

INDITEX



**Report on the Proceedings and Activities Report of the
Audit and Control Committee**

FY2017

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1. Preliminary

This document, drawn up by the Audit and Control Committee of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, “**Inditex**” or the “**Company**”) in the meeting held on 11 June 2018, represents the annual activities and proceedings report of such Committee, drafted pursuant to recommendation 6 of the Good Governance Code of listed companies, approved by resolution of the Board of Directors of Comisión Nacional del Mercado de Valores [*Spanish Securities and Exchange Commission*] on 18 February 2015 (hereinafter, the “**CBG**” [*Spanish acronym*]) and section 15 (e) of the Audit and Control Committee’s Regulations, and describes the main proceedings of the Audit and Control Committee from 1 February 2017 through 31 January 2018, FY2017 end.

This report has been issued on an annual basis since FY2002.

2. The Audit and Control Committee: origin and evolution, regulations and composition

a. Origin and evolution

The formation of the Audit and Control Committee originates in the Board of Directors’ Regulations, approved by the Company’s Board of Directors in the meeting held on 20 July 2000. The former name of such Committee was the Audit and Compliance Committee.

Since then, the Board of Directors of Inditex has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and regulations approved. Among those amendments, those regarding the Board of Directors’ Regulations can be found and mention should be made of the changes in such regulations aimed at reinforcing the duties of the Audit and Control Committee to extend its powers or entrust it with new ones.

Further to the passing of Act 31/2014, of 3 December, amending the Spanish Companies Act for the improvement of corporate governance (hereinafter, the “**Companies Act**” or “**LSC**” [*Spanish acronym*]), and to the release of the CBG, Inditex carried out a review of its internal regulations, updating them to meet the latest regulatory requirements, the latest recommendations in the area of good governance and the latest trends in the field of corporate governance, which ended with the thorough redraft of most of its internal regulations, including the approval of the Audit and Control Committee’s Regulations.

Finally, the Board of Directors resolved on 14 June 2016 to amend the Audit and Control Committee’s Regulations, and such amendment was subsequently approved by the Annual General Meeting, in order to bring it into line with the Articles of Association and with the reform introduced in LSC by Act 22/2015 of 20 July on Statutory Audit.

b. Regulations, duties and powers.

Section 5 of the Audit and Control Committee’s Regulations addresses the mission of the Committee, and its powers are set out in sections 6 to 15 and 27 to 30 of such set of rules.

The main powers of the Audit and Control Committee regard the supervision of (i) the process to prepare the regulated financial information; (ii) the statutory audit; (iii) the internal audit; and, (iv) the internal control and risk management. Namely, its basic responsibilities are:

- (a) *To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Control Committee and*

namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Control Committee in this process.

- (b) To oversee the effectiveness of the internal control system of the Company, the internal audit and the risks management systems, including tax risks, and to discuss with the auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without jeopardising its independence; for such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;*
- (c) To oversee the process for preparing and disclosing the regulated financial information regarding the Company and, as the case may be, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting criteria, and to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;*
- (d) To table to the Board of Directors, for the subsequent submission thereof to the General Meeting of Shareholders, the motions on recruitment, appointment, re-election and replacement of the external auditor, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them and to regularly gather from the external auditor information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;*
- (e) To liaise with the external auditor in order to receive information on those matters that could represent a threat to its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorization of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall receive every year from the external auditor, the statement of its independence regarding the entity or those entities directly or indirectly related thereto, as well as the detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above mentioned entities by the external auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing regulations on the audit activity;*
- (f) To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. Such report must address at any rate, the reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and regarding the independence system or the regulations on the audit activity;*
- (g) To ensure that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations;*

- (h) *To advise beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;*

Additionally, as provided in section 15 of the Board of Directors' Regulations, and in sections 5 to 15 of the Audit and Control Committee's Regulations, it is also entrusted with duties in the following areas:

- In the area of Corporate Governance: (i) to evaluate the appropriateness of the corporate governance system; and (ii) to oversee and receive information on compliance with the Internal Regulations of Conduct regarding transactions in Securities and other governance regulations.
- In the area of compliance with internal regulations: (i) to establish and oversee the mechanisms for reporting irregularities or non-compliance with internal regulations (i.e., the Whistle Blowing Channel); and, (ii) to receive information on a half-yearly basis on the level of compliance with the Codes of Conduct and on the proceedings of the Whistle Blowing Channel; (iii) to prepare and table the Annual Corporate Governance Report; and; (iv) to oversee the proceedings and operation of the corporate website.
- In the area of assessment of the management of non-financial risks (operational, technological, legal, social, environmental, political and reputational);
- In the area of social and environmental Sustainability: (i) to oversee the Corporate Social Responsibility Policy and the Environmental Sustainability Policy; and, (ii) to follow-up on the strategy and practices thereof; and to report on social information and on diversity.
- Regarding tax topics: to report on the tax policies applied and, with regard to transactions or business to be submitted to the Board for approval, to report on their tax impact; and,
- In the supervision of the communication strategy and coordinating the relationships with the different stakeholders (especially, with shareholders and investors).

c. Composition

Following its initial composition, agreed by Inditex's Executive Committee on 27 October 2000, members and structure of the Audit and Control Committee have been subject to change in order to comply with the regulations and recommendations on good governance from time to time in force.

Members of the Audit and Control Committee and especially its Chair, have the required knowledge, qualifications and experience in the areas of accounting, audit or risks management. Members of the Audit and Control Committee shall, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.

In the meeting held on 12 June 2017, the Nomination Committee gave a favourable report to the motion to re-elect Mr José Arnau Sierra as non-executive proprietary director, which was subsequently tabled by the Board of Directors to the Annual General Meeting.

The re-election of Mr José Arnau Sierra to the Board of Directors as non-executive proprietary director, was approved by the Annual General Meeting on 18 July 2017.

Likewise, the re-election of Mr José Arnau Sierra as director entailed his continuing being a member of the Audit and Control Committee, pursuant to section 23.2 of the Board of Directors' Regulations.

In FY17, no member of the Audit and Control Committee has been removed, following resignation or otherwise, nor any new member has been appointed.

Consequently, the composition of the Audit and Control Committee as at 31 January 2018 is as follows:

Name	Office	Category	Date of appointment
Mr José Luis Durán Schulz	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	17-07-2012
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	15-07-2014
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate	27-10-2000
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent	13-07-2010

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the 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. At present, four members of the Audit and Control Committee, entirely made up of non-executive directors, are independent, which represents 66.66% of all its members.

Members of the Committee, and namely its Chair, have knowledge, qualification and expertise in accounting, audit or risks management matters, and the required technical knowledge regarding the business sector to which the Company belongs.

The Chair of the Audit and Control Committee, who must be an independent director, 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/her removal. Mr Durán Schulz was appointed Chair of the Audit and Control Committee on 19 July 2016.

The CV of all the members of the Audit and Control Committee is available on the corporate website: (www.inditex.com).

d. Proceedings

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include within its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair or the Secretary. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. Likewise, The Committee may also pass resolutions in writing, without holding a meeting pursuant to the provisions of statute.

It should be underlined that the Chair and the Secretary of the Audit and Control Committee hold a preparatory meeting with the officers of the main areas more directly related to the Committee on account of their duties, and at any rate, with the Chief Financial Officer and the Chief Audit Officer, for the purposes of reviewing and preparing the items on the scheduled agenda. The meeting of the Audit and Control Committee is called after such preparatory meeting is held.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary thereof.

Members of management or staff members of the Company and its Group are bound to attend the meetings of the Audit and Control Committee and provide its members with assistance and access to the information they may have, upon request of the Committee. Likewise, the Committee may also request the presence at its meetings of the Company's statutory auditors.

3. Proceedings of the Audit and Control Committee: Meetings held, business transacted, reports and attendees

The Audit and Control Committee held 5 meetings during financial year 2017.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Audit and Control Committee during financial year 2017 stands at 100%.

The average duration of each meeting has been of approximately three hours.

The schedule of the meetings held and business transacted by the Audit and Control Committee between 1 February 2017 and 31 January 2018 is provided below:

DATE OF MEETING	MAIN BUSINESS TRANSACTED	REPORTS AND MOTIONS SUBMITTED TO THE BOARD OF DIRECTORS	INDITEX'S ATTENDEES
13/03/2017	<ul style="list-style-type: none"> - Review of the financial statements of the company. Review of the annual financial report to be disclosed by the Board of Directors to the market. - Meeting with the external auditors of the company. - Motion regarding the appointment/ re-election of statutory auditors. - Report on the Independence of auditors. - Internal Audit issues: <ul style="list-style-type: none"> ▪ External Audit: 2016 fees and 2017 budget ▪ 2016 Internal Audit activities report. ▪ 2017 Internal Audit Plan and budget ▪ 4Q2016 assignments - Report on related-party transactions. - 2016 Annual Corporate Governance Report. - Annual report of the Committee of Ethics: summary of proceedings and implementation of the Corporate Compliance Program of the Inditex Group. - Report on tax policies followed in the financial year (Code of Good Tax Practices). - Half-yearly report (August 2016 - January 2017) of the Compliance Supervisory Board. - Report on treasury stock - Provision by external auditors of additional non-audit services 	<ul style="list-style-type: none"> - Annual financial information (FY 2016). - Final findings 2016 Audit. - Report on the re-election of auditors. - Report on the independence of external auditors. - Reports of the IA Department: <ul style="list-style-type: none"> - External Audit: 2016 fees and budge - 2016 Annual Activities Report of Internal Audit - 2017 Internal Audit Plan and Budget - Report on assignments carried out during 4Q2016 - Report on related-party transactions. - 2016 Annual Corporate Governance Report. - Annual report of the Committee of Ethics on the enforcement of the regulations on the Corporate Compliance System of the Inditex Group, and on the proceedings of the Committee. - Report on tax policy for 2017. - Half-yearly report (August 2016 - January 2017) of the Compliance Supervisory Board (CSB). - Report on treasury stock - List of non-audit services 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman - Mr Ignacio Fernández Fernández, Chief Financial Officer - Mr. Carlos Crespo González, Chief Audit Officer - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board - Mr Santiago Martínez-Lage Sobredo, Deputy-Secretary of the Board. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer - Ms Piedad Barco Gurrea, Secretary of the Committee of Ethics - Mr Andrés Sánchez Iglesias, Head of the Tax Department - Mr Marcos López García, Capital Markets Directo

<p>12/06/2017</p>	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - Internal Audit: analytical review 1Q2017 results. - Review of external audit topics: - Reorganisation of online sales companies - Cybersecurity - Compliance: - Report on the Criminal Risk Prevention Model - Observance of new local requirements on Compliance, namely, report on compliance with the UK "Modern Slavery Act - Internal Audit: work done during 1Q2017 - Statement of the Annual Report (Integrated Report) - Annual Report on the Proceedings of the Audit and Control Committee - Provision by the external auditors of non-audit services 	<ul style="list-style-type: none"> - Financial information for 1Q2017. - Report on the 1Q2017 results by the IA Department - Report of the Tax Department on the Reorganisation of the online sales companies. - Report of the IT Division - Report of the Committee of Ethics on the Model of Criminal Risk Prevention of the Inditex Group. - Inditex Group Modern Slavery and Human Trafficking Statement FY2016 - Report on the work done by the IA Department during the first quarter of FY2017 - Annual Report - Annual Report on the Proceedings of the Audit and Control Committee for FY2016 - Provision of non-audit services 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr Carlos Crespo González, Chief Audit Officer. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Gabriel Moneo Marina, Chief IT Officer - Mr Raúl Amigorena Eguiluz, Head of IT Security - Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board - Ms Piedad Barco Gurrea, Chief Compliance Officer for Europe - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer - Mr Manuel Alonso Vila and Ms Ana Díaz Ibarra, members of the IA Department
	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the markets and its supervisory boards. - Meeting with the external auditors: <ul style="list-style-type: none"> - Limited review report on 1H2017 results - Internal Audit: <ul style="list-style-type: none"> - Work done during 2Q2017 - Compliance area: <ul style="list-style-type: none"> ▪ Report on the implementation status of the Corporate Compliance 	<ul style="list-style-type: none"> - Financial information 1H2017. - Report issued by external auditors on the review of the 1H2017. - Report on the work done by IA Department during 2Q2017. - Report of the Committee of Ethics on the enforcement of the regulations on Corporate Compliance System of the Inditex Group - Report on the proceedings of the Committee of Ethics for 1H2017 - Half-yearly report 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacion Fernández Fernández, Chief Financial Officer - Mr Carlos Crespo González, Chief Audit Officer - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer - Ms Piedad Barco Gurrea, Chief Compliance Officer for Europe - Mr Juan Villar de la Riera,

<p>18/09/2017</p>	<p>Program of the Inditex Group</p> <ul style="list-style-type: none"> ▪ Report of the Committee of Ethics: summary of proceedings. ▪ Half-yearly report (February – July 2017) of the Compliance Supervisory Board (CCSB). ▪ Integrity Policies: Policy on dealings with public servants; Policy on gifts and business courtesies, and Policy on donations and sponsorships. <ul style="list-style-type: none"> - Risks Map: 2017 update. - Report on the appointment of the Data Protection Officer. - Related-party transactions - Provision by the external auditor of non-audit services <ul style="list-style-type: none"> - Inclusion of non-audit services provided to Pontegadea Inversiones, S.L. - Agreements executed with the Inditex Group. 	<p>(February – July 2017) of the Compliance Supervisory Board (CSB)</p> <ul style="list-style-type: none"> - Policy on Donations and Sponsorships - Policy on Gifts and Business Courtesies - Policy on Dealings with Public Servants - Risks Map. - Information regarding the appointment of the Data Protection Officer - Information on related-party transactions - List of non-audit services - 	<p>Head of Compliance at HQ, and for South-Africa and Oceania</p> <ul style="list-style-type: none"> - Ms Isabel Gómez-Cuétara Martínez, Head of Corporate Governance - Ms Martina Fernández Porto Head of the ERM Department - Mr Antonio Trillo Prego, Head of the PDC Department - Ms Cristina Sánchez-Tembleque, corporate Data Protection Officer.
<p>14/11/2017</p>	<ul style="list-style-type: none"> - Business Plan 2018-2020. 	<ul style="list-style-type: none"> - Business Plan 2018-2020. 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr José María Álvarez Gallego. Head of Corporate Development - Mr Javier Losada Montero. Head of Planning and Management Control

11/12/2017	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - External Audit: 2018 Audit Plan - Internal Audit: <ul style="list-style-type: none"> a. Analytical review of the 3Q2017 results. b. Work done in 3Q2017 - Compliance. <ul style="list-style-type: none"> a. Report on the degree of implementation of the Inditex's Group Corporate Compliance System. b. New internal regulations: (i) Code of Conduct and Responsible Practices for the USA; and (ii) Diversity and Inclusion Policy. c. Evaluation of the appropriateness of the corporate governance system. - New regulations on the mandatory disclosure of nonfinancial information and diversity (RD-Ley 18/2017) of 24 November - Divestment of real estate assets. - IP Litigation - New EU Regulations on Data Protection (GDPR) - IT Division: Follow-up on the projects of the systems area - Report on the evaluation of the Committee and the performance of its members. - Schedule of dates and business to be transacted by Inditex's Board of Directors in FY2018 - Provision by external auditors of non-audit services 	<ul style="list-style-type: none"> - Financial information 3Q2017. - 2018 Audit Plan. - Report of the IA Department on the 3Q2017 results - Report on the work done in 3Q2017 ty the IA Department - Code of Conduct and Responsible Practices for the USA - Diversity and Inclusion Policy - Report on the evaluation of the appropriateness of the corporate governance system. - Legal report on a sale of real estate transaction - Report on litigation and other responsibilities of the Legal Area of the IP Department - Report of the IT Division - Report on the evaluation of the Audit and Control Committee and the performance of its members - Schedule of dates and business to be transacted by Inditex's Board of Directors in FY2018 - List of non-audit services 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr Carlos Crespo González, Chief Audit Officer. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer. - Mr Manuel Alonso, member of the IA Department - Mr Javier Monteoliva Díaz, Head of the Legal Department - Ms Susana Fernández Martin, Head of the IP Department - Mr Antonio Trillo Prego, head of the PDC - Ms Cristina Sánchez-Tembleque, head of the corporate Data Protection area and Data Protection Officer - Mr Gabriel Moneo Marina, Chief IT Officer. - Mr Raúl Amigorena Eguiluz, Head of IT Security
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4. Main lines of action

During financial year 2017, the main action lines of the Audit and Control Committee have focused on the following:

A. Periodic financial information, annual accounts and audit report

The Audit and Control Committee reviews the economic and financial information of Inditex prior to the approval thereof by the Board of Directors.

To this end, before drafting the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Management of the Company to review the application of the accounting principles, the estimates made while preparing the financial statements, etc.,

Likewise, the Committee meets with the external auditors in order to review the financial statements of the Company and certain periodic financial information, ensuring that the legal requirements are met and that the generally accepted accounting standards are correctly applied.

The Audit and Control Committee reviewed on 13 March 2017 FY2016 full results. It reviewed FY2017 quarterly results and the pertaining Results Releases and Press Releases in the meetings held on 12 June (1Q), 18 September (1H) and 11 December (3Q). Such results – and the respective Results Releases and Press Releases – were provided by the Board of Directors to the market and its supervisory boards on a quarterly basis pursuant to the Period Public Information (PPI) format.

Likewise, the annual accounts and management reports, both individual and consolidated, and the Audit Report, all of them for FY2016, were also reviewed. The Committee verified that an unqualified Audit Report was issued. Additionally, the Committee has overseen the Internal Control System on Financial Reporting (ICFR), which is addressed in section F of the Annual Corporate Governance Report for FY2016 approved on 13 March 2017.

B. Effectiveness and independence of statutory auditor

The audit conducted during FY2016 was reviewed at the meeting of the Audit and Control Committee held on 13 March 2017, with the attendance of the external auditors who had been previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2017 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2017. Likewise, they issued a limited review report on the financial statements.

Additionally, the main issues, classified in international, domestic, accounting issues and other less relevant ones, were reviewed.

Pursuant to the Procedure to Contract an Auditor for the Provision of Additional Non-Audit Services, approved by the Committee in the meeting held on 18 July 2016, the Audit and Control Committee has assessed and approved in all the meetings held in FY17 the engagement by the Company and Group entities of non-audit services from external auditors.

The Audit and Control Committee approved on 13 March 2017 the report on the independence of the external auditors of the Company for FY2016, which also addressed the provision of additional non-audit services.

Pursuant to Recommendation 6 of CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) since de date the Annual General Meeting is called.

C. Internal Audit

The Chief Audit Officer and the Deputy Chief Audit Officer attended the meetings of the Audit and Control Committee held in FY2017 and took an active part therein, in the performance of support and advice functions.

Different issues within the Committee's remit were addressed in such meetings and the Committee oversaw the work plan of the Internal Audit Department, and approved its budget and its activities report in the meeting held on 13 March 2018.

D. External auditors

Members of the Audit and Control Committee met with the external auditors in the meetings held on 13 March, 12 June and 18 September 2017, without any member of the management being present, to deal with different issues within its remit.

Moreover, external auditors attended the meeting of such Committee held on 11 December 2017, especially invited to do so by the Audit and Control Committee, to address the audit plan for FY2018.

E. Risks Map

The Audit and Control Committee gave a favourable report to the updated 2017 Risks Map in the meeting held on 18 September 2017

F. Annual Corporate Governance Report

The Audit and Control Committee approved on 13 March 2017 the Annual Corporate Governance Report for FY2016, drafted as regards its format, contents and structure, in accordance with the provisions of Circular 7/2015 of 22 December of CNMV. The ACGR was submitted by the Committee to the Board of Directors which approved it on 14 March 2017, and subsequently sent to the CNMV as a relevant fact. The Annual Corporate Governance Report is available on CNMV website (www.cnmv.es).

G. Inditex's Annual Report

The Committee issued a favourable report on the Annual Report for FY2016 in the meeting held on 12 June 2017. Information on the activities of Inditex and its Group of companies over the last years, and namely during FY2016 with regard to three areas: financial, social and environmental, was provided in such Annual Report.

The Annual Report has been prepared taking into account the principles established in the G4 Guide to Sustainability Reporting of the Global Reporting Initiative (GRI), the principles established in the International Integrated Reporting Framework, and AA1000 Accountability Principles Standard 2008 (AA1000APS), and has been verified by SGS ICS Ibérica, SA in accordance with ISO 19001. The results of this verification demonstrate that the application level (In Accordance – Exhaustive) declared for the GRI Guide (G4) is appropriate. Equally, a selection of relevant indicators was reviewed by KPMG Asesores in accordance with standard ISAE 3000.

H. Review of the reports of the Committee of Ethics

The Audit and Control Committee reviewed and approved the Annual Report of the Committee of Ethics for FY2016 in the meeting held on 13 March 2017, and the Half-yearly report of the Committee of Ethics for the first half of FY2017 in the meeting held on 18 September 2017. Likewise, in the meeting held on 12 September 2017, the Audit and Control Committee acknowledged the Report on the Model of Criminal Risk Prevention issued and approved by the Committee of Ethics on 2 June 2017.

The issues reviewed in such reports include, without limitation, the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers, with a detail of the cases seen by the Committee of Ethics, the proceedings and the resolutions adopted by such Committee; the results of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group, and the proceedings to implement the Corporate Compliance System at domestic and international level (disclosure and communication of the Corporate Compliance System, proceedings related to the acceptance of the Code of Conduct and Responsible Practices, and training in the area of Corporate Compliance System).

Additionally, the Audit and Control Committee followed-up on the progress of the degree of implementation of the Inditex Group's Model of Corporate Compliance, in the meetings held on 12 June and 11 December 2017.

I. Review of the reports of the Compliance Supervisory Board and the Office of the Chief Compliance Officer

The Audit and Control Committee reviewed in the meetings held on 13 March and 18 September 2017 the quarterly reports prepared by the Office of the Chief Compliance Officer in respect of the enforcement of the Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the "**IRC**"), and the half-yearly reports issued by the Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

J. Evaluation of the appropriateness of the corporate governance system

In the meeting held on 11 December 2017, the Audit and Control Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interests taking into account the lawful interests of the different stakeholders.

K. Corporate Policies

In the meeting held on 18 September 2017, the Audit and Control Committee gave a favourable report to the so called Integrity Policies of the Inditex Group, composed of: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants. Such Policies were subsequently approved by the Board of Directors on 19 September 2017.

In the meeting held on 11 December 2017, the Audit and Control Committee gave a favourable report to the Diversity and Inclusion Policy of the Inditex Group, which was subsequently approved by the Board of Directors. Likewise, in such meeting, the Audit and Control Committee gave a favourable report to the Code of Conduct for the US and Puerto Rico, that seeks to bring Inditex's corporate conduct policies into line with the regulations and best practices existing in the field in the US. Such Code is inspired by the Code of Conduct and Responsible Practices and implements certain elements thereof.

L. Related-party transactions

In the meeting held on 13 March 2017, the Audit and Control Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout FY2016.

Pursuant to Recommendation 6 of the CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) since the date the Annual General Meeting is called.

M. Report on its activities

The Audit and Control Committee issued the annual report on its activities on 13 June 2017. It was published in the 2016 Annual Report and is available on www.inditex.com.

N. Report on tax policies

Pursuant to the provisions of the Company's Tax Policy, the Audit and Control Committee acknowledged in the meeting held on 13 March 2017 the tax policies followed throughout FY2016.

For all relevant purposes and pursuant to section 229 of the Companies Act, as amended by Act 3/2014 of 3 December for the purposes of improving corporate governance, directors have not disclosed any direct or indirect conflict of interests between their interest or those of any person related to them and the interest of the controlling company. Consequently, despite the fact that this power corresponds to the Audit and Control Committee, this issue has not been included as an item on the agenda of the different meetings held during the year.

6. Relevant proceedings subsequent to FY2017 year-end

Further to the appointment of Mr Carlos Crespo González as Chief Operating Officer, Inditex's Board of Directors approved in the meeting held on 13 March 2018, on the proposal of the Audit and Control Committee and following a favourable report of the Nomination Committee, the appointment of Ms Paula Mouzo Lestón as new Chief Audit Officer of the Inditex Group.

7. Main relationships of the Audit and Control Committee**A. With the General Meeting of Shareholders.**

The Chair of the Audit and Control Committee is available to the shareholders at the Annual General Meeting in order to address those questions therein raised by the same with regard to matters within its remit, pursuant to the provisions of statute, the Articles of Association, the Board of Directors' Regulations and of the Audit and Control Committee's Regulations.

B. With the Board of Directors.

At the beginning of each meeting of the Board of Directors, the Chair of the Audit and Control Committee apprises all Directors on the main business transacted in the last meeting of the Committee.

C. With the advisory Committees of the Board of Directors.

Directors sitting on the Audit and Control Committee also sit on the Nomination Committee and on the Remuneration Committee.

D. With the Executive Chairman and the Senior Executives.

For the purposes of permitting the Audit and Control Committee to be directly apprised of the major business concerns, the Committee encourages the appearance in its sessions of the Executive Chairman and of the executives and officers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent.

Additionally, the Committee may call any employee or officer of the Company and even arrange for their attendance without any other officer being present.

E. With the General Counsel's Office.

The General Counsel and Secretary of the Board, in his capacity as Chief Compliance Officer regularly informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, on the degree of enforcement of the rules of the company on corporate governance.

Additionally, the General Counsel and Secretary of the Board, in his capacity as Chair of the Committee of Ethics regularly advises the Audit and Control Committee on the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; the outcome of the supervision of the Model on Criminal Risks Prevention of the Inditex Group and the proceedings undertaken to implement the Corporate Compliance system.

F. With the Internal Audit Department.

The Internal Audit Department, ensures, under the supervision of the Audit and Control Committee, the good operation of the information and internal control systems. Internal Audit is a centralized function included in the current organizational structure by means of a direct link to the Board of Directors, achieved through the functional reporting to the Chair of and the operational reporting to the Executive Chairman.

The Chief Audit Officer (CAO), being ultimately responsible for the Internal Audit function, regularly appraises the Audit and Control Committee of the annual Internal Audit work plan, as well as of the assignments carried out in the different auditing areas.

Meanwhile, the Audit and Control Committee oversees the Internal Audit Department, approving its budget, the Internal Audit Plan, the annual activities report and the resources of the Department to carry out its tasks as well as the contents of its proceedings.

G. With the external auditors.

The relationship of the Board of Directors of the Company and the external auditors of the Group is channeled through the Audit and Control Committee.

Without prejudice to the annual meeting between external auditors and the Board of Directors, the former attends the meetings of the Committee wherein the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis is subject to review.

In addition, the Committee tables to the Board of Directors, to be subsequently submitted to the Annual General Meeting, the motions on the appointment, re-election and replacement of the external auditors, the terms for their engagement and the scope of their professional mandate. Likewise, the Committee oversees the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of such contracts entered into with the auditors for the performance of assignments other than those covered by the

audit contract, all of which pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 7 and 30 of the Audit and Control Committee's Regulations.

H. With the external advisors.

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expenses. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.