
EXPLANATORY REPORT THAT THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) SUBMITS TO THE GENERAL MEETING OF SHAREHOLDERS, REGARDING ITEM FOURTEEN 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 sections 518(d) and 528 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 relation to item fourteen on the agenda, whereby the Annual General Meeting is informed of the amendment to the revised text of the Board of Directors’ Regulations approved by the Board of Directors in its meeting held on 11 June 2019 (the “**Board of Directors’ Regulations**”).

The effectiveness of the amendment of the Board of Directors’ Regulations is conditional upon approval by the Annual General Meeting called to be held on 16 and 17 July 2019, on first and second call, respectively, of the amendment of the Articles of Association proposed under item weven on the agenda.

For the ease of reference of the shareholders regarding the amendments to the Board of Directors’ Regulations, the following is offered: (i) an explanation of the mechanics of the amendments; (ii) an explanation of the rationale thereof; and (iii) a comparison between the wording of the Board of Directors’ Regulations approved by the Board on 11 June 2019 and its previous wording. Both texts are shown in two columns: the one to the left with the previous wording and the one to the right with either the new wording, 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 AMENDMENT

The amendments of the Board of Directors’ Regulations which the Annual General Meeting is informed of, are structured as follows:

- (a) A first group of amendments seeks to adapt the wording of the Board of Directors’ Regulations 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**”), regarding non-financial information and diversity (“**Act 11/2018**”).
- (b) A second group of amendments affects the structure of the Board of Directors, its committees and its authorities.

With respect to the Board Committees, on the one hand, the formation of a new Sustainability Committee and its main features are expressly regulated and they shall be developed in 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.

Following the approval, if appropriate, 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, the Sustainability Committee's Regulations will be approved in analogous terms to those of the remaining Board Committees.

Furthermore, with respect to the proposals submitted to the Annual General Meeting called to be held on 16 and 17 July 2019, on first and second call, respectively, under items five and six c) on the agenda, to increase by two the number of directors and to appoint Mr Carlos Crespo González as new executive director of Inditex, and his appointment as Chief Executive Officer of the Company, some technical improvements have been introduced relating to the Board of Directors' power to appoint a Chief Executive Officer and the terms and conditions of such appointment. The provisions introduced in the Regulations do not differ from statutory provisions on that matter.

- (c) Thirdly, the obligation of independent directors who have continuously held such position for more than twelve years, to offer their resignation to the Board and resign if deemed appropriate by the Board, has been introduced in the Regulations.
- (d) Finally, the rules to call a Board meeting to discuss any motion to amend the Board of Directors' Regulations have been adjusted.

II. AMENDMENTS

(a) Rationale of the amendments

The amendments are described below:

- **Amendment of article 3 (“*Amendment*”) of Part I (“*Preliminary*”)**

The amendment of this article seeks to adjust the rules to call a Board meeting to discuss any motion to amend the Board of Directors' Regulations, in order to provide the Board with flexibility when it is deemed necessary or appropriate to amend the rules governing its proceedings.

- **Amendment of article 5 (“*Mission of the Board of Directors*”) of Part II (“*Mission of the Board of Directors*”)**

The amendment of this article seeks to adapt it to the new wording of section 529*bis*(2) of the Companies Act as well as section 529*ter*(1)(j) thereof, as amended by section 2 of Act 11/2018.

- **Amendment of articles 13 (“*Delegated and advisory bodies of the Board of Directors*”) and 14 (“*The Executive Committee or the Chief Executive Directors*”) of Part IV (“*Structure of the Board of Directors*”)**

The amendment of articles 13 and 14 seeks to introduce some technical improvements relating to the Board of Directors' power to appoint a Chief Executive Officer and the terms and conditions of such appointment. The provisions introduced in the Regulations do not differ from the legal provisions in that matter.

- **Amendment of articles 15 (“*The Audit and Compliance Committee*”), 16 (“*The Nomination Committee*”) and 17 (“*The Remuneration Committee*”) of Part IV (“*Structure of the Board of Directors*”)**

The amendment of article 15 seeks to reflect the new name of the Audit and Control Committee (hereafter, Audit and Compliance Committee). All articles in the Board of Directors' Regulations referring to that Committee have been adjusted, accordingly (that is, articles 3, 5, 13, 23, 25, 40, 41, 42, 44 and 45).

Moreover, article 15 is amended to reflect the reinforcement of the Audit and Compliance Committee's powers regarding compliance and corporate governance.

The amendment of articles 16 and 17 seeks to provide for the minimum number of annual meetings of the Nomination Committee and the Remuneration Committee that is recommended in Technical Guide 1/2019.

- **Introduction of a new article 17bis (“*The Sustainability Committee*”) in Part IV (“*Structure of the Board of Directors*”), amendment of articles 23 (“*Re-election of directors*”) of Part VI (“*Appointment and dismissal of directors*”), 41 (“*Annual Corporate Governance Report*”) and 42 (“*Corporate website*”) of Part X (“*Relations of the Board of Directors*”)**

A new article 17bis has been introduced to expressly cover the formation of a new Sustainability Committee within the Board of Directors as a consulting and advisory body to advise, report and issue motions on sustainability, as well as its basic description relating to composition, powers and proceedings.

Should the Annual General Meeting approve the amendment to the Articles of Association proposed under item seven on the agenda and, as a result, the amendments to the Board of Directors' Regulations described herein take effect, the Sustainability Committee will be created and its rules shall be regulated in the Committee's Regulations itself.

In line with the creation of the Committee, a provision has been added to article 23 according to which directors who are re-elected shall keep their position as members of the Sustainability Committee in the same terms as the members of the remaining Board Committees.

Likewise, participation of the Sustainability Committee in drafting the Statement on Non-financial Information and other public documentation, based upon the Annual Report, has been included in article 23. Additionally, the list of documents to be made available on the corporate website included in article 42 has been completed with the documents relating to the Sustainability Committee.

- **Amendment of article 25 (“Resignation, removal and dismissal of directors”) of Part VI (“Appointment and dismissal of directors”)**

Article 25 has been amended to introduce the obligation of independent directors who have continuously held such position for more than twelve years, to offer their resignation to the Board and resign if deemed appropriate by the Board.

- **Amendment of article 18 (“Audit and Compliance Committee”) of Part VI (“Appointment and dismissal of directors”)**

Article 25 has been amended to introduce the obligation of independent directors who have continuously held such position for more than twelve years, to offer their resignation to the Board and resign if deemed appropriate by the Board.

III. COMPARISON BETWEEN THE CURRENT TEXT OF THE BOARD OF DIRECTORS’ REGULATIONS AND THE REVISED TEXT APPROVED BY THE BOARD ON 11 JUNE 2019

Current wording	New wording
<p><u>PART I</u></p> <p><u>PRELIMINARY</u></p>	<p><u>PART I</u></p> <p><u>PRELIMINARY</u></p>
<p>Article 3. Amendment</p>	<p>Article 3. Amendment</p>
<p>1. These Regulations may only be amended at the behest of the Chairman of the Board of Directors, of three directors or of the Audit and Control Committee.</p> <p>2. The proposed amendments must be accompanied by a memorandum in support of the amendment, and a report of the Audit and Control Committee, except where the proposal stems from said Committee.</p> <p>3. The full text of the proposal, the memorandum in support and, where appropriate, the report of the Audit and Control Committee shall be attached to</p>	<p>1. These Regulations may only be amended at the behest of the Chairman of the Board of Directors, of three directors, <u>of the Board of Directors itself</u> or of the Audit and <u>Compliance</u> Committee.</p> <p>2. The proposed amendments must be accompanied by a memorandum in support of the amendment, and a report of the Audit and <u>Compliance</u> Committee, except where the proposal stems from said Committee.</p> <p>3. The full text of the proposal, the memorandum in support and, where appropriate, the report of the Audit and <u>Compliance</u> Committee shall <u>be made</u></p>

<p>the notice of the meeting of the Board of Directors where it has to be seen.</p> <p>Notice of the meeting must be given at least ten days in advance.</p> <p>4. In order for the amendment of these Regulations to be valid, a resolution passed by a majority of two-thirds of the directors present shall be required.</p> <p>5. The Board of Directors shall inform of the amendments of these Regulations that it may, where appropriate, resolve at the first General Meeting of Shareholders to be held following said amendments. Likewise, the amendments of these Regulations shall be subject to the dissemination system provided in Section 4.</p>	<p><u>available to directors before the</u> meeting of the Board of Directors where it has to be seen.</p> <p>4. Unchanged.</p> <p>5. Unchanged.</p>
<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>PART II</u></p> <p style="text-align: center;"><u>MISSION OF THE BOARD OF DIRECTORS</u></p>	<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>PART II</u></p> <p style="text-align: center;"><u>MISSION OF THE BOARD OF DIRECTORS</u></p>
<p>Article 5. Mission of the Board of Directors</p>	<p>Article 5. Mission of the Board of Directors</p>
<p>1. Except for such matters reserved for the General Meeting of Shareholders, the Board of Directors is the most senior decision-making body of the Company.</p> <p>2. It is the Board of Directors' policy to delegate the management of the day-to-day business of the Company to the executive bodies and the management, and to concentrate its efforts on the general supervisory function, which includes guiding the Company's policy; monitoring the management, evaluating the performance of executives, making the most relevant decisions for the</p>	<p>1. Unchanged.</p> <p>2. Unchanged.</p>

<p>Company, and liaising with the shareholders.</p> <p>3. Those powers that are reserved by statute or by the Articles of Association to the direct knowledge of the Board of Directors may not be delegated, nor may those others that are necessary for the responsible exercise of the general supervisory duty.</p> <p>For the above purposes, the Board of Directors shall, acting at its own behest or on the proposal of the relevant internal body, directly exercise at least the following powers:</p> <p>(a) To approve the general strategies and policies of the Company, and specifically:</p> <ul style="list-style-type: none"> (i) The strategic or business plan as well as the annual management goals and budget; (ii) The investment and financing policy; (iii) The dividends and treasury stock policy and namely, the limits thereof, pursuant to Statute; (iv) The design of the structure of the corporate group of which the Company is the controlling company; (v) The risks control and management policy, including tax risks, and the periodic monitoring of the internal information and control systems; (vi) The definition of the tax strategy of the Company; (vii) The corporate governance policy; and 	<p>3. Those powers that are reserved by statute or by the Articles of Association to the direct knowledge of the Board of Directors may not be delegated, nor may those others that are necessary for the responsible exercise of the general supervisory duty.</p> <p>For the above purposes, the Board of Directors shall, acting at its own behest or on the proposal of the relevant internal body, directly exercise at least the following powers:</p> <p>(a) Unchanged.</p>
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<p>(viii) The corporate social responsibility policy.</p> <p>(b) To approve the following decisions:</p> <p>(i) The drafting of the annual accounts, the management report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and management report to be submitted to the General Meeting of Shareholders;</p> <p>(ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;</p> <p>(iii) The approval of the financial information that the Company, being a listed company, must periodically release;</p> <p>(iv) The approval of the Annual Corporate Governance Report, the Annual Report on the Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommended or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;</p> <p>(v) The approval of any manner of investments or transactions, which, are considered strategic or deemed to have a special tax risk, unless the approval thereof falls on the General Meeting of Shareholders;</p> <p>(vi) The creation or acquisition of shares in special purpose</p>	<p>(b) To approve the following decisions:</p> <p>(i) Unchanged.</p> <p>(ii) Unchanged.</p> <p>(iii) Unchanged.</p> <p>(iv) Unchanged.</p> <p>(v) Unchanged.</p> <p>(vi) Unchanged.</p>
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<p>vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and</p> <p>(vii) The approval, after report of the Audit and Control Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or Related Parties as referred to in section 40.</p> <p>(c) The following internal proceedings of the Board of Directors:</p> <p>(i) To decide on the organization and proceedings of the Board of Directors, including namely:</p> <ul style="list-style-type: none"> – The approval and amendment of these Regulations pursuant to the terms included in Chapter I above; – The appointment, on the proposal or after report of the Nomination Committee, as the case may be, of the internal offices within the Board of Directors, and the members and internal offices of its committees; – The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and 	<p>(vii) The approval, after report of the Audit and <u>Compliance</u> Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or Related Parties as referred to in section 40.</p> <p>(c) The following internal proceedings of the Board of Directors:</p> <p>(i) Unchanged.</p>
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<p>– Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.</p> <p>(ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors, that favors diversity of knowledge, professional education and gender;</p> <p>(iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee and pursuant to the Articles of Association and the remuneration policy for directors approved by the General Meeting of Shareholders;</p> <p>(iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors to whom executive duties are assigned;</p> <p>(v) Overseeing and evaluating on an annual basis:</p>	<p>(ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors, that favors diversity <u>of aspects such as knowledge, professional education and experience, age, gender or disability, that does not suffer from implicit bias able of involving any kind of discrimination and, in particular, that eases selection of a number of female directors allowing to achieve a balance between men and women on the Board;</u></p> <p>(iii) Unchanged.</p> <p>(iv) Unchanged.</p> <p>(v) Unchanged.</p>
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- The quality and efficiency of the proceedings of the Board of Directors itself and its delegated bodies;
- The diversity in the composition and skills of the Board of Directors;
- The performance of duties by the Chairman of the Board of Directors and by the chief executive of the company;
- The performance of its supervisory and control committees based upon the reports furnished by the same, and
- The performance and contribution of each director, especially that of the Chairs of the different Committees of the Board of Directors.

Where the Chairman of the Board of Directors would discharge executive duties, his assessment shall be led by the Lead Independent Director, especially authorized to do so pursuant to the provisions of Section 10.2 below.

To proceed to such evaluation, the Board of Directors may rely on the support of external advisors and on such internal resources which it may, from time to time, deem fit. Notwithstanding the foregoing, the Board of Directors shall be assisted every three years, by an

external advisor, once the Nomination Committee has established his/her independence, to proceed to such evaluation. Upon evaluating the independence of the external advisor, the relations that such advisor, or any company within its Group, may have with the Company or with the Group shall be considered. Such relations shall be detailed, as the case may be, in the Annual Corporate Governance Report.

The Board of Directors shall carry out an annual evaluation of its proceedings and of that of its Committees and it will propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minute of the meeting of the Board of Directors or attached thereto as an annex.

- (vi) The authorization or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;

(d) The following issues regarding senior executives:

- (i) The appointment and dismissal of senior executives after report of the Nomination Committee;
- (ii) The approval of the basic terms and conditions of the contract with senior executives, including their remuneration and, where appropriate severance clauses,

(vi) Unchanged.

(d) Unchanged.

<p>after report of the Remuneration Committee;</p> <p>(iii) Overseeing the proceedings of the senior executives appointed by the Board of Directors.</p> <p>(e)The remaining responsibilities reserved by these Regulations and the applicable laws and regulations.</p> <p>4. The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company’s value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other “stakeholders” of the Company: employees, clients, suppliers and the civil society at large. The Board of Directors shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed.</p> <p>5. The Board of Directors shall ensure that the Company discharges its ethical and social duties and its duty of acting in good faith in its relations with its employees and with third parties, meeting the principles of Corporate Social Responsibility that the company would have undertaken.</p>	<p><u>(e)Supervising the process of drafting and submitting financial information and management reports, which shall include non-financial information as legally required, and making recommendations or proposals aimed to safeguard integrity thereof.</u></p> <p><u>(f)</u>The remaining responsibilities reserved by these Regulations and the applicable laws and regulations.</p> <p>4. Unchanged.</p> <p>5. Unchanged.</p> <p>6. Unchanged.</p>
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<p>6. Likewise, the Board of Directors shall ensure that no individual or small group of persons has a decision-making power within the Company that is not subject to counterweights and checks and that no shareholder is treated in a more privileged manner in relation to the others.</p>	
<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>PART IV</u></p> <p style="text-align: center;"><u>STRUCTURE OF THE BOARD OF DIRECTORS</u></p>	<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>PART IV</u></p> <p style="text-align: center;"><u>STRUCTURE OF THE BOARD OF DIRECTORS</u></p>
<p>[...]</p> <p>Article 13. Delegated and advisory bodies of the Board of Directors</p>	<p>[...]</p> <p>Article 13. Delegated and advisory bodies of the Board of Directors</p>
<p>1. Without prejudice to the delegation of powers granted individually to any director or to the power allowing the establishment of an Executive Committee with general decision-making powers, of delegated bodies for specific areas of activity or other bodies of an advisory nature, the Board of Directors shall in any event establish an Audit and Control Committee, a Nomination Committee and a Remuneration Committee, which shall assume the minimum tasks provided by Law and in these Regulations.</p> <p>2. The Nomination Committee shall assess the profile of the most suitable persons for becoming members of the different Committees and shall submit the relevant proposals to the Board of Directors, considering the knowledge, qualifications and expertise of directors and the duties of each Committee.</p>	<p>1. Without prejudice to the delegation of powers granted individually to any director or to the power allowing the establishment of an Executive Committee with general decision-making powers, of delegated bodies for specific areas of activity or other bodies of an advisory nature, <u>including a Sustainability Committee</u>, the Board of Directors shall in any event establish an Audit and <u>Compliance</u> Committee, a Nomination Committee and a Remuneration Committee, which shall assume the minimum tasks provided by Law and in these Regulations.</p> <p>2. The Nomination Committee shall assess the profile of the most suitable persons for becoming members of the different Committees and shall submit the relevant proposals to the Board of Directors, considering the knowledge, qualifications and expertise of directors and the duties of each</p>

<p>Additionally, the Nomination Committee shall appreciate that the members of the Audit and Control Committee and especially, the Chair thereof have knowledge, qualifications and expertise in the matter of accounting, audit or risk management, and that the members of the Audit and Control Committee, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.</p> <p>3. The Committees, shall have a Chair, appointed out of their number as well as a Secretary, who needs not be a member of said Committees, in which case he/she will have the right to attend meetings and speak but no voting rights, both of whom shall be appointed by the Board of Directors, which shall also approve, where appropriate, the set of rules governing their proceedings. In that which has not been especially provided, the rules of proceedings established by these Regulations in relation to the Board of Directors shall apply, as long as they are compatible with the nature and function of the Committee in question. The Committees shall prepare every year a calendar of their ordinary meetings to be submitted to the Board of Directors.</p>	<p>Committee. Additionally, the Nomination Committee shall appreciate that the members of the Audit and Compliance Committee and especially, the Chair thereof have knowledge, qualifications and expertise in the matter of accounting, audit or risk management, and that the members of the Audit and Compliance Committee, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.</p> <p>3. Unchanged.</p>
<p>Article 14. The Executive Committee</p>	<p>Article 14. The Executive Committee <u>or the Chief Executive Directors</u>¹</p>
<p>1. The Executive Committee, should it exist, shall be made up of a number of directors being no less than three and no greater than seven. The Board of Directors shall endeavour that the composition of the Executive Committee would reflect a similar</p>	<p>1. The permanent delegation of powers by the Board of Directors to the Executive Committee <u>or to one or several Chief Executive Officers</u> shall require two-thirds of the members of the Board of Directors to vote for and may include, at the Board of Directors</p>

¹ Paragraphs 1 to 4 of article 14 have been re-ordered. Only the amendments to the content of the article are highlighted in blue.

<p>structure, with regard to each class of directors, to that of the Board of Directors itself.</p> <ol style="list-style-type: none"> 2. The resolutions on the appointment of the members of the Executive Committee shall require, in order to be passed, that at least two-thirds of the members of the Board of Directors would vote for such resolution. 3. The Chairman of the Board of Directors shall act as the Chairman of the Executive Committee and the Secretary of the Board of Directors shall act as Secretary, who may be assisted by the Deputy-Secretary. 4. The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board of Directors to vote for and may include, at the Board of Directors choice, all or a part of the powers of the Board itself, establishing the contents, the restrictions and the types of delegation. At any rate, non-delegable powers pursuant to statute, the Articles of Association and these Regulations may not be delegated to the Executive Committee, nor may those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors. 5. The Executive Committee will hold its meetings when the Chairman calls it. 6. The Executive Committee has to inform the Board of Directors about the business transacted and the decisions taken at its meetings. Likewise, a copy of the minutes of the meeting of the Executive Committee shall be sent to all the directors. 	<p>choice, all or a part of the powers of the Board itself, establishing the contents, the restrictions and the types of delegation. At any rate, non-delegable powers pursuant to statute, the Articles of Association and these Regulations may not be delegated to the Executive Committee <u>or the Chief Executive Officers</u>, nor may those others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.</p> <ol style="list-style-type: none"> 2. The Executive Committee, should it exist, shall be made up of a number of directors being no less than three and no greater than seven. The Board of Directors shall endeavour that the composition of the Executive Committee would reflect a similar structure, with regard to each class of directors, to that of the Board of Directors itself. 3. The Chairman of the Board of Directors shall act as the Chairman of the Executive Committee and the Secretary of the Board of Directors shall act as Secretary, who may be assisted by the Deputy-Secretary. 4. The Executive Committee will hold its meetings when the Chairman calls it. 5. The Executive Committee has to inform the Board of Directors about the business transacted and the decisions taken at its meetings. <u>Additionally</u>, a copy of the minutes of the meeting of the Executive Committee shall be sent to all the directors.
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Article 15. The Audit and Control Committee	Article 15. The Audit and <u>Compliance</u> Committee
<p>1. The Audit and Control Committee shall be made up of a number of non-executive directors being no less than three and no greater than seven, most of whom shall be independent directors. The Chair of the Committee, who shall necessarily be an independent director, shall be elected by the Board of Directors for a maximum four-year term, upon expiry of which he/she shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her dismissal. The Board of Directors shall appoint a Secretary of the Audit and Control Committee, who need not be a member of such body.</p> <p>The Board of Directors shall endeavour to ensure that the members of the Audit and Control Committee and especially, the Chair thereof have knowledge, qualifications and expertise in the matter of accounting, audit or risk management, and that the members of the Audit and Control Committee, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.</p> <p>2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the Audit and Control Committee Regulations, the Audit and Control Committee shall have the following basic responsibilities, which are:</p> <p>(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</p>	<p>1. The Audit and <u>Compliance</u> Committee shall be made up of a number of non-executive directors being no less than three and no greater than seven, most of whom shall be independent directors. The Chair of the Committee, who shall necessarily be an independent director, shall be elected by the Board of Directors for a maximum four-year term, upon expiry of which he/she shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her dismissal. The Board of Directors shall appoint a Secretary of the Audit and <u>Compliance</u> Committee, who need not be a member of such body.</p> <p>The Board of Directors shall endeavour to ensure that the members of the Audit and <u>Compliance</u> Committee and especially, the Chair thereof have knowledge, qualifications and expertise in the matter of accounting, audit or risk management, and that the members of the Audit and <u>Compliance</u> Committee, as a whole, have the relevant know-how with regard to the industry to which the Company belongs.</p> <p>2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the Audit and <u>Compliance</u> Committee Regulations, the Audit and <u>Compliance</u> Committee shall have the following basic responsibilities, which are:</p> <p>(a) To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the</p>

<p>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 required 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 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 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</p>	<p>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> <p>(d) Unchanged.</p>
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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 Audit and Control 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 entity 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 the above mentioned entities to 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 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

- (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 Audit and [Compliance](#) 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 entity 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 the above mentioned entities to 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) Unchanged.

<p>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 on a regular basis; (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>(h) To oversee the activity of the Internal Audit function, which shall report functionally to the Chair of the Audit and Control Committee; and</p> <p>(i) Any other responsibility it may be assigned by the Board of Directors in the Audit and Control Committee Regulations.</p>	<p>(g) Unchanged.</p> <p>(h) To oversee the activity of the Internal Audit function, which shall report functionally to the Chair of the Audit and <u>Compliance</u> Committee;</p> <p>(i) <u>To supervise compliance with applicable regulations and the effectiveness of the Company's policies and internal procedures; the activity of the Compliance function, ensuring that it has the necessary resources to properly and effectively perform its duties; to gather information from the Committee of Ethics and the Office of the Chief Compliance Officer, in relation with any relevant matter within their respective scopes of action; and</u></p> <p>(j) Any other responsibility it may be assigned by the Board of Directors in the Audit and <u>Compliance</u> Committee Regulations.</p>
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<p>3. The Audit and Control Committee shall ordinarily meet quarterly 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 Chairman calls it to meet, who must do so whenever the Board of Directors 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 duties.</p> <p>4. 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. Likewise, 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 auditors of the Company to its meetings.</p> <p>5. For the best performance of its duties, the Audit and Control Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.</p> <p>6. The Audit and Control Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first meeting of the Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be made available to all the directors.</p>	<p>3. The Audit and <u>Compliance</u> Committee shall ordinarily meet quarterly 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 Chairman calls it to meet, who must do so whenever the Board of Directors 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 duties.</p> <p>4. Unchanged.</p> <p>5. For the best performance of its duties, the Audit and <u>Compliance</u> Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.</p> <p>6. The Audit and <u>Compliance</u> Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first meeting of the Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of</p>
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<p>7. The Board of Directors will develop the foregoing paragraphs in the Audit and Control Committee Regulations.</p>	<p>the Committee meetings shall be made available to all the directors.</p> <p>7. The Board of Directors will develop the foregoing paragraphs in the Audit and <u>Compliance</u> Committee Regulations.</p> <p>8.</p>
<p>Article 16. The Nomination Committee</p>	<p>Article 16. The Nomination Committee</p>
<p>1. The Nomination Committee shall be made up of a number of non-executive directors being no less than three and not greater than seven, most of whom shall be independent directors. The Chair of the Nomination Committee shall be appointed out of its independent members.</p> <p>The Board of Directors shall endeavour to ensure that the members of the Nomination Committee and especially, the Chair thereof have the appropriate knowledge, qualifications and expertise to discharge the duties entrusted to them.</p> <p>2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the Nomination Committee Regulations, the Nomination Committee shall have the following basic responsibilities, which are:</p> <p>(a) To evaluate the qualifications, knowledge and experience required on the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill out 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</p>	<p>1. Unchanged.</p> <p>2. Unchanged.</p>

Board of Directors and to provide guidance on how to reach such target;

- (c) To ensure that, upon filling any vacancy or upon electing new directors, selection procedures would ensure the non-existence of any manner of discrimination;
- (d) To evaluate compliance with the Selection Policy for candidates to become directors;
- (e) 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;
- (f) To issue a report regarding 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;
- (g) To issue a report regarding the motions to appoint and to remove senior executives;
- (h) To establish and oversee an annual program for the evaluation of the performance of the Board of Directors, its Chairman, its delegated bodies and its advisory and control committees, being entitled to gather such information and documentation as it may deem necessary or expedient for such purposes;

<p>(i) 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; and</p> <p>(j) Any other responsibility it may be assigned by the Board of Directors in the Regulations of the Nomination Committee.</p> <p>3. Requests 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 of the Board of Directors, the members thereof, the officers or the shareholders of the Company.</p> <p>4. The Nomination Committee shall meet each time that the Board of Directors or the Chairman thereof requests the issue of a report or the adoption of proposals within its remit and, in any case, whenever is suitable for the successful performance of its functions. At any rate, it shall meet at least once a year.</p> <p>5. For the best performance of its duties, the Nomination Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.</p> <p>6. The Nomination Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first meeting of the Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the meetings of the Nomination Committee shall be made available to the directors.</p>	<p>3. Unchanged.</p> <p>4. The Nomination Committee shall meet each time that the Board of Directors or the Chairman thereof requests the issue of a report or the adoption of proposals within its remit and, in any case, whenever is suitable for the successful performance of its functions. At any rate, it shall meet <u>at least three times</u> a year.</p> <p>5. Unchanged.</p> <p>6. Unchanged.</p> <p>7. Unchanged.</p>
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<p>7. The Board of Directors will develop the foregoing paragraphs in the Nomination Committee Regulations.</p>	
<p>Article 17. The Remuneration Committee</p>	<p>Article 17. The Remuneration Committee</p>
<p>1. The Remuneration Committee shall be made up of a number of non-executive directors being no less than three and not greater than seven, most of whom shall be independent directors. The Chair of the Remuneration Committee shall be appointed out of its independent members.</p> <p>The Board of Directors shall endeavour to ensure that the members of the Remuneration Committee and especially, the Chair thereof have the appropriate knowledge, qualifications and expertise to discharge the duties entrusted to them.</p> <p>2. Without prejudice to other tasks it may be entrusted by the Board of Directors and to other powers it may be reserved by statute and by the the Remuneration Committee Regulations, the Remuneration Committee shall have the following basic responsibilities, which are:</p> <p>(a) To propose to the Board of Directors the remuneration policy for directors and senior executives, and its review and regular update;</p> <p>(b) To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of</p>	<p>1. Unchanged.</p> <p>2. Unchanged.</p>

<p>removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders;</p> <p>(c) To propose the basic terms and conditions of the agreements with senior executives, including their remuneration and severance pay, where appropriate;</p> <p>(d) To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents; and</p> <p>(e) Any other responsibility it may be assigned by the Board of Directors in the Remuneration Committee Regulations.</p> <p>3. Requests 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 of the Board of Directors, the members thereof, the officers or the shareholders of the Company.</p> <p>4. The Remuneration Committee shall meet each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever it is suitable for the successful performance of its functions. In any event, it shall meet at least once a year.</p>	<p>3. Unchanged.</p> <p>4. The Remuneration Committee shall meet each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever it is suitable for the successful performance of its functions. In any event, it shall meet at least <u>three times</u> a year, <u>including to draft the information about the remuneration of directors that the Board of Directors has to approve and include in its annual public documentation.</u></p>
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<p>5. For the best performance of its duties, the Remuneration Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.</p> <p>6. The Remuneration Committee shall report to the Board of Directors on the business transacted and the resolutions passed, informing the first Board of Directors held after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the meetings of the Remuneration Committee shall be made available to the directors.</p> <p>7. The Board of Directors will develop the foregoing paragraphs in the Remuneration Committee Regulations.</p>	<p>5. Unchanged.</p> <p>6. Unchanged.</p> <p>7. Unchanged.</p>
<p>N/A</p>	<p><u><i>Article 17 bis. The Sustainability Committee</i></u></p>
	<p>1. <u><i>The Sustainability Committee shall be made up of a number of non-executive directors being no less than three and not greater than seven, most of whom shall be independent directors. The Chair of the Sustainability Committee shall be appointed out of its independent members.</i></u></p> <p><u><i>The Board of Directors shall endeavour to ensure that the members of the Sustainability Committee and especially, the Chair thereof have the appropriate knowledge, qualifications and experience to discharge the duties entrusted to them.</i></u></p> <p>2. <u><i>Without prejudice to any other tasks that it might be entrusted from time to time by the Board of Directors, by the Sustainability Committee's Regulations, or by statute, the</i></u></p>

Sustainability Committee shall have at least the following basic responsibilities:

- (a) To follow-up on the sustainability strategy and policies of the Company.
- (b) To oversee monitoring of the entire supply chain and compliance by its members with Inditex's Code of Conduct for Manufacturers and Suppliers.
- (c) To establish that the products that the Company sells comply with the product health and safety standards.
- (d) 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.
- (e) To establish compliance with Inditex's Policy on Human Rights across the entire value chain.
- (f) To oversee the relation of the Company with its different stakeholders relating to sustainability issues, and with the Social Advisory Board
- (g) To verify the reporting process of sustainable information in accordance with applicable regulations and international standards of reference, namely as regards contribution to the UN

Sustainable Development Goals (SDGs).

(h) To follow-up on such other environments or initiatives which might have an impact on the company's sustainability.

3. The Sustainability Committee shall meet at least three times a year, to exercise the duties referred to in paragraph 3 above. 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 its remit and, at any rate, whenever it is deemed fit for the successful performance of its duties
4. 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.
5. For the best performance of its duties, the Sustainability Committee may seek the advice of external experts, for which purpose the provisions of Section 28 of these Regulations shall apply.
6. The Chair of the Sustainability Committee shall report to the Board of Directors on the business transacted and the resolutions passed, at the first meeting of the Board of Directors held following its meetings. Furthermore, a copy of the minutes of the meetings of the Sustainability Committee shall be made available to the directors.

	<p><u>7. The Board of Directors will develop the foregoing paragraphs in the Sustainability Committee Regulations.</u></p>
<p>[...]</p> <p><u>PART VI</u></p> <p><u>APPOINTMENT AND DISMISSAL OF DIRECTORS</u></p>	<p>[...]</p> <p><u>PART VI</u></p> <p><u>APPOINTMENT AND DISMISSAL OF DIRECTORS</u></p>
<p>[...]</p> <p>Article 23. Re-election of directors</p>	<p>[...]</p> <p>Article 23. Re-election of directors</p>
<p>1. The proposals for re-election of directors that the Board of Directors decides to submit to the General Meeting of Shareholders must be subject to a procedure, which shall necessarily include, a motion, in respect of independent directors, or a report issued by the Nomination Committee in respect of the remaining directors, whereby the quality of work and the dedication to office by the proposed directors during the previous mandate shall be evaluated. The Board of Directors shall, at any rate, prepare the report on the re-election of the candidate referred to in Section 21 above, and make it available to the shareholders.</p> <p>2. The Chairman, the Deputy Chairmen, the Lead Independent Director, the members of the Audit and Control Committee, of the Nomination Committee, of the Remuneration Committee, as well as, - should they be directors- the Secretary and the Deputy Secretaries of the Board of Directors who are re-elected as members of the Board of Directors, further to a resolution of the General Meeting of Shareholders, shall remain in the office</p>	<p>1. Unchanged.</p> <p>2. The Chairman, the Deputy Chairmen, the Lead Independent Director, the members of the Audit and <u>Compliance</u> Committee, of the Nomination Committee, of the Remuneration Committee <u>and of the Sustainability Committee</u>, as well as, - should they be directors- the Secretary and the Deputy Secretaries of the Board of Directors who are re-elected as members of the Board of Directors, further to a resolution of the</p>

<p>they held previously within the Board of Directors without any new re-election being required. The foregoing provision is without prejudice to the power of revocation which falls on the Board of Directors.</p>	<p>General Meeting of Shareholders, shall remain in the office they held previously within the Board of Directors without any new re-election being required. The foregoing provision is without prejudice to the power of revocation which falls on the Board of Directors.</p> <p>3.</p>
<p>[...]</p> <p>Article 25. Resignation, removal and dismissal of directors</p>	<p>[...]</p> <p>Article 25. Resignation, removal and dismissal of directors</p>
<p>1. Directors shall vacate office when the period for which they were appointed has expired or when the General Meeting of Shareholders so decides, making use of the powers it has been conferred by law or by the Articles of Association.</p> <p>2. Directors must place their office at the disposal of the Board of Directors and formalise, if this latter should consider it advisable, the corresponding resignation in the following cases:</p> <p>(a)When they reach the age of 68. Notwithstanding this, the directors who exercise the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon attaining the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of the founder of the Company, Mr. Amancio Ortega Gaona;</p> <p>(b)When they cease to hold the executive positions to which their appointment as director was associated;</p>	<p>1. Unchanged.</p> <p>2. Directors must place their office at the disposal of the Board of Directors and formalise, if this latter should consider it advisable, the corresponding resignation in the following cases:</p> <p>(a)Unchanged.</p> <p>(b)Unchanged.</p>

<p>(c) When they are involved in any of the incompatibility or prohibition cases provided in statute, the Articles of Association or these Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company;</p> <p>(d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors;</p> <p>(e) When they are involved in any circumstances that may harm the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequences;</p> <p>(f) When the reasons for their appointment disappear; and</p> <p>(g) With regard to Proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.</p> <p>3. The Board of Directors may only propose the removal of an independent director before the expiry of his/her term of office when a just cause arises, and this is considered by the Board of Directors after report of the Nomination Committee. Namely, a just cause will exist when a director holds new offices</p>	<p>(c) Unchanged.</p> <p>(d) When they are seriously admonished by the Audit and <u>Compliance</u> Committee for having breached their duties as directors;</p> <p>(e) Unchanged.</p> <p>(f) Unchanged.</p> <p>(g) With regard to Proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors; <u>and</u></p> <p><u>(h) With regard to independent directors, when they have continuously held such position in the Company during twelve years.</u></p> <p>3. Unchanged.</p>
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<p>or assumes new obligations preventing him/her from devoting the required time to the discharge of the duties inherent in the office of director; is in breach of the duties inherent in the office or is involved in any of the circumstances leading to him/her no longer qualifying as independent director, pursuant to legal provisions. Likewise, removal of a director may be proposed as a result of takeover, mergers or other similar corporate transactions which entail a change in the shareholding structure of the Company, where such change entails in turn another in the structure of the Board of Directors on account of the ratio of proprietary directors.</p> <p>4. Where a director is dismissed before his/her tenure expires, through resignation or otherwise, he/she should state his/her reasons in a letter to be sent to all members of the Board; the Company will report said reason in the Annual Corporate Governance Report. Furthermore, as regards independent directors, the Nomination Committee shall give a report on the proposal of their early dismissal.</p>	<p>4. Unchanged.</p>
<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>PART IX</u></p> <p style="text-align: center;"><u>DUTIES OF DIRECTORS</u></p>	<p style="text-align: center;">[...]</p> <p style="text-align: center;"><u>PART IX</u></p> <p style="text-align: center;"><u>DUTIES OF DIRECTORS</u></p>
<p>Article 40. Transactions with directors and significant shareholders</p>	<p>Article 40. Transactions with directors and significant shareholders</p>
<p>1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a shareholder who owns, either individually or jointly with others, any significant stake, including any shareholder who, regardless of his/her stake in the share capital, is</p>	<p>1. Unchanged.</p>

<p>represented on the Board of Directors of the Company or of other companies which are part of its corporate group.</p> <p>2. In no event shall such a transaction be authorized if previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions. In the event of transactions with significant shareholders, the Committee shall examine it also from the standpoint of an equal treatment for all shareholders.</p> <p>3. In the case of transactions within the ordinary course of company business and being of a habitual or recurrent nature, a general authorization of the line of transactions and their conditions of execution will be sufficient.</p> <p>4. The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope of the Law. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.</p> <p>5. The authorisation of the Board of Directors shall not be required for such transactions which meet simultaneously the following three conditions:</p> <p>(a) they are carried out pursuant to standard agreements and applied to a large number of clients;</p>	<p>2. In no event shall such a transaction be authorized if previously a report has not been issued by the Audit and <u>Compliance</u> Committee evaluating the transaction from the standpoint of market conditions. In the event of transactions with significant shareholders, the Committee shall examine it also from the standpoint of an equal treatment for all shareholders.</p> <p>3. Unchanged.</p> <p>4. Unchanged.</p> <p>5. Unchanged.</p>
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<p>(b) they are carried out at such prices or rates generally set by the provider of the good or service in question; and</p> <p>(c) their amount is not in excess of one percent (1%) of the annual revenue of the Company.</p> <p>6. The authorisation shall be granted by the General Meeting of Shareholders when it refers to any transaction with a director for a value which is in excess of 10% of the corporate assets.</p>	<p>6. Unchanged.</p>
<p><u>PART X</u></p> <p><u>RELATIONS OF THE BOARD OF DIRECTORS</u></p>	<p><u>PART X</u></p> <p><u>RELATIONS OF THE BOARD OF DIRECTORS</u></p>
<p>Article 41. Annual Corporate Governance Report</p>	<p>Article 41. Annual Corporate Governance Report</p>
<p>1. The Audit and Control Committee shall draw up and put forward to the Board of Directors the Annual Corporate Governance Report which shall be subject to the deliberation and approval of the Board of Directors prior to the publication of the notice calling to the Annual General Meeting of Shareholders of the Company for the financial year in question.</p> <p>2. The Annual Corporate Governance Report shall be available on CNMV's website and on the Company's corporate website referred to in Section 42 below.</p> <p>3. Furthermore, the Board of Directors shall, following the Company's corporate social responsibility and</p>	<p>1. The Audit and <u>Compliance</u> Committee shall draw up and put forward to the Board of Directors the Annual Corporate Governance Report which shall be subject to the deliberation and approval of the Board of Directors prior to the publication of the notice calling to the Annual General Meeting of Shareholders of the Company for the financial year in question.</p> <p>2. Unchanged.</p> <p>3. Furthermore, the Board of Directors shall, following the Company's corporate social responsibility and environmental sustainability model and with the advice of the Social Advisory Board <u>and the</u></p>

<p>environmental sustainability model and with the advice of the Social Advisory Board, ensure the preparation of the annual public documentation based upon Inditex's Annual Report (integrated Report).</p>	<p><u>Sustainability Committee</u>, ensure the preparation of the annual public documentation based upon Inditex's Annual Report (integrated Report).</p>
<p>Article 42. Corporate Website</p>	<p>Article 42. Corporate Website</p>
<p>1. The Company shall provide to the public on its website (www.inditex.com) all the relevant information concerning its corporate governance, for the purposes of channelling the relations with the shareholders and investors and encouraging their involvement in the life of the company. This information, which has to be permanently updated, shall contain at least the following:</p> <ul style="list-style-type: none"> (a) The Articles of Association. (b) The General Meeting of Shareholders Regulations. (c) The Board of Directors' Regulations. (d) The Audit and Control Committee's Regulations. (e) The Nomination Committee's Regulations. (f) The Remuneration Committee's Regulations. (g) The Internal Regulations of Conduct regarding Transactions in Securities (IRC). (h) The Annual Corporate Governance Report. 	<p>1. The Company shall provide to the public on its website (www.inditex.com) all the relevant information concerning its corporate governance, for the purposes of channelling the relations with the shareholders and investors and encouraging their involvement in the life of the company. This information, which has to be permanently updated, shall contain at least the following:</p> <ul style="list-style-type: none"> (a) Unchanged. (b) Unchanged. (c) Unchanged. (d) The Audit and <u>Compliance</u> Regulations. (e) Unchanged. (f) Unchanged. (g) <u>The Sustainability Committee's Regulations.</u> (h) Unchanged. (i) Unchanged.

<p>(i) The Annual Report on the Remuneration of Directors.</p> <p>(j) The Annual Report (Integrated Report).</p> <p>(k) The report on the proceedings and activities of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee.</p> <p>(l) All documents concerning the Annual and Extraordinary General Meetings of Shareholders, with the information regarding the agenda, the motions submitted by the Board of Directors, and any other relevant information that the shareholders might require, in order to cast their vote, within the period indicated by CNMV, as well as any valid requests for information, clarification or questions made in writing by the shareholders in the exercise of their right to information and the answers given in writing by the directors, unless prior to raising the specific question, the information requested is already available on the corporate website under the question-answer format.</p> <p>(m) Information on the proceedings of the General Meetings of Shareholders already held, namely as regards the composition of the General Meeting of Shareholders upon a quorum being declared, , the resolutions passed with a break-down of the votes cast and expressing whether they are for, against, blank or abstention as regards each of the proposals included on the agenda, within the period indicated by CNMV.</p> <p>(n) The communication channels existing between the Company and</p>	<p>(j) Unchanged.</p> <p>(k) Unchanged.</p> <p>(l) The report on the proceedings and activities of the Audit and <u>Compliance</u> Committee, the Nomination Committee, the Remuneration Committee <u>and the Sustainability Committee</u>.</p> <p>(m) Unchanged.</p> <p>(n) Unchanged.</p> <p>(o) Unchanged.</p>
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<p>the shareholders, and namely such explanations as are necessary to exercise the right to vote, stating the postal addresses and e-mail addresses where shareholders can address their queries.</p> <p>(o) The ways and procedures to grant proxy at the General Meeting of Shareholders, pursuant to the specifications given by CNMV.</p> <p>(p) The ways and procedures to cast votes through remote communication systems, pursuant to the rules governing such system, including where appropriate, the forms to justify the attendance and the exercise of the vote through remote means in the General Meeting.</p> <p>(q) The relevant facts filed with the CNMV, under the terms required by the applicable law.</p> <p>(r) The following information regarding directors: i) professional profile and biography; ii) other Board where they sit, whether in listed companies or otherwise (except for the assets-holding companies of the director himself/herself or of their next of kin); iii) their classification as director, stating in case of proprietary directors, the shareholder whom they represent or to whom they are linked; iv) date when they were first appointed and, where appropriate, date of the subsequent appointments as board member, and v) shares of the Company and options on shares which they hold.</p> <p>(s) The remaining information that the Board of Directors should deem fit.</p> <p>2. As regards the contents above, it is incumbent on the Board of Directors to</p>	<p>(p) Unchanged.</p> <p>(q) Unchanged.</p> <p>(r) Unchanged.</p> <p>(s) Unchanged.</p> <p>(t) Unchanged.</p> <p>2. Unchanged.</p>
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<p>keep the information of the corporate website updated, and to coordinate its contents with the results stemming from the documents filed and registered with the relevant public registries.</p>	
<p>Article 44. Relations with the markets</p>	<p>Article 44. Relations with the markets</p>
<p>1. Subject to the provisions of Section 42, the Board of Directors shall inform the public immediately about:</p> <p>(a) Any relevant information, which is capable of significantly affecting the formation of prices on the stock market.</p> <p>(b) Any relevant changes in the company's ownership structure, such as variations in significant holdings, and para-social agreements of which it has become aware;</p> <p>(c) Any substantial modifications of the Company's rules of governance;</p> <p>(d) The treasury stock policy that the Company intends, where appropriate, to carry out, under the authorizations provided at the General Meeting of Shareholders and its amendment.</p> <p>2. The Board of Directors shall take the necessary steps to ensure that the half-yearly and quarterly financial information and any other financial information that wisdom requires to be made available to the markets is drafted under the same principles, criteria and professional practices as those used for the annual accounts and that they are as reliable as these latter. For this last purpose, the Audit and Control Committee shall review said information.</p>	<p>1. Unchanged.</p> <p>2. The Board of Directors shall take the necessary steps to ensure that the half-yearly and quarterly financial information and any other financial information that wisdom requires to be made available to the markets is drafted under the same principles, criteria and professional practices as those used for the annual accounts and that they are as reliable as these latter. For this last purpose, the Audit and <u>Compliance</u> Committee shall review said information.</p>

Article 45. Relations with the auditors	Article 45. Relations with the auditors
<ol style="list-style-type: none"> 1. The relations of the Board of Directors with the external auditors of the Company shall be channelled through the Audit and Control Committee. 2. The Board of Directors shall meet at least once a year with the auditors to receive information on the work done and on the evolution of the accounting and risk situation of the Company. 3. The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an auditing firm incurring in incompatibility in accordance with the legislation on financial auditing as well as any auditing firm wherein the fees that the Company expects to pay them, for all services are in excess of the limits established in the legislation on financial auditing. 4. The Board of Directors shall publicly disclose the whole of the fees paid by the Company to the audit firm for services other than auditing. 5. The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy. 	<ol style="list-style-type: none"> 1. The relations of the Board of Directors with the external auditors of the Company shall be channelled through the Audit and <u>Compliance</u> Committee. 2. Unchanged. 3. The Audit and <u>Compliance</u> Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an auditing firm incurring in incompatibility in accordance with the legislation on financial auditing as well as any auditing firm wherein the fees that the Company expects to pay them, for all services are in excess of the limits established in the legislation on financial auditing. 4. Unchanged. 5. Unchanged.

Considering the foregoing, the Board of Directors has resolved, unanimously by those present, to approve this explanatory report pursuant to section 518(d) LSC, 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 item fourteen on the agenda.

Arteixo (A Coruña), on 11 June 2019.