
REPORT ISSUED BY THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) REGARDING THE MOTIONS ON THE RE-ELECTION AND APPOINTMENT OF DIRECTORS, INCLUDED AS ITEM SIX ON THE AGENDA OF THE ANNUAL GENERAL MEETING CALLED TO BE HELD ON 16 AND 17 JULY 2019, ON FIRST OR SECOND CALL, RESPECTIVELY

I. FOREWORD

This report is issued by the Board of Directors of Industria de Diseño Textil, S.A. (“**Inditex**” or the “**Company**”) pursuant to the provisions of section 529*decies*(5) of the Revised Text of the [*Spanish*] Companies Act (the “**Companies Act**”), section 23.1 of the Revised Text of the Board of Directors’ Regulations (the “**Board of Directors’ Regulations**”), and the provisions of the Director Selection Policy, approved by the Board of Directors on 9 December 2015. The report covers the motions on the re-election and appointment of members to the Board of Directors of the Company, which are submitted to the Annual General Meeting, as item six on the agenda, on the proposal of the Nomination Committee.

II. PURPOSE

This report is issued first of all to support the fact that the motions to re-elect Mr Pablo Isla Álvarez de Tejera, Mr Amancio Ortega Gaona, Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz to the Board of Directors of Inditex, as well as the motion to appoint Mr Carlos Crespo González to the Board of Directors are based on a prior analysis of the needs of the Board of Directors, written up 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*]), sections 3, 4 & 5 of CNMV’s Technical Guide 1/2019 on nomination and remuneration committees, approved on 20 February 2019 (the “**Technical Guide 1/2019**”), and section 3 of the Director Selection Policy. As provided in the above referred regulations, this report also considers the skills, experience and merits of the candidates whose re-election or appointment to the Board of Directors is proposed to the Annual General Meeting, as the case may be. Additionally, the fact that the respective professional profile of each candidate is suitable for the Company’s description, its business and its international presence, has also been considered

Namely, the Nomination Committee has taken into account that in order for the Board of Directors to duly perform its duties, its members shall, as a whole, have accredited abilities, skills, experience and merits: (i) regarding the Company itself, 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.

Based on the foregoing, each motion and report issued by the Nomination Committee, describing the skills, experience and merits of the candidates (and including their respective CV) have been assessed, having been fully endorsed by the Board. All of them are attached to this report for any

relevant purposes. Further to the review of the above referred motions and reports, the Board of Directors has considered:

- That Mr Pablo Isla Álvarez de Tejera, Mr Amancio Ortega Gaona, Mr Carlos Crespo González, Mr José Luis Durán Schulz and Mr Emilio Saracho Rodriguez de Torres have, as a whole and each of them individually, the skills, experience and merits required for the directorship.
- That the candidates for the re-election have served on the Board of Directors to its full satisfaction.

A high level of attendance in person by directors to the meetings of the Board of Directors and its advisory committees is noted, close to 100%. Likewise, the commitment, diligence and professionalism of directors in the discharge of their respective duties and their contribution to the appropriate performance of the Board is highly valued.

- The Board has verified the classification of candidates in executive, proprietary and independent, proposed by the Nomination Committee, considering the definitions of section 529*duodecies* of the Companies Act.

III. FINDINGS

Should the motions on the re-election and appointment of directors be approved by the Annual General Meeting, the Board of Directors will be made up of 2 executive directors, 3 proprietary directors and a majority of independent directors (5), under the leadership of Mr Isla, as Executive Chairman of the Company.

Based on the foregoing, the Board of Directors has considered that the motions on the re-election and appointment of directors contribute, as a whole, to maintain and reinforce:

- (i) Diversity of knowledge and experience on the Board of Directors:
 - a. in economy and finance, accountability, audit and risk management matters, compliance and corporate governance, especially encouraging technological profiles, with expertise in sustainability, in line with the Groups' key strategies;
 - b. in companies of different sectors of interest for the Company, namely the retail sector and other regulated ones, giving rise to a comprehensive map of professional profiles within the Board of Directors, which contributes to offer a diverse and plural vision on its operation;
 - c. in management of companies of different geographical markets, which contributes to the effective management of the Group and of the risk arising from its international dimension;
- (ii) A sound and solid knowledge of the Company and its Group: the necessary renewal of board members must be combined with the presence of executive profiles and of other directors with proven experience in the Company and a sound knowledge of the same, its business model, its governance regulations, and in the ever evolving retail sector where it operates;

- (iii) A balanced board: with the motions raised, the presence of independent, proprietary and executive directors is ensured.
- The re-election of the two independent directors ensures that the higher proportion of independent directors within the Board of Directors is kept.
 - The re-election of the proprietary director permits: (i) ensuring that the decisions of the Board of Directors are aligned with the interests of shareholders, considering that the structure of the Company's capital is diverse, notwithstanding which, a high percentage of the company's capital is held by significant shareholders; and (ii) acting as counterweight in case of potential risk of concentration of power in executive directors.
 - The re-election of the current Executive Chairman contributes to ensuring continuity: (i) of a successful business model and consequently, of the current strategic plan aimed at the digital transformation and sustainable generation of value; and (ii) of a governance model defined by a strong leadership and prompt and effective decision-making at the highest level.
 - The appointment of a new executive director contributes to reinforcing (i) the executive management of business in the field of new technologies and sustainability; and (ii) the appropriate supervision by the Board of Directors of the correct implementation of the corporate strategy.

The Nomination Committee has noted in a report issued on 23 May 2019, taking into account the motion to appoint a new executive director, that it would be convenient to increase the current number of directors (to 11), for the purposes of (i) keeping the balance on the Board, as described above; (ii) fitting the size and complexity of the Group and its business and bringing it into line with the size of comparable companies; and (iii) ensuring a progressive process of renewal of directors.

Should the motion to appoint Mr Crespo as new executive director be approved, another vacancy needs to be filled in. The Nomination Committee has launched a selection process to find a new independent director, subject to the provisions of the Board of Directors' Regulations, the Nomination Committee's Regulations, the Director Selection Policy and Technical Guide 1/2019.

For the purposes of keeping an appropriate balance on the Board of Directors as a whole, the selection process in respect of the new candidate shall target the search of highly qualified and honourable candidates with personal strength, that contribute to ensure diversity of knowledge, experience, background and gender within the Board of Directors, also meeting the required ability and eligibility conditions. Namely, as determined by the Nomination Committee, it would be highly appreciated if the appointment of the new independent would continue reinforcing: (i) experience and knowledge in the digital and new technologies sector, as well as in sustainability; and, (ii) the presence of female directors, still the least represented gender on the board.

The selected candidate shall be appointed by the Board of Directors by co-option and such appointment must be ratified by the Annual General Meeting.

Considering the foregoing, this report is issued by the Board of Directors in accordance with the provisions of section 529*decies*(5) of LSC, section 23.1 of the Board of Directors' Regulations, and the Director Selection Policy. It will be attached to the minutes of the meeting of the Annual General Meeting during which the motions on re-election and appointment covered in this report

will be considered.

Done in Arteixo (A Coruña), on 11 June 2019