
EXPLANATORY REPORT THAT THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) SUBMITS TO THE ANNUAL GENERAL MEETING, REGARDING THE MOTION INCLUDED IN ITEM SEVEN ON THE AGENDA OF THE ANNUAL GENERAL MEETING CALLED TO BE HELD ON 16 AND 17 JULY 2019, ON FIRST AND SECOND CALL, RESPECTIVELY

This report is drafted by the Board of Directors of Industria de Diseño Textil, S.A. (“**Inditex**” or the “**Company**”) pursuant to the provisions of section 286 of the revised text of the [Spanish] Companies Act (“**LSC**” [Spanish acronym] or “**Companies Act**”), approved by *Real Decreto Legislativo* 1/2010, of 2 July, in support of the proposed amendment of the Articles of Association which is submitted to the Annual General Meeting under item seven on the Agenda. The full text of the proposed amendments is included in this report.

For the ease of reference of the shareholders regarding the changes which led to this motion, the following is offered: (i) an explanation of the mechanics of the amendments, (ii) an explanation of the rationale thereof, (iii) the proposed resolution which is submitted to the Annual General Meeting for approval, and finally, (iv) a comparison between the current wording of the Articles of Association and the proposed amendment thereof which is submitted to the Annual General Meeting. Both texts are shown in two columns: the one to the left with the current wording and the one to the right with either the new wording proposed, with the changes underlined in blue, or the term “unchanged” as a reference to such paragraphs of the clauses whose wording remains unchanged.

I. MECHANICS OF THE MOTION

The amendments of the Articles of Association which is submitted to the Annual General Meeting for deliberation are structured as follows:

- (a) A first group of amendments answers the need to adapt the wording of the Articles of Association to the legal reform introduced by Act 11/2018, of 28 December, amending the Spanish Code of Commerce, the Companies Act and Act 22/2015, of 20 July, on Statutory Audit (“**Statutory Audit Act**”), with respect to non-financial information and diversity (“**Act 11/2018**”).

A second group of amendments affects the structure of the Board of Directors, its committees and its authorities. On the one hand, it seeks to expressly provide for the formation of a Sustainability Committee and its main features, which shall be developed in the Board of Directors’ Regulations and/or the Committee’s own set of rules. On the other hand, the opportunity brought by the above-referred amendments was taken to rename the Audit and Control Committee as “Audit and Compliance Committee” and to adapt several provisions to the Technical Guide 1/2019 of Comisión Nacional del Mercado de Valores [the Spanish Securities and Exchange Commission] (“CNMV”), on appointments and remunerations committees.

The effectiveness of the above referred amendment of the Board of Directors’ Regulations is conditional upon approval by the Annual General Meeting of the amendment of the Articles of Association subject matter of this report.

Following the approval, if any, by the Annual General Meeting of the proposed amendment of the Articles of Association, the Board Committees' Regulations will be reviewed to adapt them, where applicable, to the amendment of the Articles of Association and of the Board of Directors' Regulations, as well as to the recommendations included in CNMV's Technical Guides 3/2017 and 1/2019, on audit committees of entities of public interest and on appointments and remunerations committees, respectively, as deemed necessary or appropriate in view of the Company's own circumstances and characteristics. In addition, Regulations of the Sustainability Committee will be approved in analogous terms to that of the remaining Board Committees.

II. PROPOSED AMENDMENTS

(a) Rationale of the motion

The proposed amendments are described below. For the purposes of complying with the provisions of sections 197*bis* LSC and 19.2 of the Articles of Association, the amendments are classified in several groups by article or independent groups of articles, and they will be put to vote at the Annual General Meeting in such way.

(i) **Proposed amendment of article 13 (“*The General Meeting of Shareholders*”) of Part I (“*General Meeting of Shareholders*”) of Chapter III (“*Governing bodies of the Company*”)**

The amendment of this article seeks to adapt the Articles of Association to the new wording of section 514 of the Companies Act, as amended by section 2 of Act 11/2018.

(ii) **Proposed amendment of articles 22 (“*Board of Directors*”), 28 (“*Audit and Compliance Committee*”), 29 (“*Nomination Committee*”) and 30 (“*Remuneration Committee*”) and proposed introduction of a new article 30*bis* (“*Sustainability Committee*”), all of them in Part II (“*Board of Directors*”) of Chapter III (“*Governing bodies of the Company*”)**

The minor amendments of articles 22 and 28 only seek to reflect the new name of the Audit and Control Committee (hereafter, Audit and Compliance Committee).

The amendment of articles 29 and 30 aims to provide for the minimum number of annual meetings of these Committees that is recommended in Technical Guide 1/2019.

It is proposed to introduce a new article 30*bis* to expressly cover in the Articles of Association the formation of a new Sustainability Committee within the Board of Directors as a consulting and advisory body to advice, report and issue motions on sustainability, as well as its basic description relating to composition, powers and proceedings.

(iii) **Proposed amendment of articles 34 (“*Annual accounts. Accounting documents. Review of the annual accounts*”), 37 (“*Declaration of dividends*”) and 38 (“*Filing of accounts*”) of Chapter IV (“*Financial year, annual accounts: verification, approval and publication. Distribution of income or loss*”)**

The proposed amendments of articles 34 and 38 seek to include the obligation of companies drafting consolidated accounts to prepare a Statement on Non-financial Information where legal requirements are met. Such obligation was introduced by sections 253, 262 and 279 of the Companies Act, as well as sections 44 and 49 of the Spanish Code of Commerce and section 35 of the Statutory Audit Act, all of them as amended by Act 11/2018.

The proposed amendment of article 37 seeks to adjust the article to the new wording of section 276 of the Companies Act, as amended by section two of Act 11/2018.

(b) Proposed resolution to be submitted to the Annual General Meeting

The proposed resolution which is submitted to the Annual General Meeting for approval is transcribed below:

“To approve the following amendments to the Articles of Association in order to adapt them to the amendments of the Companies Act, the Code of Commerce and the Auditing Act introduced by Act 11/2018, of 28 December, on non-financial information and diversity, as well as to expressly provide for the establishment of a Sustainability Committee and to reflect the new name of the Audit and Control Committee (hereafter, Audit and Compliance Committee), pursuant to the terms included in the explanatory report issued by the Board of Directors for the purposes of the provisions of section 286 of the Companies Act:

- a) *Approve the amendment of article 13 (“The General Meeting of Shareholders”) of Part I (“General Meeting of Shareholders”) of Chapter III (“Governing bodies of the Company”).*
- b) *Approve the amendment of articles 22 (“Board of Directors”), 28 (“Audit and Compliance Committee”), 29 (“Nomination Committee”) and 30 (“Remuneration Committee”) and the introduction of a new article 30 bis (“Sustainability Committee”), all of them included in Part II (“Board of Directors”) of Chapter III (“Governing bodies of the Company”).*
- c) *Approve the amendment of articles 34 (“Annual accounts. Accounting documents. Review of the annual accounts”), 37 (“Declaration of dividends”) and 38 (“Filing of accounts”) of Chapter IV (“Financial year, annual accounts: verification, approval and publication. Distribution of income or loss”).*

III. COMPARISON BETWEEN THE CURRENT TEXT OF THE ARTICLES OF ASSOCIATION AND THE PROPOSED REVISED TEXT WHICH IS SUBMITTED TO THE ANNUAL GENERAL MEETING

Current wording	Proposed text
<u>CHAPTER III</u>	<u>CHAPTER III</u>

<p style="text-align: center;"><u>GOVERNING BODIES OF THE COMPANY</u></p> <p style="text-align: center;">[...]</p> <p style="text-align: center;">PART I</p> <p style="text-align: center;">GENERAL MEETING OF SHAREHOLDERS</p>	<p style="text-align: center;"><u>GOVERNING BODIES OF THE COMPANY</u></p> <p style="text-align: center;">[...]</p> <p style="text-align: center;">PART I</p> <p style="text-align: center;">GENERAL MEETING OF SHAREHOLDERS</p>
<p>Article 13. The General Meeting of Shareholders</p>	<p>Article 13. The General Meeting of Shareholders</p>
<ol style="list-style-type: none"> 1. The General Meeting of Shareholders, duly called and established in accordance with all formalities provided by statute and by these Articles of Association, is the supreme and sovereign body of expression of the will of the Company. 2. Its resolutions are binding on all its shareholders, including those absent or dissenting, those who abstain from voting or those who vote in blank, without prejudice to any actions they may have in statute. 3. The General Meeting of Shareholders shall have the powers conferred by statute and by the Articles of Association, including the approval of the Regulations of the General Meeting of Shareholders. 4. The Company shall ensure equal treatment for all its shareholders in the same position, regarding the right to information, the participation and the exercise of the right to vote at the General Meeting of Shareholders. 	<ol style="list-style-type: none"> 1. Unchanged. 2. Unchanged. 3. Unchanged. 4. The Company shall ensure equal treatment for all its shareholders in the same position, regarding the right to information, the participation and the exercise of the right to vote at the General Meeting of Shareholders. <u>In particular, the Company shall ensure the right of seniors and people with disabilities to obtain information prior to the General Meeting and shall provide them with any necessary supports and means</u>

	<u><i>to facilitate the exercise of their voting right.</i></u>
[...] PART II BOARD OF DIRECTORS	[...] PART II BOARD OF DIRECTORS
Article 22. Board of Directors	Article 22. Board of Directors
<p>1. The Board of Directors is charged with managing, administrating and representing the Company, with full powers and authority without prejudice to the powers conferred on the General Meeting of Shareholders either by Statute or by these Articles of Association.</p> <p>2. The Board of Directors shall be governed by the provisions of statute and of these Articles of Association. The Board of Directors shall approve a set of Regulations of the Board of Directors that shall contain rules on its proceedings and internal system that implement the provisions of statute and of the Articles of Association. The General Meeting of Shareholders shall be informed of the approval of said Regulations of the Board of Directors and of the subsequent amendments thereof.</p> <p>3. The members of the Board of Directors shall hold their office with diligence and loyalty to the corporate interests, observing those duties arising from such principles that are specifically developed by statute, by the Articles of Association and by the Board of Directors' Regulations.</p> <p>4. The Board of Directors shall, after report of the Audit and Control Committee, approve every year the</p>	<p>1. Unchanged.</p> <p>2. Unchanged.</p> <p>3. Unchanged.</p> <p>4. The Board of Directors shall, after report of the Audit and <u>Compliance</u> Committee, approve every year the</p>

<p>Annual Corporate Governance Report of the Company that shall include the contents provided by statute and which shall be made available to all shareholders together with the rest of the documents of the General Meeting of Shareholders.</p> <p>5. The Board of Directors shall assess on an annual basis its performance and that of its Committees and it shall propose an action plan to correct the shortcomings detected. The results of such assessment shall be recorded in the minutes of the meeting or shall be made a part thereof as an attachment.</p>	<p>Annual Corporate Governance Report of the Company that shall include the contents provided by statute and which shall be made available to all shareholders together with the rest of the documents of the General Meeting of Shareholders.</p> <p>5. Unchanged.</p>
<p style="text-align: center;">[...]</p> <p>Article 28. Audit and Control Committee</p>	<p style="text-align: center;">[...]</p> <p>Article 28. Audit and <u>Compliance</u> Committee</p>
<p>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 who shall be elected, especially its Chair, taking into account his/her knowledge, qualification and expertise in accounting, audit or risks management matters. 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.</p> <p>2. The Chair of the Audit and Control Committee, who needs to be an independent director, shall be elected by the Board of Directors for a maximum four-year term, upon expiry of which he shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her removal. The Board of</p>	<p>1. An Audit and <u>Compliance</u> 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 who shall be elected, especially its Chair, taking into account his/her knowledge, qualification and expertise in accounting, audit or risks management matters. Members of the Audit and <u>Compliance</u> Committee shall, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.</p> <p>2. The Chair of the Audit and <u>Compliance</u> Committee, who needs to be an independent director, shall be elected by the Board of Directors for a maximum four-year term, upon expiry of which he shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her removal. The</p>

<p>Directors shall appoint a Secretary of the Audit and Control Committee, who need not be a member of said body.</p> <p>3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Audit and Control Committee shall perform the following duties:</p> <p>(a) To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of said 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;</p> <p>(b) To oversee the effectiveness of the internal control system of the company, the internal audit, and the risks management system, 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;</p> <p>(c) To oversee the process for preparing and disclosing the regulated financial information to the Company and, as the case may be, to the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting criteria,</p>	<p>Board of Directors shall appoint a Secretary of the Audit and <u>Compliance</u> Committee, who need not be a member of said body.</p> <p>3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Audit and <u>Compliance</u> Committee shall perform the following duties:</p> <p>(a) To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of said Audit and <u>Compliance</u> 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 <u>Compliance</u> Committee in this process;</p> <p>(b) Unchanged.</p> <p>(c) Unchanged.</p>
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<p>and to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;</p> <p>(d) To table to the Board of Directors, to be submitted to the General Meeting of Shareholders, the motions on selection, 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;</p> <p>(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 authorisation of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by audit legislation and auditing standards. At any rate, the Committee should receive every year from the external auditor, the statement of its independence regarding the Company or those entities directly or indirectly related thereto, as well as detailed and separate information on any additional services of any manner rendered and the relevant fees received from such entities by the external auditor or by the persons, natural or legal related to such</p>	<p>(d) Unchanged.</p> <p>(e) Unchanged.</p>
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<p>external auditor, pursuant to the provisions of the prevailing regulations on the audit activity;</p> <p>(f) To issue every year prior to the issue of the audit 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;</p> <p>(g) To advise previously the Board of Directors on all the topics covered by statute, by the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the financial information that the Company must disclose regularly; (ii) the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties.</p>	<p>(f) Unchanged.</p> <p>(g) To supervise compliance with applicable regulations and the effectiveness of the Company's policies and internal procedures; the activity of the compliance department to ensure that they have the necessary resources for the appropriate and effective performance of its functions; and to receive information from the Ethics Committee and the Compliance Direction in relation to any relevant matters within their respective scopes of action;</p> <p>(h) Unchanged.</p> <p>4. The Audit and Compliance Committee shall meet at least on a quarterly basis in order to review the periodic financial</p>
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<p>4. The Audit and Control Committee shall meet at least on a quarterly basis in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chair calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.</p> <p>5. Members of management or of staff of the Company shall be bound to attend the meetings of the Committee and to assist it and give it access to the information available to them when the Committee so requests. The Committee may request the attendance at its meetings of any employee or executive of the Company and even order that they would appear without the presence of any other executive. The Committee may also request the attendance of the auditors of the Company to its meetings.</p> <p>6. The Board of Directors may develop and complete in its Regulations the aforementioned rules, in accordance with the provisions of the Articles of Association and of Statute.</p>	<p>information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chair calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.</p> <p>5. Unchanged.</p> <p>6. Unchanged.</p>
<p>Article 29. Nomination Committee</p>	<p>Article 29. Nomination Committee</p>
<p>1. A Nomination 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 of Directors, a majority of whom shall be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge,</p>	<p>1. Unchanged.</p>

<p>qualifications and expertise based upon the duties they must discharge.</p> <p>2. The Chair of the Nomination Committee shall be appointed by the Board of Directors out of its independent members.</p> <p>3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Nomination Committee shall have at least the following basic responsibilities:</p> <p>(a) To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties.</p> <p>(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.</p> <p>(c) To table to the Board of Directors the motions on the appointment 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.</p> <p>(d) To report on the motions to appoint 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;</p>	<p>2. Unchanged.</p> <p>3. Unchanged.</p>
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<p>(e) To report on the motions to appoint and to remove senior executives.</p> <p>(f) 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 arranged manner.</p> <p>4. The Nomination Committee shall meet at least once a year, upon the annual evaluation of the Board of Directors. Likewise, it shall meet each time that the Board of Directors or the Chairman of the Board of Directors requests the issue of a report or the adoption of proposals within their remit and, at any rate, whenever it is deemed fit for the successful performance of its functions.</p> <p>5. The request for information addressed to the Nomination Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, the members of the Board of Directors, the executives or the shareholders of the Company.</p> <p>6. The Board of Directors may develop and complete the above-referred rules in its Regulations, pursuant to the provisions of the Articles of Association and of Statute.</p>	<p>4. The Nomination Committee shall meet at least three times a year, including upon the annual evaluation of the Board of Directors. Likewise, it shall meet each time that the Board of Directors or the Chairman of the Board of Directors requests the issue of a report or the adoption of proposals within their remit and, at any rate, whenever it is deemed fit for the successful performance of its functions.</p> <p>5. Unchanged.</p> <p>6. Unchanged.</p>
<p>Article 30. Remuneration Committee</p>	<p>Article 30. Remuneration Committee</p>
<p>1. A Remuneration 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 of Directors, a majority of whom shall be independent directors. Members of such Committee shall be appointed</p>	<p>1. Unchanged.</p>

<p>considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge.</p> <p>2. The Chair of the Remuneration Committee shall be appointed by the Board of Directors out of its independent members.</p> <p>3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Remuneration Committee shall have at least the following basic responsibilities:</p> <p>(a) To propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out senior management duties directly reporting to the Board, the executive committees or the chief executive officers;</p> <p>(b) To propose to the Board of Directors the individual remuneration and the remaining terms and conditions of the employment agreements of executive directors, ensuring that they are observed.</p> <p>(c) To propose the basic terms and conditions of the contracts with senior executives, including their remuneration and severance pay, where appropriate.</p> <p>4. The Remuneration Committee shall meet at least once a year, to prepare the information on the remuneration of directors and senior executives that the Board of Directors must approve and include into its annual public documentation. Likewise, it shall meet each time that the Board of Directors or the Chairman of the Board of Directors requests the issue of a report or the adoption of proposals within their remit and, at any rate, whenever it is deemed fit for the successful performance of its functions.</p>	<p>2. Unchanged.</p> <p>3. Unchanged.</p> <p>4. The Remuneration Committee shall meet at least <u>three times</u> a year, <u>including</u> to prepare the information on the remuneration of directors and senior executives that the Board of Directors must approve and include into its annual public documentation. Likewise, it shall meet each time that the Board of Directors or the Chairman of the Board of Directors requests the issue of a report or the adoption of proposals within their remit and, at any rate, whenever it is deemed fit for the successful performance of its functions.</p>
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<p>5. The request for information addressed to the Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, the members of the Board of Directors, the executives or the shareholders of the Company.</p> <p>6. The Board of Directors may develop and complete the above-referred rules in its Regulations, pursuant to the provisions of the Articles of Association and of Statute.</p>	<p>5. Unchanged.</p> <p>6. Unchanged.</p>
<p>N/A</p>	<p><u>Article 30 bis. Sustainability Committee</u></p>
<p>-</p>	<p>1. <u>A Sustainability 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 of Directors. A majority of independent directors shall sit on such Committee. Members of such Committee shall be appointed taking into account their appropriate knowledge, qualifications and experience for the duties they must discharge.</u></p> <p><u>The Chair of the Sustainability Committee shall be appointed by the Board of Directors out of its independent members.</u></p> <p>2. <u>Without prejudice to any other tasks that it might be assigned from time to time by statute, or, as the case may be, by the Board of Directors, the Sustainability Committee shall have at least the following basic responsibilities:</u></p> <p style="padding-left: 40px;">(a) <u>To follow-up on the sustainability strategy and policies of the Company.</u></p>

	<p>(b) <u>To oversee monitoring of the entire supply chain and compliance by its members with Inditex's Code of Conduct for Manufacturers and Suppliers.</u></p> <p>(c) <u>To establish that the products that the Company sells comply with the product health and safety standards.</u></p> <p>(d) <u>To establish compliance with the most exacting environmental standards, encouraging biodiversity conservation and the sustainable management of natural resources in respect of use of raw materials, production processes, product and store.</u></p> <p>(e) <u>To establish compliance with Inditex's Policy on Human Rights across the value chain.</u></p> <p>(f) <u>To oversee the relation of the Company with its different stakeholders relating to sustainability issues, and with the Social Advisory Board.</u></p> <p>(g) <u>To verify the reporting process of sustainable information in accordance with applicable regulations and international standards of reference.</u></p> <p>(h) <u>To follow-up on such other environments or initiatives which might have an impact on the company's sustainability.</u></p> <p>3. <u>The Sustainability Committee shall meet at least three times a year, to exercise the duties referred to in paragraph 3 above. Likewise, it shall</u></p>
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	<p><u>meet each time that the Board of Directors or the Chairman of the Board of Directors requests the issue of a report or the adoption of proposals within its remit and, at any rate, whenever it is deemed fit for the successful performance of its duties</u></p> <p>4. <u>The request for information addressed to the Sustainability Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, the members of the Board of Directors, the executives or the shareholders of the Company.</u></p> <p>5. <u>The Board of Directors may develop and complete the above-referred rules in its Regulations, or in Sustainability Committee's own set of rules, pursuant to the provisions of the Articles of Association and of statute.</u></p>
<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>CHAPTER IV</u></p> <p style="text-align: center;"><u>FINANCIAL YEAR, ANNUAL ACCOUNTS: VERIFICATION, APPROVAL AND PUBLICATION. DISTRIBUTION OF INCOME OR LOSS</u></p> <p style="text-align: center;">[...]</p>	<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>CHAPTER IV</u></p> <p style="text-align: center;"><u>FINANCIAL YEAR, ANNUAL ACCOUNTS: VERIFICATION, APPROVAL AND PUBLICATION. DISTRIBUTION OF INCOME OR LOSS</u></p> <p style="text-align: center;">[...]</p>
<p>Article 34. Annual Accounts. Accounting documents. Review of the annual accounts</p>	<p>Article 34. Annual Accounts. Accounting documents. Review of the annual accounts</p>
<p>1. The Company's accounting shall adhere strictly to all applicable legal provisions and requirements in force from time to time.</p> <p>2. Within a maximum period of three (3) months as from the closing of each</p>	<p>1. Unchanged.</p> <p>2. Within a maximum period of three (3) months as from the closing of each</p>

<p>financial year, the Board of Directors must prepare, in order to be submitted to the Annual General Meeting of Shareholders for approval, the annual accounts, the management report and the proposal for distribution of income or loss, as well as, where appropriate, the consolidated accounts and management report.</p> <p>3. The annual accounts and the management report must be signed by all the directors. If the signature of any of them should be missing, this shall be stated in each of the documents where it is missing, expressly indicating the cause thereof.</p> <p>4. The annual accounts and the management report must also be reviewed by the auditors as provided in statute.</p>	<p>financial year, the Board of Directors must prepare, in order to be submitted to the Annual General Meeting of Shareholders for approval, the annual accounts, the management report, <u>which shall include, where applicable, the statement on non-financial information</u>, and the proposal for distribution of income or loss, as well as, where appropriate, the consolidated accounts and management report. <u>The Company may draft the statement on non-financial information as a separate report as provided in statute.</u></p> <p>3. The annual accounts and the management report, <u>including, where applicable, the statement on non-financial information</u>, must be signed by all the directors. If the signature of any of them should be missing, this shall be stated in each of the documents where it is missing, expressly indicating the cause thereof.</p> <p>4. Unchanged.</p>
<p style="text-align: center;">[...]</p> <p>Article 37. Declaration of dividends</p>	<p style="text-align: center;">[...]</p> <p>Article 37. Declaration of dividends</p>
<p>1. Where the General Meeting of Shareholders agrees to declare a dividend for the ordinary shareholders, the distribution shall be carried out in proportion to the paid-up capital. In the resolution where a dividend is declared, the General Meeting shall lay down the time and the manner of the payment. Otherwise, dividend shall be deemed to be payable at the registered office as of the day following the date of such resolution.</p>	<p>1. Where the General Meeting of Shareholders agrees to declare a dividend for the ordinary shareholders, the distribution shall be carried out in proportion to the paid-up capital. In the resolution where a dividend is declared, the General Meeting shall lay down the time and the manner of the payment. Otherwise, dividend shall be deemed to be payable at the registered office as of the day following the date of such resolution. <u>The dividend shall be fully paid within a maximum term of twelve months of the date when the</u></p>

<p>2. Without prejudice to the foregoing, the General Meeting of Shareholders or the Board of Directors may agree the distribution among the shareholders of interim dividends, with the limitations and complying with the requirements established by statute.</p> <p>3. The General Meeting of Shareholders may resolve that the dividend be satisfied in kind, in whole or in part, provided that:</p> <p>(a) the assets or securities subject to distribution are homogeneous;</p> <p>(b) they are admitted to trading in an organized secondary market – at the time of effect of the resolution- or, the Company can guarantee that it will get cash within one year at the most; and</p> <p>(c) they are not distributed for less value than the one they have on the Balance sheet of the company.</p> <p>Subject to the conditions stated above, the General Meeting of Shareholders may also resolve that, in cases of distribution of reserves or of the share premium, or in cases of capital reduction by means of refund of contributions, payment to shareholders be made in full or in part, in kind.</p>	<p><u>resolution on dividend declaration was passed by the Annual General Meeting.</u></p> <p>2. Unchanged.</p> <p>3. Unchanged.</p>
<p>Article 38. Filing of accounts</p>	<p>Article 38. Filing of accounts</p>
<p>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</p>	<p>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</p>

of Shareholders 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 audit report shall be attached to such certificates.

of Shareholders 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, which shall include, where applicable, the statement on non-financial information, and the audit report shall be attached to such certificates.

Considering the foregoing, pursuant to the provisions of section 286 LSC, the Board of Directors has resolved, unanimously by those present, to approve this explanatory report which is submitted to the Annual General Meeting called to be held on 16 and 17 July 2019, on first and second call, respectively, regarding the motion included in item seven on the agenda.

Arteixo (A Coruña), on 11 June 2019.