

**INDITEX**



**Report on the Proceedings and Activities Report of the  
Nomination Committee**

FY2017

ZARA PULL&BEAR Massimo Dutti Bershka  Stradivarius OYSHO ZARA HOME UTERQUE

## Index

<b>1. Preliminary</b> .....	4
<b>2. The Nomination Committee: origin and evolution, regulations and composition</b> .....	4
a. Origin and evolution.....	4
b. Regulations, duties and powers.....	4
c. Composition .....	5
d. Proceedings .....	6
<b>3. Proceedings of the Nomination Committee: meetings held, business transacted, reports and attendees</b> .....	6
<b>4. Main action lines</b> .....	7
A. Appointments.....	8
B. Evaluation .....	8
<b>5. Main relationships of the Nomination Committee</b> .....	9
A. With the Board of Directors .....	9
B. With the Advisory Committees of the Board of Directors.....	9
C. With the Executive Chairman and with Senior Executives .....	9
D. With the Lead Independent Director .....	9
E. With the Human Resources Department.....	9
F. With the external advisors .....	9

## 1. Preliminary

This document, drawn up by the Nomination 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*]).

This report has been issued on an annual basis since FY2005 with regard to the former Nomination and Remuneration Committee. Further to the split thereof into two Committees, as explained in section 2 below, and to the assumption by the Nomination Committee of part of its duties, the report that strictly addresses the proceedings of such Committee was issued for the first time in FY2016.

## 2. The Nomination Committee: origin and evolution, regulations and composition

### a. Origin and evolution

The Board of Directors has been amending its regulations on corporate governance, in line with the most demanding trends in the area and in accordance with the good governance codes and the regulations approved.

The current Nomination Committee originates in the defunct Nomination and Remuneration Committee, following recommendation 48 of CBG. The Board of Directors resolved in the meeting held on 9 June 2015 – the effect of such resolution being conditional upon the further approval of the Annual General Meeting – to split the Nomination and Remuneration Committee into two separate and newly formed committees: the Nomination Committee and the Remuneration Committee. Such split was conditional upon the approval by the Annual General Meeting of the amendment of the Articles of Association.

Subsequently, the Annual General Meeting held on 14 July 2015 approved the amendment of the Articles of Association in order to meet the latest regulatory development and to follow the recommendations of CBG, and consequently (i) the split of the Nomination and Remuneration Committee into two separate committees: the Nomination Committee and the Remuneration Committee; (ii) the composition of such new committees; and (iii) the regulations of each of them, were finally approved.

### b. Regulations, duties and powers

The regulation of the Nomination Committee is provided in article 29 of the Articles of Association, section 16 of the Board of Directors’ Regulations and more specifically, in the Nomination Committee’s Regulations.

Section 5 of this last set of rules covers the mission of the Nomination Committee, and its powers are set out in sections 6 to 9 thereof. Namely:

- (a) To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, it shall define the functions and

## INDITEX

- qualifications required of candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties;
- (b) To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target;
  - (c) To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the nonexistence of any manner of discrimination;
  - (d) To table to the Board of Directors the motions on the election of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders;
  - (e) To issue a report regarding the motions to elect the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder;
  - (f) To issue a report regarding the motions to appoint and to remove senior executives;
  - (g) To review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and planned manner.

### c. Composition

Members of the Nomination Committee, and namely its Chair, shall have the appropriate expertise, qualifications and experience to discharge the duties they are called upon to perform.

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 Nomination Committee, pursuant to section 23.2 of the Board of Directors' Regulations.

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

Consequently, the composition of the Nomination Committee as at 31 January 2018 is as follows:

Name	Office	Category	Date of appointment
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016

## INDITEX

Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	14-07-2015
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate	14-07-2015

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

The Nomination Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, four of the directors sitting on the Nomination Committee are independent, which represents 66.66% of all its members

The Chair of the Nomination 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 Saracho was appointed Chair of the Nomination Committee on 14 July 2015

The CV of all the members of the Nomination Committee members is available on the corporate website: ([www.inditex.com](http://www.inditex.com)).

#### d. Proceedings

The Nomination Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

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

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

### **3. Proceedings of the Nomination Committee: meetings held, business transacted, reports and attendees**

The Nomination Committee held 4 meetings during financial year 2017.

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

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

## INDITEX

The schedule of the meetings held and business transacted by the Nomination 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
12/06/2017	<ul style="list-style-type: none"> <li>- Explanatory report of the prior analysis of the needs of the Board of Directors for the purposes of the re-election or appointment of directors and on the motion to re-elect Mr José Arnau Sierra as proprietary director.</li> <li>- Annual Report on the Proceedings of the Nomination Committee.</li> </ul>	<ul style="list-style-type: none"> <li>- Explanatory report of the prior analysis of the needs of the Board of Directors for the purposes of re-election or appointment of directors.</li> <li>- Report on the re-election of Mr José Arnau Sierra as proprietary director.</li> <li>- Annual Report on the Proceedings of the Nomination Committee.</li> </ul>	<ul style="list-style-type: none"> <li>-Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>
18/07/2017	<ul style="list-style-type: none"> <li>- Report on the re-election of member and Deputy Chairman of the Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Report on the re-election of member and Deputy Chairman of the Executive Committee.</li> </ul>	<ul style="list-style-type: none"> <li>-Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>
19/09/2017	<ul style="list-style-type: none"> <li>- Supervision of the annual programme for the evaluation of the performance of the Board of Directors and its Chairman, the Directors and its advisory and control committees</li> </ul>	<ul style="list-style-type: none"> <li>- Annual programme for the evaluation of the performance of the Board of Directors and its Chairman, the Directors and its advisory and control committees</li> </ul>	<ul style="list-style-type: none"> <li>-Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>
12/12/2017	<ul style="list-style-type: none"> <li>- Report on the evaluation of the proceedings of the Board of Directors, the directors, the Nomination Committee and the performance of its members and of the Executive Chairman.</li> </ul>	<ul style="list-style-type: none"> <li>- Report on the evaluation of the proceedings of the Board of Directors, the directors, the Nomination Committee and the performance of its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>-Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>

#### 4. Main action lines

During FY2017, the most relevant proceedings of the Nomination Committee have focused on the following:

## A. Appointments.

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

Likewise, during the meeting held on 18 July 2017, the Nomination Committee gave a favourable report to the motion to re-elect Mr José Arnau Sierra as member and Deputy Chairman of the Executive Committee.

Prior to such re-election, the Committee had approved an explanatory report on the prior analysis of the board needs for the purposes of re-election or appointment of directors.

The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) from the date of the notice calling the Annual General Meeting.

## B. Evaluation

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, and in line with the recommendations of the CBG and with the Programme approved on 2 December 2015, the Nomination Committee proposed in the meeting held on 19 September 2017 the supervision of the "Programme for evaluating the performance of the Board of Directors, the Directors, the Committees and the Executive Chairman", to be tabled to the Board. Such programme covers the establishment and annual supervision of the evaluation of the performance of the delegated bodies and the supervision and control committees of the Board of Directors.

Likewise, in accordance with Inditex's internal regulations and with best practices in the field of corporate governance, the Nomination Committee approved in the meeting held on 11 December 2017 the report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and of the performance of its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. This report was subsequently approved by the Board of Directors in the meeting held on 12 December 2017.

The outcome of the evaluation conducted during FY2017 has been very positive as regards the issues assessed, including the qualification and structure, the duties, the effectiveness and the proceedings, planning and organisation of the meetings of the Board of Directors, the Audit and Control Committee, the Nomination Committee, the Remuneration Committee, as well as the contributions and performance of the Directors, the Executive Chairman, the Lead Independent Directors and the Secretary of the Board.

**5. Main relationships of the Nomination Committee****A. With the Board of Directors**

At the beginning of each meeting of the Board of Directors, the Chair of the Nomination Committee reports on the main business transacted in the last meeting of the Committee.

**B. With the Advisory Committees of the Board of Directors**

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

**C. With the Executive Chairman and with Senior Executives**

For the purposes of allowing the Nomination Committee to be directly apprised of the major business concerns, the Committee encourages the presence in its meetings of the Executive Chairman and of the different officers and supervisors of the business areas of the Company, so that they would explain their view on certain issues directly linked with the remit of the Committee and which are recurrent in its meetings.

**D. With the Lead Independent Director**

Mr Rodrigo Echenique Gordillo, Lead Independent Director, is a member of the Nomination Committee.

**E. With the Human Resources Department**

In order to keep the Nomination Committee duly and permanently informed, the Human Resources Department regularly apprises the Committee of the changes, if any, in the global talent management and career development programs, and of the succession plans.

**F. 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.

During FY2017, the Committee has been advised by Spencer Stuart, an independent external consultant, which has assisted it with the evaluation of the Board of Directors, its members and its Committees.