30. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The

appropriate number of them does likewise when such shareholder reduces its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, A.3 and B.1.2

Complies  Complies in part  Explain

31. **The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set in the Articles of Association, for which he/she was appointed, except where good cause is found by the Board upon a prior report of the Nomination and Remuneration Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his /her position or comes under any of the circumstances described in section III.5 (Definitions) of this Code.**

The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the share capital structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 12.

See section: B.1.2, B.1.5 and B.1.26

Complies  Explain

Section 24 of the Board of Directors' Regulations requires a prior report of the Nomination and Remuneration Committee for the proposed early dismissal by any independent director before his/her tenure expires, but it has not been deemed necessary to include into these regulations the provision pursuant to which this proposal need not be submitted unless there is good cause. Anyway, no proposal for the early dismissal of any independent director has been submitted so far.

32. **Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.**

If a director is indicted or tried for any of the crimes described in Section 124 of the Spanish Corporation Act, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a

**substantiated account thereof in the Annual Corporate Governance Report.**

See sections: B.1.43 and B.1.44

Complies  Complies in part  Explain

- 33. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation.**

**Where the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusion and if he/she chooses to resign, sets out the reasons in the letter referred to in the next Recommendation.**

**This Recommendation also applies to the Secretary of the Board, even if he/she is not a director.**

Complies  Complies in part  Explain  Not applicable

- 34. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the withdrawal is explained in the Annual Corporate Governance Report.**

See section: B.1.5

Complies  Complies in part  Explain  Not applicable

- 35. The compensation policy approved by the Board specifies at least the following points:**

**a) The amount of the fixed components, with a breakdown showing the fees, if any, for attending the meetings of the Board and its Committees and an estimate of the fixed annual fixed compensation they give rise to;**

**b) The items of the variable remuneration, including, in particular:**

**i) The types of directors to which they apply, as well as an explanation of the relative weight of variable to fixed compensation items.**

ii) Performance evaluation criteria used to calculate entitlement to compensation in shares, share options or any other variable component;

iii) Main parameters and grounds for any system of annual bonuses or other non-cash benefits; and

iv) An estimate of the absolute amount of variable compensation arising from the proposed compensation plan, as a function of the degree of compliance with benchmark assumptions or targets.

c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar systems), with an estimate of the amount thereof or the equivalent annual cost.

d) Terms and conditions that must be included in the contracts of executive directors performing senior management duties, which will include:

i) Term;

ii) Notice periods; and

iii) Any other provisions relating to hiring bonuses, as well as indemnity or golden parachute provisions in the event of early or other termination of the contractual relationship between the company and the executive director.

See section: B.1.15

Complies  Complies in part  Explain

36. Remuneration paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors.

This recommendation shall not apply to the delivery of shares when such delivery is subject to the condition that the directors hold the shares until they cease to hold office as directors.

See sections: A.3 and B.1.3

Complies  Explain

37. The remuneration of non-executive directors is such as is necessary to compensate them for the dedication, qualifications and

responsibility required by their position, but is not so high as to jeopardize their independence.

Complies  Explain

38. The compensation linked to company results takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies  Explain  Not applicable

39. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies  Explain  Not applicable

40. The Board submits a report on director compensation policy to the advisory say on pay vote of the shareholders at a General Shareholders' Meeting, as a separate item on the agenda This report is made available to the shareholders separately or in any other manner that the Company deems appropriate.

Such report shall focus especially on the compensation policy the Board has approved for the current year, as well as on the policy, if any, established for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will emphasize the most significant changes in such policies with respect to the policy applied during the fiscal year prior to that to which the General Shareholders' Meeting refers. It shall also include an outline of the manner in which the compensation policy was applied in such prior fiscal year.

See section: B.1.16, B.2.4 and E

Complies  Complies in part  Explain

41. The Annual Report lists the individual compensation of directors during the fiscal year, including:

a) A breakdown of the compensation of each director, to include where appropriate:

- i) Attendance per diem or other fixed compensation received as a director;
  - ii) The additional compensation received as chairman or member of a Board committee;
  - iii) Any compensation received under profit-sharing or bonus schemes, and the reason for the accrual thereof;
  - iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans;
  - v) Any severance package agreed or paid;
  - vi) Any compensation received as a director of other companies in the group;
  - vii) Compensation for the performance of senior management duties by executive directors;
  - viii) Any item of compensation other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the omission thereof detracts from a true and fair view of the total compensation receive
- b) A breakdown of any delivery to directors of shares, share options or any other instrument indexed to the price of the shares, specifying:
- i) Number of shares or options awarded during the year, and the terms and conditions for the exercise thereof;
  - ii) Number of options exercised during the year, specifying the number of shares involved and the exercise price;
  - iii) Number of options outstanding at the end of the year, specifying their price, date and other requirements for exercise;
  - iv) Any change during the year in the terms for the exercise of previously-awarded options.
- c) Information on the relationship, in such past fiscal year, between the compensation received by executive directors and the profits or other measures of performance of the company.

Complies  Complies in part  Explain

42. Where there is an Executive Committee (hereinafter, the "Executive Committee"), the breakdown of its members by director category is

**similar to that of the Board, and its secretary is the Secretary of the Board.**

See sections: B.2.1 and B.2.6

Complies  Complies in part  Explain  Not applicable

- 43. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.**

Complies  Explain  Not applicable

- 44. In addition to the Audit Committee mandatory under the Stock Exchange Act, the Board of Directors forms a single Nomination and Remuneration Committee as a separate committee of the Board, or a Nomination Committee and a Remuneration Committee.**

**The rules governing the make-up and operation of the Audit and Control Committee and the Nomination and Remuneration Committee or committees are set forth in the Board's Regulations, and include the following:**

**a) The Board appoints the members of such Committees, taking into account the background, knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.**

**b) These Committees are formed exclusively of non-executive directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.**

**c) The Chairmen of the Committee are independent directors.**

**d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.**

**e) Minutes are prepared of their meetings, and a copy sent to all Board members.**

See Sections: B.2.1 and B.2 3

Complies  Complies in part  Explain

**45. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit and Control Committee, the Nomination and Remuneration Committee or, if they exist separately, to the Compliance or Corporate Governance Committee**

Complies

Explain

**46. The members of the Audit and Control Committee and, particularly, the Chairman thereof, are appointed taking into account their background, knowledge and experience in accounting, auditing and risk management matters.**

Complies

Explain

**47. Listed companies have an internal audit function which, under the supervision of the Audit and Control Committee, ensures the smooth operation of the information and internal control systems.**

Complies

Explain

**48. The head of internal audit submits to the Audit and Control Committee his/her annual work plan; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.**

Complies  Complies in part  Explain

**49. Risk control and management policy specifies at least:**

**a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.**

**b) The determination of the risk level the company sees as acceptable;**

**c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;**

**d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.**

See section: D

Complies  Complies in part  Explain

**50. It is incumbent on the Audit and Control Committee:**

**1<sup>st</sup> With respect to the internal control and reporting systems:**

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.**
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.**
- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.**
- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.**

**2<sup>nd</sup> With respect to the external auditor:**

- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.**
- b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.**
- c) To monitor the independence of the external auditor, to which end:
  - i) The company reports a change of auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.**
  - ii) The Committee ensures that the company and the auditor adhere to current regulations on the provision of****

non-audit services, the limits on the concentration of the auditor's business and, in general, all other regulations established to safeguard the independence of the auditors;

iii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

d) In the case of groups, the Committee favours the auditor of the group assuming responsibility for the audits of the companies that form part thereof.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

Explain

51. The Audit and Control Committee may cause any employee or officer of the company to appear before it, and even order their appearance without the presence of any other manager.

Complies

Explain

52. The Audit and Control Committee reports to the Board, prior to the passing thereby of the relevant resolutions, on the following matters specified in Recommendation 8:

a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.

b) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: B.2.2and B.2.3

Complies

Complies in part

Explain

53. The Board of Directors endeavours to present the annual accounts to the shareholders at the Annual General S Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit and Control Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: B.1.38

Complies  Complies in part  Explain

54. The majority of the members of the Nomination Committee –or of the Nomination and Remuneration Committee, if one and the same– are independent directors.

See sections: B.2.1

Complies  Complies in part  Explain

55. The Nomination and Remuneration Committee has the following duties, in addition to those stated in the earlier Recommendations:

a) To assess the qualifications, background knowledge and duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.

c) To report on senior manager appointments and removals that the chief executive proposes to the Board.

d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See sections: B.2.3

Complies  Complies in part  Explain  Not applicable

56. The Nomination and Remuneration Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors.

And that any board member may request that the Nomination and Remuneration Committee consider possible candidates to fill

**vacancies for the position of director, if it finds them suitably qualified.**

Complies  Complies in part  Explain  Not applicable

**57. The Nomination and Remuneration Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:**

**a) To propose to the Board of Directors:**

**i) The compensation policy for directors and senior managers;**

**ii) The individual compensation of executive directors and other terms of their contracts.**

**iii) The basic terms and conditions of the contracts with senior managers.**

**b) To ensure compliance with the compensation policy set by the company.**

See sections: B.1.14 and B.2.3

Complies  Complies in part  Explain  Not applicable

**58. The Nomination and Remuneration Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.**

Complies  Explain  Not applicable

## **G OTHER INFORMATION OF INTEREST**

**If you consider that there are any other principles or relevant aspects as regards the corporate governance practices applied by your company that have not been covered in this Report, please mention them and explain their content below.**

**In this section, any other information, clarification or nuance may be included that is related to the previous sections of the report, to the extent that they are relevant and not reiterative.**

**In particular, indicate if the company is subject to different legislation than the Spanish legislation in corporate governance matters and,**

**where appropriate, include the information that the company is obligated to provide which is different to that required in this report.**

The principles or relevant aspects relating to corporate governance practices applied by INDITEX have been covered in this Report.

For the purposes of achieving maximum transparency regarding remuneration of the Board of Directors, below is a chart with the individual breakdown of such remuneration per director.

The Company is not subject to any legislation other than the Spanish legislation in corporate governance matters.

Pursuant to the provisions of the Code on Best Tax Practices, to which the company adhered to during FY2010 further to a resolution passed by the Board of Directors on 21 September, the enforcement and effectiveness thereof during FY2012 is hereby noted.

**Binding definition of independent director:**

**Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its managers which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent pursuant to the definition set forth in sub-section 5 of the Unified Good Governance Code:**

Yes

No

Name of the director	Type of relationship	Explanation

**This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 12 March 2013.**

**Indicate whether any Directors voted against or abstained in connection with the approval of this Report.**

Yes

No

## Schedule 1

### **Additional information to the current Model of Annual Corporate Governance Report pursuant to Sec. 61 *bis* of Act 24/1988 of 28 July, on the Stock Exchange (LMV, Spanish acronym) (as amended by the Fifth Final Provision of Act 2/2011 of 4 March on Sustainable Economy)**

**1 - Provide a list of securities not traded on an EU-regulated market, stating, as the case may be, the various classes of shares and the rights and obligations inherent in each class of shares, as well as the stake in the share capital represented by the treasury stock of the company and its significant variations (sec. 61 *bis* 4.a, 3<sup>rd</sup> LMV).**

The Company does not have any securities not traded in any EU-regulated market.

With regard to the treasury stock of the company and its significant variation, see section A.8.

**2 - Outline all the rules and regulations applicable to the modification of the Articles of Association of the Company (sec. 61 *bis* 4.a, 4<sup>th</sup> LMV).**

Pursuant to sections 285 *et seq.* of the Act on Capital Companies, approved by *Real Decreto Legislativo* 1/2010 of 2 July (hereinafter, the “Act on Capital Companies”), it is incumbent on the Annual General Meeting of Shareholders to resolve about any amendment to the Articles of Association.

Standards applicable to the amendments to the company’s by-laws are provided in the Articles of Association and the Regulations of the General Meeting of Shareholders. Section 21 of the Articles of Association and section 15 of the Regulations of the General Meeting of Shareholders provide a special quorum in order to call the AGM which is bound to discuss about any amendment to the by-laws.

*“The General Meeting shall be validly held on first call whenever the shareholders present or represented hold, at least, fifty per cent (50%) of the subscribed voting stock. Generally, the General Meeting shall be validly held on second call, regardless of the capital attending the same. However, if the Meeting is called to discuss about the increase or reduction of capital, the issuance of bonds, the exclusion or restriction of the pre-emptive right, the reorganization of the Company, the merger originated by the creation of a new company or by means of the takeover of the Company by another entity, the total or partial split-off, the global allotment of the Company’s assets and liabilities, the transfer of the registered address abroad, the replacement of the corporate purpose, as well as any other amendment to the Articles of Association, the attendance of twenty five (25) percent of the subscribed voting stock shall be necessary on second call.”*

Section 6.d) of the Regulations of the General Meeting of Shareholders expressly assigns to the AGM the power to approve any amendment to the Articles of Association.

*“In accordance with the provisions of the Articles of Association, the General Meeting is authorized to pass all kinds of resolutions concerning the Company, namely, and subject to any other powers vested by the applicable regulations, it is granted with the following exclusive powers:*

- (a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.*
- (b) To appoint and remove directors, and to confirm or revoke any provisional appointments of said directors made by the Board, and to review their management*
- (c) To appoint and remove the auditors.*
- (d) To resolve the issuance of bonds, the increase or reduction of capital, the exclusion or restriction of pre-emption rights, transformation, merger, split-off or dissolution of the Company, the global allotment of assets and liabilities, the approval of the final liquidation balance sheet, the transfer of the registered office abroad and, in general, any amendment to the Company’s Articles of Association.*
- (e) To authorize the Board of Directors to increase the Company’s capital, or to proceed to the issuance of bonds and other fixed yield securities.*
- (f) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors, and to conduct an advisory say on pay vote on the annual report on directors’ compensation.*
- (g) To pass these Regulations and any subsequent amendment thereof.*
- (h) To resolve on the matters submitted to it by a resolution of the Board of Directors.*
- (i) To grant the Board of Directors the powers it may deem fit to deal with unforeseen issues*
- (j) To approve those transactions which might entail an effective amendment of the corporate purpose and those whose effect may be equivalent to the liquidation of the Company.”*

**3 - List any restrictions whatsoever on the transferability of securities and any restrictions on the voting rights. (sec. 61 bis 4.b LMV).**

As provided under section A.10 of the Annual Corporate Governance Report, all shares in the company carry the same voting and financial rights, and there are no legal or by-law restrictions on the acquisition or transfer of shares.

With regard to the exercise of voting rights, the only restriction is that addressed under section 83 of the Act on Capital Companies whereby any shareholder incurring in default regarding any capital calls may not exercise their voting rights.

**4 - Give an explanation on the powers of the members of the Board of Directors and, in particular, in relation to the possibility of issuing or repurchasing shares. (sec. 61 bis 4.c, 3<sup>rd</sup> LMV).**

The Board of Directors is entrusted with the direction, administration, management and representation of the company with full powers, subject to any duties which under statute or the provisions of the Articles of Association, are reserved to the General Meeting of Shareholders.

Two members of the Board, the Chairman and C.E.O., Mr Pablo Isla Álvarez de Tejera, and the proprietary director and founder of the Company, Mr Amancio Ortega Gaona, have been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those that: a) involve the disposal of funds in excess of a certain amount, in which case it shall be necessary that the aforementioned Chairman and C.E.O. should act jointly with another person who in virtue of any legal title is also empowered with the power in question; or/and b) involve the alienation or encumbrance of real property of the company, for which a prior resolution of the Board of Directors or the Executive Committee, shall be required.

The requirement of joint action provided in the preceding paragraph shall not apply when it involves transactions, actions or contracts that, regardless of the amount involved, are carried out or awarded between companies belonging to the Inditex group of companies, understanding as such those companies, whether Spanish or foreign, in which INDITEX, whether directly or indirectly through other investee companies, is the holder of at least 50% of its share capital, in which case any of the authorized individuals may act severally on their own, in the name and on behalf of the company, independently of the amount involved in the matter in question.

Such powers are listed below:

1.- To appear and represent the Company vis-à-vis all manner of authorities, agencies, centres, departments and offices of the General State Administration, Central or Peripheral Government, autonomous communities, provinces, municipalities, the Corporate, Independent and European Administration, public registries of all types and, in general, any public or private entity or person whatsoever. To sign and file all manner of applications, petitions, unsworn statements or affidavits, pleadings and documents; make and pursue all types of claims; and, in general, exercise such powers as may be required for the management and defence of the rights of the Company.

2.- To sign, send and receive and collect from the Spanish postal and telegraphic authorities or offices ordinary or registered postal or telegraphic correspondence, declared value items and postal and telegraphic money orders. To file any claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3.- To verify consignments of all kinds of merchandise and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad and shipping companies and against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who intervene in the transport of individuals or in the sphere of the hotel and catering industry.

4.- To claim and collect amounts owing to the Company for whatever reasons and to sign the appropriate receipts. To make payments. To render and require the rendering of accounts, and to challenge or approve the same. To provide, cancel and recover all manner of bonds and deposits, including those at/of the Spanish General Savings Deposit and its branches.

5.- To enter into all manner of loan and credit agreements. To open current, loan, savings or any other account with credit institutions and/or finance companies, both public and private; with respect to all such accounts and any other account existing in the Company's name, to deposit or pay in cash sums, withdraw amounts or dispose of same by means of receipts, cheques and drafts, pay by transfer or order transfers, endorse or send for debiting bills of exchange, trade bills and credit notes, as well as bills or invoices payable by the Company; and to approve or challenge the balances shown in such accounts; to stand guarantee for other companies belong to the "INDITEX" group of companies and, in consequence, to sign in favour of those guarantees, bonds and other guarantee documents, as well as guarantee policies and counter-guarantee policies and, in general, to carry out all that is permitted under the legislation and banking practices.

6.- To draw, endorse, assign or transfer by any means other than endorsement, to accept, sign, require conformity, guarantee, cause the assignment of the provision for, collect, discount and pay bills of exchange, promissory notes, cheques, money orders and other commercial drafts, participate in the acceptance or payment of the same, protest such bills or drafts or make the equivalent declaration, and disclose in the protest document the reasons for not having accepted or paid the bills and drafts charged to the Company. To act as a plaintiff or defendant in connection with bills of exchange in all manner of legal matters, acts or dealings and pre-trial and procedural steps or actions due to non-acceptance or non-payment, and to bring any of the other actions provided for in the Bills of Exchange and Cheques Act or any other applicable legislation.

7.- To execute, with the aforementioned limitation in relation to real property, all manner of acts and contracts relating to movables and real property, rights, securities, participation units, shares, interests, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and terms as are deemed appropriate. Specifically, to acquire, assign, grant and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, all manner of movable or real property, rights, trademarks and other distinctive signs and industrial property rights, securities, participation units, shares and interests; take out all manner of compulsory and voluntary insurance; execution of works, services and supplies of all kinds; to rent and let, take in leasing or sublet; to create, amend, acknowledge and extinguish real

property rights; including chattel mortgages and pledges without transfer of possession and all manner of encumbrances on real and movable property and rights owned by the Company; carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium ownership system, establishing the bylaws which shall govern the same; and to conduct and participate in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel or terminate the same.

8.- To grant all manner of acts and contracts relating to IT, management, security and communication products, equipment and systems, as well as those referring to intellectual property arising out of or related with the same and, in general, any others referring to all manner of movables; to contract the execution of works, services and supplies of all types, at such prices, for such considerations, under such terms, in such periods and under such provisions, clauses and conditions as are deemed appropriate. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to rent and let them, take them in leasing or subletting them; to create, amend, acknowledge and extinguish real property rights and guarantee rights on the movables belonging to the Company. Regarding all the above acts and contracts, they may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, novate, cancel, terminate or discharge them.

9.- To enter all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution, licence and agency contracts and, in general, all those that the national and international expansion of the company can require.

10.- To appear in deeds of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it.

11.- To attend, in the name and on behalf of the company, meetings, general meetings and assemblies of condominiums or co-owners, intervening therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it in Condominium Owner Communities, as well as in the meeting they these may hold in compliance with the current Condominium Property Law and other applicable legislation.

12.- To attend on behalf of the Company all kinds of auctions and bidding called by Central Government, autonomous communities and provincial and municipal authorities and private or public persons and entities and, to this effect,

submit tender conditions, declarations, plans and estimates, make bids and provide bonds; holding, in short and without any limitation whatsoever, such powers as may be required to obtain and accept, provisionally or definitively, with such qualifications as are deemed appropriate, the relevant award and to exercise the rights and perform the obligations arising therefrom.

13.- To set up the offices, workplaces and buildings of the Company and to organize the services provided therein. To hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including executives and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

14.- To represent the company before any manner of authorities and administrative bodies, whatever they may be, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file, prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the company, to file its registration as a company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship; those that are necessary for or arise out of the training that has to be given to the personnel of the company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

15.- To represent the company before all manner of authorities and administrative bodies, whatever these may be, that have authority in respect of Health and Safety at Work and Labour Risks, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the workplaces, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and executive the policy for the prevention of risks; to act in the name of the company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorised entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks,

medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Diseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been signed; to accept positions and participate in those governing boards and advisory boards of such entities collaborating in the management of Social Security.

16.- As regards procedural rules, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answers summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including Meetings of Creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, in general, exercising in the name of the company any rights that it may be entitled to.

17.- To compromise and refer to arbitrators all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

18.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and notarial demands.

19.- To replace some or all of the foregoing powers by granting the relevant powers of attorney and to revoke all the powers granted, and to get copies of all kinds of records and deeds.

20.- To execute in public deeds the resolutions passed by the Shareholders in General Meeting, the Board of Directors and the Executive Committee.

With regard to the possibility of issuing or repurchasing shares, as at the date of this report, the authorization granted by the AGM held on 17 July 2012 remains in

force, whereby the Board of Directors was authorized for the derivative acquisitions of treasury shares by the company or any of its controlled companies, always within the scope of the prevailing regulations in force.

**5 - Provide detailed information on significant agreements undersigned by the company becoming valid, whether modified or terminated if the control of the company changes through a hostile takeover bid, and its effects, except if revealing such information may be damaging to the company. This exception shall not be applicable if the company is under legal obligations to reveal such information. (sec. 61 bis 4.c, 4<sup>th</sup> LMV).**

INDITEX has not entered into any significant agreement that would become valid, be amended or terminated if the control of the company changes through a hostile takeover bid.

**6 - Give detailed information on the agreements signed between the company and its officers and managers or employees with compensation rights in the event of resignation or unlawful dismissal or if work relationship is abruptly halted as a result of a hostile takeover bid (sec.61 bis 4.c, 5<sup>th</sup> LMV).**

Except for the provisions of section B.1.13 of the Annual Corporate Governance Report, no specific compensation rights are provided in the employment agreements entered into with the employees of INDITEX on account of the expiry of the work relationship; therefore employees shall be entitled to the relevant compensation, applicable as the case may be, under the prevailing labour regulations.

With regard to the agreements addressed in section B.1.13, it was resolved by the Board of Directors after favourable report of the Nomination and Remuneration Committee, to acknowledge and to consent to employment agreements which included severance or golden parachute clauses entered into with some senior managers, including the Chairman and C.E.O.

Such agreements provided that in case of termination of the relationship on account, *inter alia*, of wrongful dismissal or resignation on certain grounds (among which a change in the control of the company is to be found, provided that, at the same time a significant renovation of the composition of the governing bodies takes place or a change regarding the contents and purpose of its main object) such officer shall be entitled to compensation in an amount in most cases equal to two years of his/her aggregate remuneration, on the basis of the pay of the last year of work.

**7 - Description of the main features of the internal control systems over financial reporting and risks (sec. 61 bis 4.h, LMV).**

In previous years, the INDITEX Group (hereinafter, the Group) commenced a procedure to adjust its internal control on financial information organization to the requirements laid down in Act 2/2011 of 4 March on Sustainable Economy, and namely to the set of recommendations drafted by the Working Group on Internal control on financial information (hereinafter, GTCI, *Spanish acronym*) set up at the behest of CNMV.

Further to the guidelines of the above mentioned GTCI in the document “Internal control on financial information of listed companies”, the Group describes once again this year, the main features of its internal control system on financial information (hereinafter, SCIIF, Spanish acronym) based upon basic indicators provided in the above referred document, addressing the following issues:

- Control environment
- Assessment of risks in respect of financial information
- Control activities
- Information and reporting
- System Operation Supervision

## 7.1 CONTROL ENVIRONMENT

Specific mechanisms put in place by the different companies belonging to the Group to keep an internal control environment that help create full, reliable and appropriate financial information, thus preventing the potential existence of irregularities and the channels to detect and cure them.

### **7.1.1. Bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective SCIIF; (ii) its implementation; and (iii) its monitoring**

- Board of Directors.

Apart for the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of the Group, including being ultimately responsible for the existence and update of an appropriate and effective SCIIF.

The Board of Directors is entrusted with the direction, administration, management and representation of the Group, delegating in general the management of the day-to-day business of INDITEX to the executive bodies and to the management team and concentrating its efforts on the general supervisory function, which includes directing the policy of the Group, monitoring the management activity, assessing the management by the senior management, taking the most relevant decisions for the company and acting as a link with the shareholders.

Pursuant to the provisions of the Articles of Association of INDITEX, the Board of Directors has delegated to the Audit and Control Committee the function of monitoring the preparation and submission of the regulated financial information, and of controlling the effectiveness of the SCIIF.

- Audit and Control Committee.

Among the financial and control duties incumbent on the Audit and Control Committee, it is charged with overseeing the process of preparation and release of the financial information and the effectiveness of the internal control systems of the Group. With this respect, the Committee discharges, *inter alia*, the following functions:

- To oversee the effectiveness of internal control of the Group, the internal audit, and ERM system.
- To oversee the process of preparation and release of the regulated financial information and the effectiveness of the internal control systems of the Company, and (in particular SCIIF) by checking the suitability and integrity of the same and by discussing with the external auditors of the Company the significant weaknesses of the internal control system revealed in the course of the audit.
- To periodically review the risk control and management policy and the management systems, which shall at least contain the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks, and the systems of information and financial control.
- To review the Company' s annual accounts and the periodic financial information that the Board must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.
- To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.

Most members of the Audit and Control Committee are independent directors, according to the definition provided in sec. 7 of the Board of Directors' Regulations. The Committee meets on a quarterly basis as well as any time it is called by its Chairman.

- Financial Division.

The *Dirección General de Finanzas* (Financial Division) (hereinafter, DGF *Spanish acronym*) is responsible for the design, implementation and update of an appropriate SCIIF, as provided in the "*Procedure for Enterprise Risk Management in respect of financial information*". With this respect, it sets out and circulates the policies, guidelines and procedures associated to financial information creation and is charged with ensuring the appropriate enforcement thereof within the Group.

- Internal Audit

Internal Audit is overseen by the Audit and Control Committee to which it reports. It is charged, *inter alia*, with supporting the Audit and Control Committee in overseeing the internal control of financial information systems, by performing specific audits about SCIIF, requesting action plans to correct or reduce any weaknesses revealed and by following-up the implementation of the proposed recommendations.

**7.1.2. The departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the company, especially as regards the financial reporting process.**

The Board of Directors is responsible for designing and reviewing the organizational structure within the Group.

The Nomination and Remuneration Committee is charged with providing and reviewing the criteria to be followed in the recruitment of senior managers. Such body is composed of a majority of independent directors, according to the definition set out in sec. 7 of the Board of Directors' Regulations.

It is incumbent on such Committee, *inter alia*, to report any appointment and/or resignation of senior managers of the Group proposed to the Board of Directors by the chief executive pursuant to the provisions of section 15.2.(e) of the Board of Directors' Regulations.

Senior managers and the Human Resources Division (hereinafter DRRHH, *Spanish acronym*) are charged with describing duties and responsibilities of each area. Additionally, the Compensation Department, reporting to the DRRHH regularly assesses the classification, description and duties of each position. Such functions are disclosed to each of the affected areas.

For the purposes of preparing financial information, the Group has clearly defined authority and responsibility lines. The main responsibility in preparing financial information falls with the DGF.

The DGF is responsible for the existence and appropriate dissemination within the Group, of the internal control policies and procedures required to ensure the reliable drafting of the financial information. The structure, size and definition of the functions and duties of each position within the financial area are defined by the DGF, together with the DRRHH.

To carry out its activity, the DGF is organized in the following departments:

- Administration Department
- Planning and Management Control Department
- Financial Management Department
- Enterprise Risks Management Department
- Tax Department

Likewise, the Group relies on financial organization structures to meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, among other things with the following:

- Designing and setting local organizational structures fit for the performance of the financial tasks allocated;

- Integrating into the local management the corporate financial policies defined by the Group;
- Adapting corporate accounting and management systems to local requirements;
- Enforcing the procedures which are part of the SCIIF of the Group;

Additionally, the IT Division manages all systems of the Group and is the main responsible for setting up internal control on financial information policies and procedures, including those supporting financial processes, and which are involved in the drafting of the financial information.

### **7.1.3. Existence of the following issues, especially regarding the reporting information process:**

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The Board of Directors held on 17 July 2012 approved, after favorable report of the Audit and Control Committee, the Code of Conduct and Responsible Practices of the Inditex Group's (which replaces both the Internal Guidelines for Responsible Practices of the Inditex Group's Personnel and the Code of Conduct) and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Therefore, as of 17 July 2012, the Group's conduct policies are covered in the following codes:

- The Code of Conduct and Responsible Practices.
  - The Code of Conduct for Manufacturers and Suppliers.
  - The Internal Regulations of Conduct regarding Transactions in Securities
- The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between Inditex and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with Inditex shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards covered under the Code of Conduct and Responsible Practices is the obligation to record transactions, according to which:

*“Any and all transactions carried out by Inditex which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.*

*Inditex’s employees shall enter the financial information on the company’s systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.*

*Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system. Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information.”*

In order to ensure compliance with the Code of Conduct and Responsible Practices, there is a Committee of Ethics, composed of:

- The General Counsel and Code Compliance Officer
- The Internal Audit Director
- The Corporate Social Responsibility Director
- The Human Resources Director

The Committee of Ethics may act of its own motion or at the behest of any employee of Inditex, of any external manufacturer, workshop or their subcontractors or of any third party with sufficient interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To supervise compliance with the Code and the internal circulation thereof to Inditex's personnel.
- To receive any manner of written instruments with regard to the enforcement of this code and to send them, where appropriate, to the relevant body or Department which may be responsible for dealing with and settling such instrument.
- To monitor and supervise the management and settlement of any file.
- To solve any questions which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, after report from the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To supervise the Whistle Blowing Channel and compliance with the Procedure.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or judicial order.
- The thorough review of any information or document that originated its action.
- The commencement of such proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence.
- The indemnity of any employee as a result of bringing complaints in good faith to the Committee.

Decisions of the Committee of Ethics shall be binding for the INDITEX Group and for employees.

The Committee of Ethics submits a report at least once a year, to the Board of Directors, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the regulatory compliance policy of the group from time to time in force.

- The Code of Conduct for Manufacturers and Suppliers

The Code of Conduct for Manufacturers and Suppliers defines minimum standards of ethical and responsible behaviour which must be met by the manufacturers and suppliers of the products commercialized by INDITEX in the course of its business, in line with the corporate culture of INDITEX Group, firmly based on the respect for human and labour rights

The Code, which shall be applied to all manufacturers and suppliers that take part in the purchasing, manufacturing and finishing processes, fosters general principles that define INDITEX's ethical behavior, i.e.: all INDITEX's operations are developed under an ethical and responsible perspective; all persons, individuals or entities, who maintain, directly or indirectly, any kind of employment, economic, social and/or industrial relationship with Inditex, are treated fairly and with dignity; all INDITEX's activities are carried out in a manner that most respects the environment; all manufacturers and suppliers (production centers that are not property of Inditex) fully adhere to these commitments and undertake to ensure that the standards which are set forth in the Code are met.

Manufacturers of products commercialized by Inditex are bound to enforce this Code of Conduct for Manufacturers and Suppliers and the Code of Conduct and Responsible Practices, where applicable to them. Likewise, the remaining suppliers of goods and services of the Group shall enforce both Codes where applicable to them.

- IRC

The Board of Directors dated 20 July 2000 resolved, in compliance with the provisions of section 78 of Act 24/1988 of 28 July on the Stock Exchange and consistent rules, the "Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its corporate group".

The IRC governs such issues as confidentiality of relevant information, conflicts of interest declarations, transactions in securities of INDITEX and its corporate group by individuals within its scope (affected or related parties), treasury stock and communication of relevant facts.

Two revised texts of the Internal Regulations of Conduct regarding Transactions in Securities were approved by the Board of Directors held on 20 March and 11 December 2003, respectively, for the purposes of adjusting them first to the new obligations introduced by the Financial Act and then to the recommendations included in the Aldama Report; as a result of such review, certain concepts were redefined and control on transactions in securities which might be eventually carried out by Affected Persons was enhanced, among others.

Finally, said revised text was amended further to a resolution of the Board of Directors dated 13 June 2006 for the purposes of adjusting its contents to the provisions of *Real Decreto* 1333/2005 of 11 November,

whereby the Stock Exchange Act in the matter of market abuse was implemented.

Finally, there is a Code Compliance Supervisory Board which reports directly to the Audit and Control Committee of the Board of Directors. Such Supervisory Board is composed of:

- The Chairman and C.E.O.
- The General Counsel
- The Director of the Capital Markets Department, and
- The Head of Human Resources.

Such Supervisory Board is responsible for implementing procedures and implementation standards to enforce the IRC. Likewise, there is a Code Compliance Office which reports to the Nomination and Remuneration Committee. The General Counsel of the INDITEX Group is the Code Compliance Officer. The Code Compliance Office is charged, inter alia, with enforcing the conduct policies of stock exchanges and the standards and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The proceedings of the companies which a part of the Group and of all people with access to such information which may be deemed to be relevant information, and namely, financial information, shall adjust to the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the Code Compliance Supervisory Board and the Code Compliance Office shall ensure that the above referred principles are observed in respect of financial information.

With regard to the dissemination of the above referred regulations, it is incumbent on the Human Resources Department to circulate a copy of the of the Code of Conduct and Responsible Practices of the Inditex Group to any new employees upon their joining the organization. Likewise, such regulations are available on the web page of the Group and are subject to the appropriate measures regarding disclosure, training and awareness-raising, so that they may be understood and implemented within the whole organization.

With regard to the IRC, the Code Compliance Office keeps a general documentary register of all Affected Persons (people to whom the IRC apply) and it is bound to inform them that they are subject to the provisions of the IRC and of any breaches and penalties which would arise, where appropriate, from an inappropriate use of Reserved Information.

Likewise, the Code Compliance Office shall inform the Affected Persons that they have been included on the General Documentary Register and about any other issues addressed by *Ley Orgánica* 15/1999, of 13 December on the Personal Data Protection.

- **Whistle blowing channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating where appropriate, whether reports made through this channel are confidential.**

There is a Whistle Blowing Channel available to all employees of the Group, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report through this Whistle Blowing Channel any breach of Inditex's conduct and regulatory compliance policies which affect the Group, and which arise from any employees, manufacturers, suppliers or third parties with whom the Group has any direct employment, business or professional relationship

Therefore, any breach and any manner of malpractice may be reported, including those of a financial and accounting nature.

It is incumbent on the Committee of Ethics to oversee the Whistle Blowing Channel and the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such Channel are implemented in the Whistle Blowing Channel Procedure approved by the Board of Directors last 16 July 2012; such document is available on the intranet.

Reports about any breach or any queries regarding the construction or application of internal conduct and regulatory compliance policies may be sent to the Company by post, for the attention of the Committee of Ethics (to Avenida de la Diputación, Edificio Inditex, 15142 Arteixo, A Coruña); by e-mail to: ([comitedeetica@inditex.com](mailto:comitedeetica@inditex.com)), or by fax (+34 981186211). The confidentiality of such reports is ensured

Upon receipt of the report, the Committee of Ethics verifies first whether it falls within its remit. If so, the Committee of Ethics will refer such report to the relevant department so that it would make the appropriate enquiry. Otherwise, the Committee of Ethics will order staying of proceedings.

In light of the findings reached further to the enquiry, the relevant department or department shall, having heard first the interested party, propose any of the following measures to the Committee of Ethics which will have final say:

- Remedy of the breach, if appropriate,
- Proposal of penalties or relevant measures,
- Staying of proceedings, where no breach has been detected.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating SCIF, which address, at least, accounting rules, auditing, internal control and risk management**

The Training and Development Department of the Group, which reports to the DRRHH, is charged with preparing, together with each of the areas reporting to the DGF and with internal Audit, training and refresher schemes for the different staff members involved in the preparing and overseeing the financial information of each and every company comprising the Group. Such schemes include, both general courses focusing on business expertise and knowledge of the different departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes in the matter of preparation and supervision of financial information.

- General Training

This training aims at the internal knowledge of each business unit, as well as of each department with their respective activities, functions and duties within the business.

Pursuant to such training plan, employees begin by working at the stores, getting acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters to finally visit any of the subsidiaries of the Group abroad.

- Specific training

Group employees involved in procedures associated with the drafting of financial information receive regular training and refresher courses focusing mainly on learning about local and international standards governing financial information

Within the financial environment, such training and refresher schemes are organized by the Training and Development Department which reports to the DRRHH:

At the beginning of each year, this Department prepares a "Training Scheme" encompassing the different courses, both external and internal, addressed to employees of the various departments comprising the DGF.

Among the courses taught by external staff during the year in course to staff at HHQQ within the financial area, the following should be noted:

- Leadership and team building
- Cash Management
- Strategic perspectives of Management Control
- Costs and management control as competitive tools
- Enterprise Risks Management
- Financial Models.

Training courses are provided on an annual basis for all new supervisors of financial areas in each country, in order to train them in respect of the management model of the INDITEX Group, and in the

internal control system on financial information implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used in the preparation of financial information.

Likewise, some courses were taught in the different subsidiaries of the Group on the following issues, inter alia:

- IFRS
- Trade business accounting and taxation
- Enterprise evaluation
- Corporate tax
- International Financial Reporting.

A specific portal of the DGF is available on the intranet to all employees with the material from the main courses taught. This portal is also used to report domestic and international news within the financial, accounting and auditing scope. The foregoing and the subscriptions to specialized financial magazines make up a technical library available to the members of the departments comprising the DGF.

## 7.2. RISKS ASSESSMENT IN FINANCIAL REPORTING

Degree of implementation and systematization of the process whereby the Group is able to identify sources and risks of any mistake or irregularity in financial reporting.

### 7.2.1. The main features of the risk identification process,

- **Is there any such process? If so, is it duly documented?**

Within the Group, the process to identify risks has been documented in the *“Procedure for Enterprise Risks Management in respect of Financial Information”* prepared by the DGF and Internal Audit. This process helps identify and assess, on an annual basis, the risks which may lead to material mistakes in financial reporting.

- **Does the process cover the entire goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations)? Is it updated? If so, how often?**

The above referred risks management process is based upon five stages:

- Gathering financial information
- Identification of the operation cycles with an impact on financial information

- Assessment or risks of the reporting of financial statements unit
- Prioritization of accounts criticality
- Checking risks versus operational cycles

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of SCIIF) is prepared. This Scoping Matrix allows the identification of material headings of financial statements, assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information, by means of comparing financial statements with operational cycles associated with them.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) disclosure; (v) rights and obligations.

Further to the identification of potential risks, they are assessed on an annual basis based upon the business expertise and understanding of the management and upon materiality criteria.

- Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as: turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.
- **Is there any process to identify the consolidation perimeter taking into account, *inter alia*, the potential existence of complex corporate structures or special purposes vehicles?**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such master is managed and updated in accordance with the “*Procedure for the Incorporation and Financing of Companies*”.

Recorded in such master are on the one hand, general information about companies, such as company name, accounting closing date and currency and on the other, legal details such as the date of incorporation, share capital, list of shareholders, stakes, and other relevant information. Legal Assistant’s Office is responsible for updating the master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department determines on a quarterly basis the number of the companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

- **Does the process take into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they might have an impact on financial statements?**

The process for the assessment of financial information risks includes in addition to the above referred quantitative and qualitative factors, the main risks identified through the general risk map of the INDITEX Group.

Potential risks identified through the Scoping Matrix of financial information are added to the Risks Map of the Group. Such Map is regularly updated with the assistance of all the involved areas of the organization. Thus, the Group may consider the impact that the remaining risks regarding Business Environment, Reputation, Regulatory risks, Human Resources, Operations, Financial, Technology and IT Systems, Environmental, Governance and Management might have on financial statements.

- **Governing body of the company charged with monitoring the process.**

Finally, the whole process is overseen and approved on a yearly basis by the Audit and Control Committee.

### 7.3. CONTROL ACTIVITIES

Main features of specific controls implemented by the Group to reduce the risks of mistake or malpractice regarding the financial information.

#### **7.3.1. Documentation describing the flows of activity and control (including those regarding risk of fraud) of the different types of transactions which might have any material impact on the financial statements, including the accounting closing procedure and the specific review of relevant views, estimates, assessments and projections.**

The Group keeps duly documented in the relevant procedures all processes which it deems to entail a risk of a material impact on the preparation of the financial information.

Such procedures include controls which allow giving an appropriate answer to risks associated to the achievement of the goals regarding reliability and integrity of the financial information so as to prevent, detect, reduce and correct the risk of any potential mistakes way in advance. Each control activity is incumbent on the relevant manager and is systematically exerted with the required frequency.

Additionally, procedures are represented in flow charts and control activities through scoping risks matrixes and controls. Each control activity is overseen by the relevant supervisor and is systematically carried out. Dissemination of procedures, flow charts and matrixes to staff members

involved in the drafting of the financial information is carried out through the DGF portal of the Group available on the intranet, where they may be accessed by any member of the financial team. Such portal represents an additional work tool.

Each procedure is allocated to a manager charged with reviewing and updating it. Said updates are duly reviewed and authorized by the head of the area prior to their dissemination via the financial portal.

The following procedures should be underscored in accordance with their relevance, considering the business nature:

- Accounts payable
- Cash
- Stores sales
- Stock management
- Tangible fixed assets

The Group relies on procedures governing accounting closing, central purchases units and consolidated financial statements. This last procedure provides a section regarding *“Provisions, Opinions and Estimates”* which covers the main consolidated provisions, opinions and estimates, as well as the review and approval thereof by the DGF.

During the fiscal year and further to the annual updating process, a new procedure which governs the use, control and maintenance of software tools implemented by users has been documented.

The DGF relies on another control tool, which complements the different documented procedures. Such tool consists of a number of indicators (KPIS, *“key performance indicators”*) which aim at evaluating the quality of financial information reported by the relevant managers of the Group companies. Such tool is available to the different units which create information. KPIS are regularly reviewed by members of the different financial departments of companies, with the proposal, where appropriate, of corrective measures and specific action plans and the follow-up thereof.

Likewise, the DGF carries out analytical reviews of financial statements of the main companies of the Group on a quarterly basis.

### **7.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information.**

The internal control framework of IT systems of the Group has been defined based upon a catalogue of IT processes (hereinafter, IT) which covers the whole activity associated to each system and a basic risks review associated to such processes. Thus, the internal control framework covers all the risks associated to each and every process.

The Computer Security area of the Group, which reports to the IT Division, aims at ensuring security of all computer processes by:

- Setting and disseminated regulations to ensure security. With this respect, the Policy for Information Security (PSI, *Spanish acronym*) was approved in September 2011.
- Carrying out reviews aimed at verifying enforcement of such regulations.

The PSI serves as a benchmark which provides guidelines to be followed by the staff of the Inditex Group, for the purposes of ensuring computer security within all business processes; therefore, they also support the SCIIF. Guidelines provided in the Security Policy address the following issues:

- Assets classification and control
- Security versus human deeds
- Physical security and security of the environment
- Accesses control
- Systems, Communications and Transactions Management
- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Additionally, regarding the design and implementation of applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Finally, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of IT systems in case of lack of availability.

### **7.3.3 Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.**

As a general rule, the INDITEX Group does not have any process with a relevant impact on financial information outsourced to any third party. The general policy of the Group lies in not outsourcing any activity which might have any material impact on its financial statements.

During FY2012, the following main activities entrusted to third parties have been identified, without their having any material impact on financial statements:

- o Real estate appraisals
- o Valuation of intangible assets and companies.
- o Actuarial calculations.

Such services are engaged by the managers of the relevant areas, ensuring the technical and legal qualifications and capacity of the individuals or companies hired.

#### **7.3.4 Procedures to review and authorize financial information and SCIIF description, to be disclosed to stock exchanges, stating who is in charge thereof.**

Pursuant to the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, among other things, to review the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, overseeing at all times compliance with the legal requirements and the appropriate use in the preparation of such information of generally accepted accounting standards.

Likewise, the above referred Regulations provide that the Audit and Control Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and add to its annual public documentation.

Prior to the statement of the annual accounts and to the approval of the half-yearly financial statements, the DGF and External Auditors meet for the purposes of reviewing and assessing the financial information prior to submitting it to the Board of Directors.

The Audit and Control Committee submits this information to the Board of Directors which is responsible for approving it, prior to it being disclosed to the market.

### **7.4. INFORMATION AND COMMUNICATION**

Procedures and mechanisms to which the Group resorts, for the purposes of disclosing to the staff involved in the drafting of financial information, the applicable guidelines and the information systems used in such processes.

#### **7.4.1 Specific unit in charge of defining and updating accounting policies (accounting policies area or Department) and of settling questions or conflicts arising from the construction thereof, which is in regular communication with the teams in charge of operations within the organization.**

The Consolidation and Reporting area within the Planning and Management Control department is responsible for drafting, publishing, implementing and updating the Manual of Accounting Policies of the Group. Such area has, among others, the following duties associated to accounting policies:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group .
- Addressing accounting questions raised by any company of the

Group.

- Standardizing the accounting practices of the Group..

#### **7.4.2 Existence of an updated manual of accounting policies circulated to the relevant units within the organization**

As previously stated, the Group relies on a manual of Accounting Policies of the Group drafted by the Consolidation and Reporting area. Such manual covers transactions inherent in the Groups' business.

The manual is regularly updated. For such updating procedure, the Consolidation and Reporting area includes all accounting changes arisen during the fiscal year which were already advanced to those in charge of drafting the financial statements.

The manual and the remaining documentation are available on the corporate intranet.

During the fiscal year, the above referred manual has been completely updated and it is available on the intranet since February 2013.

#### **7.4.3 Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning SCIIF.**

The process for the capture and preparation of consolidated financial statements is centralized, falling on the External Reporting area which reports to the Planning and Management Control Department.

The Group relies on IT systems for the drafting of financial information of individual companies, which on the one hand allow the automatic recording of the different transactions, with the standard configuration of individual financial statements of each company within the Group, and on the other hand, provides the information required to draft the consolidated financial statements.

For the purposes of reporting financial information, the subsidiaries of the Group resort to a specific application whereby they include their financial statements and carry out the reconciliation of transactions and inter-group balances. The remaining part of the consolidation process (removal, adjustment, etc.) is carried out through another tool, specific to the Group.

Financial information reported to *CNMV* is drafted based upon consolidated financial statements gathered through the above referred tool, and based upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

The Group is currently implementing a new software tool to carry out the consolidation process. This new application will permit an increase in

controls on capture mechanisms and a higher review of financial information.

## 7.5. MONITORING OPERATION OF THE SYSTEM

Information which helps understand how SCIIF is overseen, in order to prevent and settle any defect in its design and operation.

### **7.5.1 Is there an internal audit function charged, *inter alia*, with supporting the audit committee in the monitoring of the internal system, including SCIIF?**

The Group has an independent Internal Audit Department whose mission and goals are provided in its Charter and Regulations. The following duties are incumbent on the Internal Audit Department, *inter alia*:

- Assuring the Audit and Control Committee of the effective and independent monitoring of the internal control system (including SCIIF).
- Collaborating in the reasonable reduction of the potential impact of risks which hamper achieving the goals of the Group.
- Promoting, by means of findings and recommendations, the existence of appropriate internal control and risk management systems, namely SCIIF; as well as the homogeneous and efficient application of internal control system policies and procedures.
- Serving as the communication channel between the Organization and the Audit and Control Committee.

To discharge such duties, Internal Audit relies on an Annual Audit Plan approved by the Audit and Control Committee.

For organizational purposes, Internal Audit is included in the current structure by means of a direct link to the Board of Directors, to which it reports via the Chairman, and to which it is functionally subordinated through the Audit and Control Committee, which ensures a full independence in the performance of its activities.

### **7.5.2 Is there a discussion procedure whereby the auditor, (in accordance with the provisions of the NTA), the internal audit function and other experts may disclose to the senior management and to the audit committee or the directors of the company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted? Likewise, report whether there is an action plan to try and correct or reduce weaknesses observed**

Internal Audit regularly reports to the Senior Management and the Audit and Control Committee the internal control weaknesses identified in the reviews

of SCIIF of the Group, as well as the follow-up of the action plans set out to settle or reduce them.

Meanwhile the External Auditors regularly meet with the DGF and Internal Audit, both to gather information and to disclose any potential control weaknesses which they might detect, where appropriate, in the course of their work.

On the other hand, the Audit and Control Committee meets with the auditors of individual and consolidated accounts for the purposes of reviewing the annual accounts of the Group and certain half-yearly periodical information that the Board of Directors must supply to the markets and their supervisory bodies, overseeing fulfillment of legal requirements and the appropriate application of generally accepted accounting principles in the drafting thereof.

Section 43.4 of the Board of Directors' Regulations provides that:

*“The Board of Directors shall endeavor to definitively prepare the accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancy”.*

To meet the provisions laid down in the above referred section, any discussion or different view existing is anticipated in the meetings held between the Audit and Control Committee and the external auditors. Meanwhile, external auditors report, where appropriate, about the main improvement issues on internal control identified as a result of their work. Additionally, the Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

During FY2012, Internal Auditors have attended six meetings of the Audit and Control Committee and External Auditors four.

**7.5.3 Description of the scope of SCIIF assessment carried out during the fiscal year, and of the procedure to disclose the results of such assessment. Is there an action plan providing any potential corrective measures? Has the impact of such measures on the financial information been considered?**

Based upon the above referred Scoping Matrix of SCIIF Risks, Internal Audit drafted a pluri- annual plan for the regular review of SCIIF of the Group which was submitted to and approved by the Audit and Control Committee.

Such pluri-annual plan envisages reviews of SCIIF for the main processes and geographical areas with a material impact on financial statements of the Group. Priority reviews are set in accordance with the risks identified. Suitability of such plan shall be reviewed every year, further to the update of the process to identify and assess financial information risks.

Namely, the design and effective operation of key transactional controls and of general controls on the main software tools involved in the preparation of the financial information, is subject to review, as well as the review of the general control environment.

Additionally, this review is complemented by the execution and review (KRI, *key risk indicators*) defined by Internal Audit on most critical risks areas, which have been designed to detect and reduce likelihood of risks and mistakes, including those of financial nature and fraud. Execution of such key risk indicators is centralized for all business units and geographical areas, pursuant to the annual plan approved.

In the implementation of its proceedings, Internal Audit relies on different audit techniques, mainly interviews, analytical reviews, specific transaction control tests, reviews of the effectiveness of software tools and material tests.

Likewise, Internal Audit carries out certain limited procedures of analytical review on consolidated financial statements for the first and third quarter of the year on consolidated information.

Results of the assignments, together with the corrective measures proposed, where appropriate, are reported to the DGF and the Audit and Control Committee. The implementation of such measures has been subsequently monitored by Internal Audit and reported to the Audit and Control Committee.

#### **7.5.4 Description of the monitoring activities about SCIIF carried out by the Audit committee**

With regard to the monitoring activities about SCIIF carried out by the Audit and Control Committee during the year, it has performed, inter alia, with the following:

- It has reviewed the annual accounts of the Group and the periodic financial information, this latter on a quarterly basis, to be provided by the Board of Directors to the markets and its supervisory bodies, overseeing compliance with the legal requirements and the appropriate application of the generally accepted accounting standards upon drafting such information.
- It has proposed to the Board of Directors, so that it may table it to the Annual General Meeting of Shareholders, the appointment of auditors within the statutory terms. Likewise, the Audit and Control Committee proposes to the Board of Directors the terms of the agreement to be executed with auditors, the scope of their professional mandate and, where appropriate, their removal or renewal, overseeing performance of the agreement and regularly assessing their results.
- As part of its monitoring duties regarding the Audit Department, the Committee has approved the annual activities report of such Department, as well as its budget and the annual audit plan.

- It has reviewed the annual audit plan of external auditors, including the audit goals based upon the assessment of financial information risks, and the main areas involved or significant transactions which shall be reviewed during the fiscal year.
- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses detected, where appropriate, in the course of audit and review assignments. Likewise, both external auditors and Internal Audit regularly report to the Audit and Control Committee the degree of enforcement of recommendations resulting from such assignments.
- It has kept regular meetings with other corporate departments of the INDITEX Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including SCIIF, and verifying their suitability and integrity.

**7.5.5 Has the information about SCIIF sent to the markets been reviewed by the external auditor? If so, the relevant report should be included. Otherwise, provide the grounds for such lack of review.**

The Group's Management team has decided to subject the information about SCIIF for FY2012 prepared by the company to the review by the external auditor. Such report is attached hereto as a Schedule.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish – language version prevails.*

## REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF INDUSTRIA DE DISEÑO TEXTIL, S.A. FOR 2012

To the Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A.:

As requested by the Board of Directors of Industria de Diseño Textil, S.A. (“the Entity”) and in accordance with our proposal-letter dated 18 July 2012, we have applied certain procedures to the accompanying “Information Relating to the ICFR System” of Industria de Diseño Textil, S.A. for 2012, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying Information relating to the ICFR system.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, stipulates that for the annual reporting periods beginning on or after 1 January 2011, the Annual Corporate Governance Report (“ACGR”) must include a description of the main features of internal control and risk management systems with regard to the statutory financial reporting process. In this connection, the Spanish National Securities Market Commission (“CNMV”) promoted the creation of an Internal Control Working Group (“the ICWG”) on the financial reporting of listed entities in order to draw up a set of recommendations on the ICFR system. As a result of the ICWG, a document was issued in June 2010, “Internal Control over Financial Reporting in Listed Companies” (“the ICWG Document”). Section III thereof includes a “Guide for the Preparation of the Description of the Internal Control over Financial Reporting System”, which covers the basic indicators that, in the opinion of the ICWG, must be dealt with by each entity in the description of the main features of their ICFR system. A CNMV letter dated 28 December 2011 contains a reminder of the legal amendments to be taken into consideration when preparing the “Information Relating to the ICFR System” until final publication of the CNMV Circular defining a new ACGR form.

Pursuant to Section III.16 of the ICWG Document, whereby entities are required to state whether the description of the ICFR system has been reviewed by the external auditor and, if so, to include the corresponding report, the financial auditors' representative bodies issued Draft Guidelines on 28 October 2011 and the corresponding illustrative auditors' report (“the Draft Guidelines”). In addition, on 25 January 2012, the Spanish Institute of Certified Public Accountants established certain additional considerations in this connection in its Circular E01/2012.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the statutory annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Draft Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2012 described in the accompanying Information on the ICFR System. Therefore, had procedures additional to those provided for in the aforementioned Guidelines been applied or an audit or a review of the system of internal control over the statutory annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

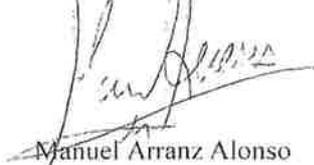
The procedures applied were as follows:

1. Perusal and understanding of the accompanying information prepared by the Entity in relation to the ICFR system and assessment of whether this information addresses all the information required in accordance with the minimum content described in Section III of the ICWG Document, Guide for the Preparation of the Description of the ICFR System.
2. Enquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of: (i) understanding the preparation process; (ii) obtaining the information required in order to assess whether the terminology used is in keeping with the definitions provided in the reference framework; (iii) obtaining information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the ICFR System. In this respect, the aforementioned documentation includes reports prepared by the internal audit department, senior executives or other internal or external experts providing support functions to the Audit and Control Committee.
4. Comparison of the information detailed in point 1 above with the knowledge of the Entity's ICFR System obtained as a result of the application of the procedures carried out as part of the audit of its financial statements.
5. Perusal of the minutes of meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted therein and the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the work performed, duly signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the context of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and the provisions of the ICWG Document of June 2012, issued by the CNMV for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE S.L.

A handwritten signature in black ink, appearing to read 'Manuel Arranz Alonso', is written over a horizontal line. The signature is stylized and somewhat cursive.

Manuel Arranz Alonso

13 March 2013

## SCHEDULE 2 (corresponding to section G of the ACGR)

For the purposes of achieving the maximum transparency regarding the compensation of the Board of Directors, below is a summary chart with an individual breakdown of the compensation of directors.

### COMPENSATION OF DIRECTORS FY2012

Name	Type	Remuneration Board of Directors	Remuneration Deputy Chairman Board of Directors	Remuneration for serving on Committees and on other Boards of Directors	Remuneration for chairing Committees	Fixed Remuneration	Variable Remuneration	Total 2012
Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3268	3112	6480
José Arnau Sierra	Proprietary	64	43	54	-	-	-	161
Carlos Espinosa de los Monteros Bernaldo de Quirós	Independent	100	37	140	50	-	-	327
Irene R. Miller	Independent	100	-	100	43	-	-	243
Nils Smedegaard Andersen	Independent	100	-	100	-	-	-	200
Emilio Saracho Rodríguez de Torres	Independent	100	-	100	-	-	-	200
Juan Manuel Urgoiti López de Ocaña	Independent	100	-	100	7	-	-	207
GARTLER, S.L. <sup>(1)</sup>	Proprietary	100	-	-	-	-	-	100
Amancio Ortega Gaona	Proprietary	100	-	-	-	-	-	100
<b>TOTAL</b>		<b>864</b>	<b>80</b>	<b>594</b>	<b>100</b>	<b>3268</b>	<b>3112</b>	<b>8018</b>

NOTES:

Amounts in EUR thousand

<sup>(1)</sup> Represented by Ms Flora Pérez Marcote