

INDITEX



**Report on the Proceedings and Activities of the
Audit and Control Committee**

FY2018

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1. Preliminary

This document, drawn up by the Audit and Control Committee of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, “**Inditex**” or the “**Company**”) in the meeting held on 10 June 2019, represents the annual report on the proceedings and activities such Committee, drafted pursuant to Recommendation 6 of the Good Governance Code of listed companies, approved by resolution of the Board of Directors of Comisión Nacional del Mercado de Valores [Spanish Securities and Exchange Commission] on 18 February 2015 (hereinafter, “**CBG**” [*Spanish acronym*]) and section 15(e) of the Audit and Control Committee’s Regulations, and describes the main proceedings of the Audit and Control Committee from 1 February 2018 through 31 January 2019, FY2018 end.

This report has been issued on an annual basis since FY2002.

2. The Audit and Control Committee: origin and evolution, regulations and composition

a. Origin and evolution

The formation of the Audit and Control Committee originates in the Board of Directors’ Regulations, approved by the Company’s Board of Directors in the meeting held on 20 July 2000.

Since then, the Board of Directors of Inditex has been amending the company’s rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and regulations approved. Among those amendments, those regarding the Board of Directors’ Regulations can be found and mention should be made of the changes in such regulations aimed at reinforcing the duties of the Audit and Control Committee to extend its powers or entrust it with new ones.

Further to the passing of Act 31/2014, of 3 December, amending the Spanish Companies Act for the improvement of corporate governance, and to the release of the CBG, Inditex carried out a review of its internal regulations, updating them to meet the latest regulatory requirements, the latest recommendations in the area of good governance and the latest trends in the field of corporate governance, which ended with the thorough redraft of most of its internal regulations, including the approval of the Audit and Control Committee’s Regulations.

Finally, the Board of Directors resolved on 14 June 2016 to amend the Audit and Control Committee’s Regulations, and such amendment was subsequently approved by the Annual General Meeting, in order to bring it into line with the Articles of Association and with the reform introduced in the Companies Act (hereinafter, the “**Companies Act**” or “**LSC**” [*Spanish acronym*]) by Act 22/2015 of 20 July on Statutory Audit.

b. Regulations, duties and powers.

Section 5 of the Audit and Control Committee’s Regulations addresses the mission of the Committee, and its powers are set out in sections 6 to 15 and 27 to 30 thereof.

The main powers of the Audit and Control Committee regard the supervision of (i) the process to prepare the regulated financial information; (ii) the statutory audit; (iii) the internal audit; and, (iv) the internal control and risk management. Namely, its basic responsibilities are:

- (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 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.

(b) To oversee the effectiveness of the internal control system of the Company, the internal audit and the risks management systems, 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;

(c) To oversee the process for preparing and disclosing the regulated 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 to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;

(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 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 Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorization of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall 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 the detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above mentioned entities by 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 on an annual basis, prior to the issue of the auditor's 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;

(g) To ensure that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations;

(h) To advice beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties."

Additionally, as provided in section 15 of the Board of Directors' Regulations, and in sections 5 to 15 of the Audit and Control Committee's Regulations, the Committee is also entrusted with duties in the following fields:

- Corporate Governance: (i) to evaluate the appropriateness of the corporate governance system; and (ii) to oversee and receive information on compliance with the Internal

Regulations of Conduct regarding transactions in Securities and other governance regulations.

- Compliance with internal regulations: (i) to establish and oversee the mechanisms for reporting irregularities or non-compliance with internal regulations (i.e., the Whistle Blowing Channel); and, (ii) to receive information on a half-yearly basis on the level of compliance with the Codes of Conduct and on the proceedings of the Whistle Blowing Channel; (iii) to prepare and table the Annual Corporate Governance Report; and; (iv) to oversee the proceedings and operation of the corporate website.
- Evaluation of the management of non-financial risks (operational, technological, legal, social, environmental, political and reputational).
- Social and environmental sustainability: (i) to oversee the Corporate Social Responsibility Policy and the Environmental Sustainability Policy; and, (ii) to follow-up on the strategy and practices thereof; and to report on social information and on diversity.
- Regarding tax topics: to report on the tax policies applied and on the main terms of such transactions or business with a tax impact, to be submitted to the Board for approval; and,
- Supervision of the communication strategy and coordinating relations with the different stakeholders (namely, with shareholders and investors).

c. Composition

Following its initial composition, agreed in 2000, members and structure of the Audit and Control Committee have been subject to change in order to comply with current regulations and recommendations on good governance.

Members of the Audit and Control Committee and especially its Chair, have the required knowledge, qualifications and experience in the areas of accounting, audit or risks management. 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.

Members of the Audit and Control Committee will be appointed for a 4-year term, being eligible for re-election upon expiry of such term. The Chair of the Audit and Control Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his/her removal.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, the majority of whom must be independent directors.

At present, five members of the Audit and Control Committee, entirely made up of non-executive directors, are independent, which represents 83.33% of all its members.

The Annual General Meeting approved on 17 July 2018, on the proposal of the Board of Directors, the re-election of Mr Rodrigo Echenique Gordillo to the Board of Directors as non-executive independent director, as well as the appointment of Ms Pilar López Álvarez as new non-executive independent director.

The re-election of Mr Echenique to the Board of Directors entailed his continuance as member of the Audit and Control Committee, pursuant to section 23.2 of the Board of Directors' Regulations.

Likewise, the Board of Directors approved in the meeting held on 17 July 2018, on the proposal of the Nomination Committee, the appointment of Ms Pilar López as member of the Audit and Control Committee.

Mr Carlos Espinosa de los Monteros Bernaldo de Quirós stepped down from the Board of Directors and consequently, from the Audit and Control Committee, upon expiry of the 4-year term for which he had been re-elected at the Annual General Meeting held on 15 July 2014.

Consequently, the composition of the Audit and Control Committee as at 31 January 2019 is as follows:

Name	Office	Category	Date of first appointment
Mr José Luis Durán Schulz	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	17-07-2012
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	15-07-2014
Ms Pilar López Álvarez	Ordinary Member	Non-executive independent	17-07-2018
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent	13-07-2010

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

Mr Durán was appointed Chair of the Audit and Control Committee on 19 July 2016.

The CV of all the members of the Audit and Control Committee, with full information about their profile, experience and knowledge, is available on the corporate website: (www.inditex.com).

3. Proceedings of the Audit and Control Committee: Meetings held, business transacted, reports and attendees

a. Proceedings

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include within its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

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

It should be underlined that the Chair and the Secretary of the Audit and Control Committee hold a preparatory meeting with the executives of the main areas more directly related to the

Committee on account of their duties, (and at any rate with the Chief Financial Officer and the Chief Audit Officer), for the purposes of reviewing and preparing the items on the scheduled agenda. The meeting of the Audit and Control Committee is called after such preparatory meeting is held.

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

Members of management or staff members of the Company and its Group are bound to attend the meetings of the Audit and Control Committee and provide its members with assistance and access to the information they may have, upon request of the Committee. Likewise, the Committee may also request the presence at its meetings of the Company's statutory auditors.

b. Activities: meetings held, business transacted, reports and attendees

The Audit and Control Committee held 5 meetings in 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Audit and Control Committee during financial year 2018 stands at 100%.

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

The schedule of the meetings held and business transacted by the Audit and Control Committee between 1 February 2018 and 31 January 2019 is provided in Annex I attached hereto.

4. Main lines of action

During financial year 2018, the main lines of action of the Audit and Control Committee have focused on the following:

A. Powers regarding the supervision of financial reporting: periodic financial information, annual accounts and audit report

– Financial reporting process

The Audit and Control Committee reviews Inditex's economic and financial information before it is approved by the Board of Directors.

To do so, prior to stating the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Company's Management to review the enforcement of the accounting standards, the estimates made upon stating the financial statements, etc.,

Additionally, the Committee, which is entirely made up of non-executive directors, meets with the external auditors for the purposes of reviewing the Company's annual accounts and certain periodic financial information, reviewing the fulfilment of legal requirements and the appropriate use of generally accepted accounting standards upon stating the annual accounts.

The Audit and Control Committee reviewed on 12 March 2018 the results for full year 2017. It reviewed the quarterly results of 2018 and the relevant Results Releases and Press Releases in the meetings held on 11 June (1Q), 10 September (1H) and 10 December 2018 (3Q). Such results – and the respective Results Releases and Press Releases – were disclosed by the Board of Directors to the market and its supervisory bodies on a quarterly basis pursuant to the Periodic Public Information (PPI) format.

Likewise, the 2017 annual accounts and management reports, both individual and consolidated, and the 2017 Audit Report were also reviewed. The Committee verified that an unqualified Audit Report was issued.

– Report on the Internal Control over Financial Reporting (ICFR) System

The Committee has overseen the effectiveness of the ICFR System. This is accounted for in section F of the Annual Corporate Governance Report for FY2017 approved on 12 March 2018.

The Company's ICFR system has been verified by the statutory auditors, and an unqualified opinion was issued.

The Committee gave a favourable report to the new Policy on Internal Control over Financial Reporting System (ICFR) on 10 December 2018.

B. Powers regarding statutory audit

- Overseeing the effectiveness of the statutory audit and observance of the audit contract

The audit conducted in 2017 was reviewed at the meeting held by the Audit and Control Committee on 12 March 2018, with the attendance of the external auditors previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2018 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2018. External auditors issued an unqualified opinion. Likewise, they issued a limited review report on the financial statements in 2018.

Additionally, the main issues were reviewed, discriminating between international, domestic, accounting issues and other less relevant ones.

Members of the Audit and Control Committee met with external auditors on 12 March, 11 June and 10 September 2018, without any member of the management being present, to transact different business under its remit.

Likewise, external auditors were in attendance in the meeting held on 10 December 2018 upon special invitation of the Committee, to address the 2019 audit plan.

- Verifying the independence of Statutory Auditors

Pursuant to the provisions of the Procedure to Contract an Auditor for the Provision of Non-audit Services approved by the Committee on 18 July 2016, the Audit and Control Committee evaluated and approved in all the meetings held in 2018 the engagement from external auditors by the Company and Group companies of non-audit services. On 12 March 2018, the Committee approved the report on the independence of the external auditors, which also addressed (i) the system to approve additional non-audit services; (ii) fees; and, (iii) the statement issued by the auditors.

Pursuant to Recommendation 6 CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) at the time the AGM was called.

In the above referred meeting held on 12 March 2018, having established that independence requirements are met and assessed the performance of auditors regarding the statutory audit for the previous year, the Audit and Control Committee gave a favourable report to the re-election of statutory auditors, to be approved by the Board and subsequently submitted to the Annual General Meeting.

C. Powers regarding Internal Audit

The Chief Audit Officer attended all the meetings of the Audit and Control Committee held in 2018 and took an active part in the same.

Different issues within the Committee's remit were addressed in such meetings and the Committee oversaw the work plan of the Internal Audit Department (progress report of the projects and review of the follow-up on the most critical recommendations, both of operational, financial, compliance and systems audits currently in progress), and approved its budget for FY2018 and its activities report for FY2017.

In the meeting held on 12 March 2018, the Audit and Control Committee raised to the Nomination Committee the appointment of Ms Paula Mouzo Lestón as new Chief Audit Officer of the Inditex Group replacing Mr Carlos Crespo González.

D. Powers regarding Compliance

- Supervision of the Model of Criminal Risk Prevention: review of the reports issued by the Committee of Ethics

The Committee reviewed and approved the Annual Report of the Committee of Ethics for FY2017 on 12 March 2018, and the Half-Yearly Report of the Committee of Ethics for the first half of 2018 in the meeting held on 10 September 2018. Likewise, it acknowledged during this last meeting the Report on the Model of Criminal Risk Prevention issued and approved by the Committee of Ethics on 5 March 2018.

The above reports address, *inter alia*, the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, with a description of the cases seen by the Committee of Ethics, the number of reports received through the Whistle Blowing Channel, their origin, the proceedings carried out and the resolutions issued; the outcome of the supervision of the Model of Criminal Risk Prevention of the Group and proceedings to implement the Corporate Compliance Model at domestic and international level (circulation and communication of such model, proceedings regarding the acceptance of the Code of Conduct and Responsible Practices and training on corporate compliance).

Likewise, the Audit and Control Committee followed-up on the progress of the degree of implementation of the Group's Corporate Compliance Model in the meetings held on 10 June and 11 December 2018.

The Model of Criminal Risk Prevention of the Inditex Group has been submitted in 2018 to a new reasonable assurance review, with limited assurance scope, by an independent third party, PricewaterhouseCoopers, in order to establish that the controls included in the Scoping Matrix of Criminal Risks and Control are effective and appropriate and that the Model complies with the requirements laid down in the Criminal Code and in UNE 19601 standard. PwC has issued an unqualified opinion.

- Corporate policies.

In order to bring the internal regulations of the company into line with certain regulatory developments, international standards and best practices on corporate governance and corporate compliance, and to implement certain aspects of the internal regulations, in 2018 the Audit and Control Committee gave a favourable report to the following corporate policies:

- The Anti-Money Laundering and Terrorist Financing Policy, in the meeting held on 12 March 2018. Such Policy was subsequently approved by the Board of Directors on the following day.
- The Policy on Internal Control over Financial Reporting System (ICFR) and the Policy on Management of Insurable Risks, in the meeting held on 10 December 2018. Both of them were subsequently approved by the Board of Directors in the meeting held on the following day.

E. Overseeing control and risk management function

The Audit and Control Committee is responsible for verifying the level of risk tolerance and its limits, at least by means of an annual review and the reception of periodic reports on the degree

of compliance with the Enterprise Risk Management Policy, to be tabled to the Board. Its main proceedings in the field were:

- Risks Map

In this regard, the Head of the ERM Department apprised the Audit and Control Committee in the meeting held on 10 September 2018, of the main risks affecting business development and the control measures established to manage and monitor such risks. The Committee gave a favourable report to the update of the 2018 Risks Map

- Assessment of other risks

Pursuant to sections 5(j) and 9(f) of the Audit and Control Committee's Regulations and the Enterprise Risk Management Policy, the evaluation of any question *regarding non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks)* is part of its duty to oversee the effectiveness of risk control systems.

The Committee encourages the attendance of executives and supervisors of the Company at its meetings, to receive regular reports on the operation of the systems established, namely on:

- Report on Tax Policies

Pursuant to the Company's Tax Policy, the Committee acknowledged the tax policies followed in the year in the meeting held on 12 March 2018.

- Report on the follow-up of projects of IT and Information Security Departments

In the meetings held on 11 June and 10 December 2018, the Committee acknowledged the reports on Cybersecurity and Information Security addressing the most relevant issues in the field which may have an impact on the Company, and followed-up on the progress of the projects of the Information Security Department.

- Report on IP litigation

In the meeting held on 10 December 2018, the Committee acknowledged the report submitted by the Head of the IP Department relating to, *inter alia*, cases seen, proceedings associated with IP assets management and the outcome thereof, and the evolution of the main litigation.

- Report of the Data Protection Officer

In the meeting held on 11 June 2018, the Committee acknowledged the report on the degree of implementation of the requirements on Data Protection introduced upon entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council last 25 May 2018.

F. Powers regarding Corporate Governance

The most relevant proceedings carried out in 2018 regarding observance of statutory and good governance requirements have been:

- Annual Corporate Governance Report (hereinafter, ACGR)

The Audit and Control Committee approved on 12 March 2018 the Annual Corporate Governance Report for FY2017, drafted as regards its format, contents and structure, in accordance with the provisions of CNMV's Circular 7/2015 of 22 December. The ACGR was submitted by the Committee to the Board of Directors which approved it on 13 March 2018, and subsequently sent to the CNMV as a relevant fact. The ACGR is available on CNMV website (www.cnmv.es).

- Review of the reports of the Code Compliance Supervisory Board and the Office of the Chief Compliance Officer

The Audit and Control Committee reviewed in the meetings held on 12 March and 10 September 2018 the quarterly reports prepared by the Office of the Chief Compliance Officer in respect of

the enforcement of the Internal Regulations of Conduct regarding Transactions in Securities (IRC), and the half-yearly reports issued by the Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

- Evaluation of the appropriateness of the corporate governance system

In the meeting held on 10 December 2018 the Audit and Control Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interests taking into account the lawful interests of the different stakeholders.

- Related-party transactions

In the meeting held on 12 March 2018, the Audit and Control Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout 2017.

Pursuant to the provisions of Recommendation 6 CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) upon posting the notice calling the Annual General Meeting.

- Report on a potential conflict of interest

Pursuant to section 229 of the Companies Act, as amended by Act 31/2014 of 3 December for the improvement of corporate governance, the Audit and Control Committee gave a favourable report to a potential conflict of interest.

- Report on treasury stock

The Committee acknowledged in the meeting held on 12 March 2018 the report on treasury stock, issued by the Capital Markets Director pursuant to the document headed "*Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares*" dated 18 July 2013.

- Report on its activities

The Audit and Control Committee issued the annual report on its activities on 11 June 2018. It was published in the 2017 Annual Report and is available on www.inditex.com.

- Schedule of dates and business to be transacted

The Audit and Control Committee approved in the meeting held on 11 December 2018 the Schedule of dates and business to be transacted by the Audit and Control Committee in 2019.

G. G. Other powers

The Audit and Control Committee is responsible for overseeing and coordinating the report on social information and diversity, pursuant to the applicable regulations and the international standards of reference. In this regard, it has carried out the following:

- Report on non-financial information and diversity

The Committee gave a favourable report to the Group's report on non-financial information and diversity for FY2017 in the meeting held on 12 March 2018. Such report covered the description of the group's business model, and the most significant priorities embedded in its strategy, those associated with: (i) Human Rights; (ii) social and staff-related issues; (iii) corruption and bribery; and, (iv) environmental issues and the review and description of the policies approved regarding each of such topics and due diligence procedures enforced to identify and evaluate the risks affecting them.

Such report was reviewed by an external facilitator, and the Audit and Control Committee established that they issued an unqualified report, and that it was an integral part of the annual report for FY2017.

All the foregoing pursuant to *Real Decreto-ley* 18/2017 of 24 November, amending the Code of Commerce, the Revised Text of the Companies approved by *Real Decreto-legislativo* 1/2010 of 2 July and Act 22/2015 of 20 July on Statutory Audit, regarding non-financial information and diversity

- Inditex's Annual Report

The Audit and Control Committee gave a favourable report to the 2017 Annual Report in the meeting held on 11 June 2018. Such Report provided information on the activities of the company and the Inditex Group over the last years, namely in 2017 regarding three specific areas: financial, social and environmental.

5. Evaluation process regarding the performance of the Board of Directors, the Directors, the advisory committees and the members thereof, and the performance of the Executive Chairman, the Lead Independent Director and the Secretary of the Board.

The outcome of the evaluation conducted in FY2018 has been positive in respect of the areas evaluated, highlighting the following, without limitation: the size and structure, the functions, the effectiveness and the proceedings, the planning and organization of the meetings of the Board of Directors and its Committees, and the contribution and performance of the Directors, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. The Audit and Control Committee remains the best valued committee, in respect of all aspects reviewed.

As a result of the self-evaluation process, a number of improvements in the internal organization and in the procedures followed has been noted:

- i. It has allowed identifying professional profiles required on the board.

Thus, the re-election and appointment of directors approved by the Annual General Meeting in 2018 have contributed to reinforce the balanced composition of the Board of Directors, namely:

- a. the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees;
 - b. a more balanced distribution of male and female directors, as the 30% representation goal for female directors of total board positions has been achieved ahead of schedule; and
 - c. The addition of a new director with experience in the technology and digital sector, in accordance with the Company's digitalisation strategy.
 - d. In line with the foregoing the average tenure and the average age of directors has been reduced
- ii. An annual schedule of dates and business to be transacted by the Audit and Control Committee has been approved. Such schedule allows systematically arranging the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted only at certain meetings.
 - iii. Proceedings aimed at promoting Compliance culture have increased, through the quarterly follow-up on a number of issues by the Audit and Control Committee.

6. Main relations of the Audit and Control Committee

A. With the General Meeting of Shareholders.

The Chair of the Audit and Control Committee is available to the shareholders at the Annual General Meeting in order to address those questions they may raise therein with regard to matters within its remit, pursuant to the provisions of statute, the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

B. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Audit and Control Committee apprises all Directors on the main business transacted in the last meeting of the Committee.

C. With the advisory Committees of the Board of Directors.

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

D. With the Executive Chairman and the Senior Executives.

For the purposes of permitting the Audit and Control Committee to be directly apprised of the major business concerns, the Committee encourages the appearance in its sessions of the Executive Chairman and of the executives and officers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent

Additionally, the Committee may call any employee or officer of the Company and even arrange for their attendance without any other officer being present.

E. With the General Counsel's Office.

The General Counsel and Secretary of the Board, in his capacity as Chief Compliance Officer regularly informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, on the degree of enforcement of the rules of the company on corporate governance.

Additionally, the General Counsel and Secretary of the Board, in his capacity as Chair of the Committee of Ethics regularly advises the Audit and Control Committee on the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; the outcome of the supervision of the Model on Criminal Risks Prevention of the Inditex Group and the proceedings undertaken to implement the Corporate Compliance Model.

F. With the Internal Audit Department.

The Internal Audit Department, ensures, under the supervision of the Audit and Control Committee, the good operation of the information and internal control systems. Internal Audit is a corporate function included in the current organizational structure by means of a direct link to the Board of Directors, achieved through the functional reporting to the Chair of the Audit and Control Committee, and the operational reporting to the Executive Chairman.

The Chief Audit Officer (CAO), being ultimately responsible for the Internal Audit function, regularly apprises the Audit and Control Committee of the annual Internal Audit work plan, as well as of the assignments carried out in the different audit areas.

Meanwhile, the Audit and Control Committee oversees the Internal Audit Department, approving its budget, the Internal Audit Plan, the annual activities report and the resources of the Department to carry out its tasks as well as the contents of its proceedings

G. With the external auditors.

The relations of the Board of Directors of the Company and the external auditors of the Group are channeled through the Audit and Control Committee.

Without prejudice to the annual meeting between external auditors and the Board of Directors, the former attends such meetings of the Committee in which the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis is subject to review.

In addition, the Committee tables to the Board of Directors, to be subsequently submitted to the Annual General Meeting, the motions on the appointment, re-election and replacement of the external auditors, as well as the terms for their engagement and the scope of their professional mandate. Likewise, the Committee oversees the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of such contracts entered into with the auditors for the performance of assignments other than those covered by the audit contract, all of which pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 7 and 30 of the Audit and Control Committee's Regulations.

H. With the external advisors_

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expenses. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

7. Findings

The provisions of CNMV's Technical Guide 3/2017, on audit committees at public interest entities have been considered upon preparing this Report on the Proceedings and Activities of the Audit and Control Committee for FY2018, as provided in section 79 thereof.

DATE OF MEETING	MAIN BUSINESS TRANSACTED	REPORTS AND MOTIONS SUBMITTED TO THE BOARD OF DIRECTORS	OCCASIONAL INDITEX'S ATTENDEES ¹
	<ul style="list-style-type: none"> - Review of the annual accounts of the company - Review of the annual financial report to be disclosed by the Board of Directors to the market - Meeting with the external auditors of the company - Report on the Independence of auditors - Motion regarding the appointment/ re-election of statutory auditors - Related-party transactions - Internal Audit issues: <ul style="list-style-type: none"> a. 2018-2020 Internal Audit Strategic Plan b. 2018 Internal Audit Plan and Budget c. 2017 Internal Audit Activities Report. Follow-up on recommendations. 	<ul style="list-style-type: none"> - Annual financial information (FY2017) - Final findings 2017 Audit - Report on the independence of external auditors - Report on the re-election of auditors - Report on related-party transactions - Reports of the IA Department: <ul style="list-style-type: none"> f. 2018-2020 Strategic Plan g. 2018 Internal Audit Plan and budget - 2017 Internal Audit Annual Activities Report - Findings of the verification by PwC of independence of the Model of Criminal Risk Prevention 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman - Mr Ignacio Fernández Fernández, Chief Financial Officer - Mr. Carlos Crespo González, Chief Audit Officer - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board - Mr Santiago Martínez-Lage Sobredo, Deputy-Secretary of the Board - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer - Ms Piedad Barco Gurrea, Chief Compliance Officer Europe - Mr Juan Villar de la Riera, Head of Compliance at HQ, South Africa and Oceania - Ms Isabel Gómez-Cuétara Martínez, Head of Corporate Governance and Secretary of the Committee of Ethics

¹ Occasional attendees were never present at the meeting when the business corresponding to the items on the agenda were subject to deliberation and put to vote.

<p>12/03/2018</p>	<ul style="list-style-type: none"> d. Audit report on the Model of Criminal Risk Prevention e. External Audit: 2017 fees and 2018 budget - Amendment of the Internal Audit Charter - Compliance: <ul style="list-style-type: none"> a. New internal regulations: Anti-money Laundering Policy and Terrorist Financing Policy b. 2017 Annual Compliance Report of the Inditex Group c. Reports of the Committee of Ethics: <ul style="list-style-type: none"> - Whistle Blowing Channel (1 February 2017 – 31 January 2018) - Model of Criminal Risk Prevention d. Half-yearly report (August 2017-January 2018) of the Compliance Supervisory Board. - Amendment of the Regulations of the Social Advisory Board - Annual Corporate Governance Report - Report on treasury stock - Report on tax policies followed in the financial year 	<ul style="list-style-type: none"> - External audit: 2017 fees and 2018 budget - List of non-audit services - Motion regarding the amendment of the Internal Audit Charter. . - Compliance reports: <ul style="list-style-type: none"> - Motion regarding the Anti-money Laundering Policy and Terrorist Financing Policy - Annual Compliance Report - Annual report of the Committee of Ethics on the proceedings of the Whistle Blowing Channel. - Report of the Committee of Ethics on the Model of Criminal Risk Prevention - Half-yearly report (August 2017-January 2018) of the Compliance Supervisory Board (CSB) - Motion regarding the amendment of the Regulations of the Social Advisory Board - Annual Corporate Governance Report - Report on treasury stock - Report on 2018 tax policy 	<ul style="list-style-type: none"> - Mr Marcos López García, Capital Markets Director - Mr Andrés Sánchez Iglesias, Director of the Tax Department - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
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	<p>(Code of Good Tax Practices)</p> <ul style="list-style-type: none"> - Report on related-party transactions 	<ul style="list-style-type: none"> - Report on related-party transactions 	
	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must disclose to the market and its supervisory bodies - Internal Audit: analytical review 1Q2018 results - Review of external audit topics: - Cybersecurity - Data protection following entry into force of new regulations - Internal Audit: work done during 1Q2018 - Compliance: <ul style="list-style-type: none"> a. Report on the degree of implementation of the 	<ul style="list-style-type: none"> - Financial information for 1Q2018 - Report on the follow-up on the implementation of the Audit Plan - Report of the IT Division on Cybersecurity - Report of the Data Protection Officer on the roll-out of the GDPR - Report on the 1Q2018 results by the Internal Audit Department - Compliance reports: - Report of the GCO-OCCO on the degree of implementation of the Corporate Compliance System 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman - Mr Ignacio Fernández Fernández, Chief Financial Officer - Ms Paula Mouzo Lestón, Chief Audit Officer. - Mr Carlos Crespo González, Chief Operating Officer. - Mr Raúl Amigorena Eguiluz, Chief Information Security Officer, reporting to the Office of the Chief Operating Officer - Ms Cristina Sánchez-Tembleque Cayazzo, Head of the corporate data protection and privacy area and Data Protection Officer. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.

<p>11/06/2018</p>	<p>Inditex Group's Corporate Compliance system</p> <p>b. Observance of new local requirements on Compliance: UK "Modern Slavery Act and California Transparency in Supply Chain Act".</p> <ul style="list-style-type: none"> - Statement of the Annual Report (Integrated Report) - Annual Report on the Proceedings of the Audit and Control Committee - Provision by the external auditors of non-audit services 	<ul style="list-style-type: none"> - Inditex Group Modern Slavery and Human Trafficking Statement FY2017 - Annual Report - Annual Report on the Proceedings of the Audit and Control Committee for FY2017 - List of non-audit services 	
<p>17/07/2018</p>	<ul style="list-style-type: none"> - Review of a potential conflict of interest 	<ul style="list-style-type: none"> - Report on a potential conflict of interest 	<ul style="list-style-type: none"> - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
<p>0/09/2018</p>	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must disclose to the markets and its supervisory boards - Meeting with the external auditors: - Limited review report on 1H2018 results - Review of the main assumptions and estimates of impact of the new standard on leases (IFRS 16) 	<ul style="list-style-type: none"> - Financial information 1H2018 - Reports of external auditors: - Report issued by external auditors on the review of the 1H2017. - Report on essential aspects of the standard and its accounting impact - Report on the work done by IA Department during 1H2018 - Report on the update of the audit plan. 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer - Mr Eliseo Oroza Rodríguez, Chief Administration Officer - Mr Rafael Coya Guerrero, Head of Processes and Projects Department - Mr Fernando de Bunes Ibarra, Head of the Enterprise Risk Management Department - Ms Martina Fernández Porto, member of the ERM Department - Ms Paula Mouzo Lestón, Chief Audit Officer

	<ul style="list-style-type: none"> - Risk map: 2018 update - Internal audit: <ul style="list-style-type: none"> a. 1H2018 Internal Audit Activities Report. Work done and follow-up on recommendations b. Update audit plan 2H2018 - Related-party transactions. - Compliance area: <ul style="list-style-type: none"> a. 2018 Half-yearly Compliance Report. b. Reports of the Committee of Ethics <ul style="list-style-type: none"> - Whistle Blowing Channel (1 February – 31 July 2018). - Monitoring of the Model of Criminal Risk Prevention c. Half-yearly report (February – July 2018) of the Compliance Supervisory Board - Provision by the external auditor of non-audit services 	<ul style="list-style-type: none"> - Report on related-party transactions. - Compliance reports: <ul style="list-style-type: none"> - Half-yearly Compliance Report - Reports of the Committee of Ethics: - Report on the activities of the Committee of Ethics in 1H2018 - Report on the supervision of the Model of Criminal Risk Prevention - Half-yearly report report (February – July 2018) of the Compliance Supervisory Board - List of non-audit services 	<ul style="list-style-type: none"> - Ms Ana Díaz Ibarra and Mr Manuel Alonso Vila, members of the IA Department - Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board of Directors - Ms Piedad Barco Gurrea, Chief Compliance Officer Europe - Mr Juan Villar de la Riera, Head of Compliance at HQ, South-Africa and Oceania - Ms Isabel Gómez-Cuétara Martínez, Head of Corporate Governance and Secretary of the Committee of Ethics - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.
	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must disclose to the market and its supervisory bodies - Internal Audit: analytical review of the 3Q2018 results 	<ul style="list-style-type: none"> - Financial information 3Q2018 - Report of the IA Department on the 3Q2018 results - Reports of external auditors: - 2019 Audit Plan. 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman - Mr Ignacio Fernández Fernández, Chief Financial Officer - Mr Carlos Crespo González, Chief Operating Officer

<p>10/12/2018</p>	<ul style="list-style-type: none"> - External Audit: <ul style="list-style-type: none"> a. 2019 Audit Plan b. Follow-up on the recommendations resulting from the review of cybersecurity - Follow-up on the implementation of the Lease Standard IFRS 16 - Financial restructuring of Inditex - New internal regulations: <ul style="list-style-type: none"> a. Policy on Internal Control over Financial Reporting System b. Policy on Management of Insurable Risks - IT department: follow-up on projects - Information security: follow-up on projects - IP Litigation - Internal audit: work done 3Q2018 - Compliance: report on the degree of implementation of the Inditex's Group Corporate Compliance Model - Evaluation of the appropriateness of the corporate governance system - Schedule of dates and business to be transacted by 	<ul style="list-style-type: none"> - Report on the terms of the Financial restructuring of Inditex - Internal regulations: <ul style="list-style-type: none"> • Motion regarding the Policy on Internal Control over Financial Reporting System • Motion regarding the Policy on Management of Insurable Risks - Report of the IT Division - Report on Information Security - Report on litigation of the Legal Area of the IP Department - Report on the work done in 3Q2018 by the IA Department - Report on the degree of implementation of the Inditex Group's Corporate Compliance Model - Report on the evaluation of the appropriateness of the corporate governance system. - Report on the evaluation of the Audit and Control Committee and the performance of its members - Schedule of dates and business to be transacted by 	<ul style="list-style-type: none"> - Ms Paula Mouzo Lestón, Chief Audit Officer - Mr Javier Arija Tejero, member of the IA Department - Mr Eliseo Oroza Rodríguez, Chief Administration Officer - Mr Rafael Coya Guerrero, Head of Processes and Projects Department - Mr Andrés Sánchez Iglesias, Director of the Tax Department - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board - Mr Gabriel Moneo Marina, Chief IT Officer - Mr Raúl Amigorena Eguluz, Chief Information Security Officer, reporting to the Office of the Chief Operating Officer - Ms Susana Fernández Martín, Head of the IP Department - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
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	<p>Inditex's Board of Directors in FY2019</p> <ul style="list-style-type: none">- Schedule of dates and business to be transacted by the Audit and Control Committee in FY2019 (as per CNMV's Technical Guide 3/2017 on audit committees of public interest entities, section 31.(b)&(c))- Provision by external auditors of non-audit services	<p>Inditex's Board of Directors in FY2019</p> <ul style="list-style-type: none">- Schedule of dates and business to be transacted by the Audit and Control Committee in FY2019- List of non-audit services	
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