
REPORT ON THE MOTION TO RE-ELECT MR PABLO ISLA ÁLVAREZ DE TEJERA TO THE BOARD OF DIRECTORS AS EXECUTIVE DIRECTOR AND EXECUTIVE CHAIRMAN, THAT THE NOMINATION COMMITTEE OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) SUBMITS TO THE BOARD OF DIRECTORS TO BE TABLED TO THE ANNUAL GENERAL MEETING

I. FOREWORD

This report is issued pursuant to section 529*decies* of the [*Spanish*] Companies Act, article 29.3(d) of the Articles of Association, and section 16.2(f), section 21.3 and section 23.1 of the Revised Text of the Board of Directors' Regulations (the "**Board of Directors' Regulations**") of Industria de Diseño Textil, S.A. ("**Inditex**" or the "**Company**"), as well as section 5(e) of the Nomination Committee's Regulations. It covers the motion to re-elect Mr Pablo Isla Álvarez de Tejera to the Board of Directors as executive director, that the Board of Directors will table to the Annual General Meeting.

Additionally, the re-election of Mr Isla to the Board will entail his continuance as Chairman of the Board of Directors, pursuant to the provisions of section 146 of the Regulations of the Companies Register, and section 23.2 of the Board of Directors' Regulations.

Likewise, this report also covers the subsequent re-election of Mr Isla by the Board of Directors as member and Chairman of the Executive Committee, pursuant to section 14.2&3 of the Board of Directors' Regulations.

II. PURPOSE

Upon preparing this report on the motion to re-elect the above mentioned director, the Nomination Committee has taken into account the findings of its prior analysis of the needs of the Board of Directors for the purposes of re-electing or appointing directors, addressed in the relevant explanatory report approved by the Nomination Committee on 23 May 2019, pursuant to Recommendation 14 of the Good Governance Code of Listed Companies, approved by CNMV in February 2015 ("**CBG**" [*Spanish acronym*]), and sections 3, 4 & 5 of CNMV's Technical Guide 1/2019, on nomination and remuneration committees, approved on 20 February 2019.

Namely, the Nomination Committee has taken into account that in order for the Board of Directors to duly perform its duties, it shall, as a whole, have accredited abilities, skills, experience and merits: (i) regarding the Company, the Group, and the retail sector; (ii) in economy and finances, accounting, audit and risk management matters; (iii) in compliance and corporate governance matters; (iv) in the digital and new technologies sector, and in sustainability; (v) in different geographical markets; and (vi) in management, leadership and business strategy, as well as (vii) the requirement for each board member to be available for the necessary dedication to the position, with the main purpose of achieving the strategic objectives marked as a priority by the Company.

Pursuant to the provisions of the above-referred regulations, the Committee shall examine the advisability of the re-election and continuance in office of Mr Isla as executive director. For such reason, this report also includes the evaluation of his skills, experience and merits as well as of his performance during his last tenure, and considers if the suitability requirements demanded for the discharge of the office of director are met.

III. PROFESSIONAL PROFILE AND SKILLS

Mr Isla has been the Chairman of the Board of Directors of Inditex since 2011. He previously served as Deputy Chairman and Chief Executive Officer since 2005.

He is a Law graduate from Universidad Complutense in Madrid (1987) and became Spanish State Attorney (Abogado del Estado) in 1988, ranked #1 of its class. From 1992 to 1996, he was Group General Counsel of Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005, he was Chairman of Altadis Group. He currently is an independent director on the Board of Directors of Nestlé.

Mr Isla was re-elected to the Board of Directors of Inditex by the Annual General Meetings held on 13 July 2010 and 14 July 2015.

IV. PERFORMANCE AND MERITS

Mr Isla has been present at all the meetings of the Board of Directors since July 2015, having attended 22 board meetings.

During his tenure, his results in all the annual evaluations of the performance of the Board of Directors, the Directors, the advisory Committees, and the performance of the Executive Chairman, have been outstanding. Namely, the remaining board members have underscored: (i) his degree of knowledge of the Company; (ii) his quick and reliable decision-making; (iii) the continuing positive evolution of results over the past years – despite the difficult economic environment –, the sustained growth and the development of the corporate culture; (iv) the explanations received where questions were raised or clarification requested; and (v) his institutional representation of the Company, being the main spokesperson of the Group.

His strategic vision and leadership are noteworthy. Mr Isla has driven and led the international expansion of the Group in recent years, consolidating the Company as the leading global fashion retailer in the industry. In addition, his commitment to sustainability of the business model and his role relating to the digital transformation of the Company have been crucial, having proved his strong management ability and adaptability to the constantly evolving environment and business needs.

The strong operational performance of the Company, achieved under his management, has been endorsed by the latest economic and financial results: (i) record numbers in Inditex's history were posted in 2018: net sales reached €26.15 billion and net income stood at €3.44 billion; (ii) the Board of Directors will

propose to the upcoming Annual General Meeting to pay a dividend of €0.88 per share, 17.3% higher than the dividend declared in the previous year. Additionally, as a new development, the Board of Directors will propose to the upcoming Annual General Meeting to pay a bonus dividend of €1 per share for financial years 2018, 2019 and 2020; and (iii) financial performance has been largely endorsed at the Annual General Meetings on a recurring basis (2015: 99.71%; 2016: 99.99%; 2017: 99.98% and 2018: 99.80% of votes for).

Mr Isla has driven a model of sustainable investment and growth, adding cross-cutting sustainable criteria applicable to all business areas and across the entire supply chain. Significant progress in social and environmental issues has been achieved under his charge.

As part of the corporate strategy led by Mr Isla, Inditex has undertaken a number of commitments to sustainability (with the relevant programmes associated thereto). Special mention should be made of the following, without limitation: (i) commitment to achieving 30% GHG emission reduction by 2030; (ii) commitment to ZDHC (Zero Discharge of Hazardous Chemicals) with the supply chain; (iii) achieving the “Zero Waste to Landfill” goal in 2025 regarding waste generation at corporate headquarters, hubs, stores and own factories; (iv) achieving that all its stores meet the requirements of the eco-efficient store standard by 2020; and (v) commitment to taking out from its operations any unnecessary plastic containers and packaging, and ensuring that the ones it continues using are reused and recycled (The New Plastics Economy commitment with the Ellen MacArthur Foundation).

The Company’s sustainability strategy has been acknowledged by some of the most renowned global sustainability indexes: (i) Inditex has been ranked for the third straight year as the most sustainable retail company by the Dow Jones Sustainability Index (DJSI); (ii) it has been ranked in the 54th position among the Global 100 Most Sustainable Corporations, disclosed by Corporate Knights, for its economic, environmental, social and governance performance ahead of the other 3 Spanish companies included in the ranking; and (iii) Inditex is the leader in climate change, according to Carbon Disclosure Project (an international not-for-profit charity which evaluates every year more than 5,600 companies), which highlighted the Group’s efforts to reduce GHG emissions, in risk management and in governance.

Additionally, Mr Isla has been the recipient of numerous awards for his management, being one of the most renowned executives in the world. Mr Isla has been ranked the world’s best performing CEO for the second straight year by *Harvard Business Review*.

Considering the foregoing, the Nomination Committee is fully satisfied with the service of Mr Isla as a director, and highly values: (i) his outstanding management capacity, strategic vision and leadership; (ii) his commitment, diligence and professionalism in the discharge of his duties as director; and, (iii) his sustained attendance and contribution to the proceedings and meetings of the Board of Directors.

V. INELIGIBILITY

The Committee has established that none of the causes of ineligibility to be a company director provided in section 213 of the Companies Act and in section 22 of the Board of Directors' Regulations apply to Mr Isla.

VI. CLASSIFICATION AS EXECUTIVE DIRECTOR

The Nomination Committee has established that the candidate proposed meets the requirements to continue being considered an executive director, pursuant to section 529*duodecies* of the Companies Act.

VII. CONTRIBUTION OF HIS RE-ELECTION TO THE BALANCED MEMBERSHIP ON THE BOARD OF DIRECTORS

Further to the analysis of the needs of the Board of Directors, above referred, carried out by the Nomination Committee on 23 May 2019 for the purposes of re-election or appointment of directors, which findings are included in the relevant explanatory report, the Company's corporate governance structure has been found appropriate to ensure independence, through a number of counterweights.

The new governance structure proposed by the Executive Chairman himself is highly valued. Such structure is based upon the effective separation of management and supervision functions and duties, with the addition of a new executive director serving as chief executive officer pursuant to best international practices on corporate governance.

Considering all the foregoing, it was resolved by the Nomination Committee, unanimously by those present, to give a favourable report to the motion to re-elect Mr Pablo Isla Álvarez de Tejera to the Board of Directors as executive director and Chairman thereof, to be tabled by the Board of Directors to the Annual General Meeting, as well as, if appropriate, his subsequent re-election by the Board of Directors as member and Chairman of the Executive Committee.

Done in Arteixo (A Coruña), on 10 June 2019