

INDITEX



**Report on the Proceedings and Activities of the
Nomination Committee**

FY2018

ZARA PULL&BEAR Massimo Dutti Bershka  OYSHO ZARA HOME UTERQÜE

Table of contents

1. Preliminary	3
2. The Nomination Committee: origin and evolution, regulations and composition	3
a. Origin and evolution	3
b. Regulations, duties and powers	3
c. Composition	4
3. Proceedings of the Nomination Committee: Meetings held, business transacted, reports and attendees	5
4. Main lines of action	6
5. Main relations of the Nomination Committee	9
A. With the Board of Directors	9
B. With the advisory Committees of the Board of Directors	9
C. With the Executive Chairman and with Senior Executives	9
D. With the Lead Independent Director	9
E. With the Human Resources Department	9
F. With the external advisors	9
6. Findings	9

1. Preliminary

This document, drawn up by the Nomination 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 of 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*]).

This report has been issued on an annual basis since FY2005 with regard to the former Nomination and Remuneration Committee. Further to the split thereof into two Committees, as explained in section 2 below, and to the assumption by the Nomination Committee of part of its duties, the report that strictly addresses the proceedings of such Committee was issued for the first time in FY2016.

2. The Nomination Committee: origin and evolution, regulations and composition

a. Origin and evolution

The Board of Directors has been amending its regulations on corporate governance, in line with the most demanding trends in the area and in accordance with the good governance codes and the regulations approved.

The current Nomination Committee originates in the defunct Nomination and Remuneration Committee, following recommendation 48 CBG. The Board of Directors resolved in the meeting held on 9 June 2015 to split the Nomination and Remuneration Committee into two separate and newly formed committees: the Nomination Committee and the Remuneration Committee. Such split was conditional upon the approval by the Annual General Meeting of the amendment of the Articles of Association.

Subsequently, the Annual General Meeting held on 14 July 2015 approved the amendment of the Articles of Association in order to meet the latest regulatory development and to follow the Recommendations of CBG, and consequently (i) the split of the Nomination and Remuneration Committee into two separate committees: the Nomination Committee and the Remuneration Committee; (ii) the composition of such new committees; and (iii) the regulations of each of them, were finally approved.

b. Regulations, duties and powers

The regulation of the Nomination Committee is provided in article 29 of the Articles of Association, section 16 of the Board of Directors’ Regulations and more specifically, in the Nomination Committee’s Regulations.

Section 5 of this last set of rules covers the mission of the Nomination Committee, and its powers are set out in sections 6 to 9 thereof. Namely:

- (a) *“To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, it shall define the functions and qualifications required of candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties; To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target;*
- (b) *To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the nonexistence of any manner of discrimination;*

- (c) *To table to the Board of Directors the motions on the election 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;*
- (d) *To issue a report regarding the motions to elect 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;*
- (e) *To issue a report regarding the motions to appoint and to remove senior executives;*
- (f) *Without prejudice to the powers of the Lead Independent Director, should there be one, 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 planned manner.”*

c. Composition

Members of the Nomination Committee, and namely its Chair, shall have the appropriate background, qualifications and experience to discharge the duties they are called upon to perform.

Members of the Nomination Committee shall hold their office for a 4-year term, being eligible for re-election upon expiry of such term.

The Nomination Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, five of the directors sitting on the Nomination Committee 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 a member of the Nomination Committee, pursuant to section 23.2 of the Board of Directors' Regulations.

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 Nomination Committee.

Mr Carlos Espinosa de los Monteros Bernaldo de Quirós stepped down from the Board of Directors and consequently, from the Nomination 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 Nomination Committee as at 31 January 2019 is as follows:

Name	Office	Category	Date of first appointment
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent	14-07-2015

Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	14-07-2015
Ms Pilar López Álvarez	Ordinary Member	Non-executive independent	17-07-2018

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

Mr Saracho was appointed Chair of the Nomination Committee on 14 July 2015.

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

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

a. Proceedings

The Nomination Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

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

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

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

The Nomination Committee held 5 meetings in 2018.

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

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

The schedule of the meetings held and business transacted by the Nomination 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 Nomination Committee have focused on the following:

A. Powers regarding appointment of Directors

In the meeting held on 11 June 2018, the Nomination Committee proposed the re-election of Mr Rodrigo Echenique Gordillo and the appointment of Ms Pilar López Álvarez to the Board of Directors, respectively as independent directors. Such motion was subsequently tabled by the Board of Directors to the Annual General Meeting.

The Committee had previously approved an explanatory report on the prior analysis of board needs for the purposes of re-election and appointment of directors.

The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website (www.inditex.com) from the date the Annual General Meeting was called.

Subsequently, in the meeting held on 17 July 2018, the Nomination Committee gave a favourable report to the following: (i) motion to appoint Ms Pilar López Álvarez as ordinary member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee; and, (ii) the motion to re-elect and appoint Mr Rodrigo Echenique Gordillo and Ms Pilar López Álvarez, respectively, as ordinary members of the Executive Committee. Such motions were approved by the Board in the meeting held on that same date.

In the selection process regarding the new director, the Nomination Committee was advised by an external consultant, Russel Reynolds Associates.

B. Powers regarding appointment of officers

In the meeting held on 12 March 2018, the Nomination Committee gave a favourable report to: (i) the motion to appoint Mr Carlos Crespo González as Chief Operating Officer of the Inditex Group, and; (ii) on the proposal of the Audit and Control; Committee, the motion to appoint Ms Paula Mouzo Lestón, as new Chief Audit Officer of the Inditex Group replacing Mr Crespo. Such appointments were subsequently approved by the Board of Directors in the meeting held on 13 March 2018.

Additionally, in the above referred meeting of 12 March, the Nomination Committee gave a favourable report to the motion to appoint Mr Antonio Flórez de la Fuente, as Director of Bershka, which was subsequently approved by the Board of Directors.

In the meeting held on 11 December 2018, the Nomination Committee gave a favourable report to the appointment of Ms Lorena Mosquera Martín, as new Director of Zara Home, replacing Ms Eva de Cárdenas Botas. Such appointment was subsequently approved at the meeting of the Board of Directors held on that same day.

C. Powers regarding the process to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman, the Lead Independent Director and the Secretary of the board

One of the duties of the Nomination Committee consists of setting and overseeing an annual programme for evaluating the performance of the Board of Directors, its Chairman and its advisory and control committees. The system followed for such evaluation is described below:

1. The Nomination Committee prepares every year an annual programme for the evaluation of the performance of the Board of Directors, its Chairman and its committees.
2. In this regard, each annual evaluation process includes, where appropriate, a number of recommendations which seek to implement certain improvements with regard to (i) the quality and effectiveness of the proceedings of the Board of Directors; (ii) the proceedings and composition of its delegated bodies; (iii) the diversity in the composition and powers of the Board of Directors; (iv) the performance of the Executive Chairman, and (v) the performance and contribution of each director, paying special attention to those in charge of the different committees of the Board of Directors, and to the Lead Independent Director.,
3. Pursuant to such annual programme, each board committee shall issue a report covering their own evaluation, and the performance of their members and submit it to the Board of Directors. At the same time, the Nomination Committee will prepare an evaluation report regarding the Board of Directors, its Chairman, the Lead Independent Director and the Secretary of the Board.
4. To conduct such evaluation, a number of questionnaires are sent to each director as described below:
 - a) Individual self-evaluation questionnaire, sent by the Board of Directors (through the Chairman) to each of its members.
 - b) Evaluation questionnaire for the committees, sent by the Chair of each committee to its members
 - c) Evaluation questionnaire for the Board of Directors, sent to all the board members by the Lead Independent Director.
5. The Lead Independent Director is charged with coordinating the evaluation of the Chairman.
6. Finally, the Board of Directors shall assess the proceedings of the Board, the directors and the Committees, based upon the reports issued by these latter, pursuant to section 2 above.

The above-mentioned questionnaires are reviewed and updated on an annual basis, to bring the annual evaluation of the performance of the Board of Directors, its members and committees, and of the Executive Chairman, into line with best practices on Good Corporate Governance. New developments encompassed include evaluating whether the compliance culture is appropriately promoted by the Board of Directors. Additionally, since 2017, the role and contribution of the Lead Independent Director and the Secretary of the Board of Directors are assessed.

Pursuant to the provisions of the Board of Directors' Regulations, the Nomination Committee's Regulations and, in line with the Recommendations of the Good Governance Code, in the meeting held on 10 September 2018, the Nomination Committee submitted to Board of Directors the supervision of the "Programme for the Evaluation of the Board of Directors, the Directors, the Committees and the Executive Chairman". Such programme addresses the establishment and supervision of the annual evaluation of the performance of the advisory committees of the Board.

Likewise, pursuant to Inditex' internal regulations and best practices in the field of corporate governance, the Nomination Committee approved on 11 December 2018 the report on the evaluation of the performance of the Board of Directors, the Directors, the Nomination Committee and its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. Such report was subsequently approved by the Board in the meeting

held on that same day.

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 of the Nomination Committee and the Remuneration Committee, 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:

- o the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees;
- o a more balanced distribution of male and female directors, the 30% representation goal for female directors on the total board membership having been achieved ahead of schedule; and
- o The addition of a new director with experience in the technology and digital sector, in accordance with the Company's digitalisation strategy.

In line with the foregoing the average tenure and the average age of directors has been reduced.

- ii. A new annual schedule of dates and business to be transacted by the Audit and Control Committee has been approved. Such schedule allows arranging the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted exclusively 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.

In 2018, the Nomination Committee has been assisted by external consultant Spencer Stuart in the process of self-evaluation of the Board of Directors, its members and its committees

D. Annual report on the proceedings and activities of the Nomination Committee

The Nomination Committee issues on an annual basis a report on its activities during the year. Such report has been made available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting was published.

5. Main relations of the Nomination Committee

A. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Nomination Committee reports on the main business transacted in the last meeting of the Committee.

B. With the advisory Committees of the Board of Directors

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

C. With the Executive Chairman and with Senior Executives

For the purposes of allowing the Nomination Committee to be directly apprised of the major business concerns, the Committee encourages the presence in its meetings of the Executive Chairman and the executives and supervisors of the business areas of the Company, so that they would explain their view on certain issues directly linked with the remit of the Committee and which are recurrent in its meetings.

D. With the Lead Independent Director

Mr Rodrigo Echenique Gordillo, Lead Independent Director, is a member of the Nomination Committee.

E. With the Human Resources Department

In order to keep the Nomination Committee duly informed at all times, the Human Resources Department regularly apprises the Committee of the changes, if any, in the global talent management and career development programs, and of the succession plans.

F. 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.

6. Findings

The provisions of CNMV's Technical Guide 1/2019, on nomination and remuneration committees have been considered upon preparing this Report on the Proceedings and Activities of the Nomination Committee for FY2018, as provided in section 11 thereof.

DATE OF MEETING	MAIN BUSINESS TRANSACTED	REPORTS AND MOTIONS SUBMITTED TO THE BOARD OF DIRECTORS	INDITEX'S ATTENDEES
12/03/2018	<p>-Report on the appointment to hold an office in a company outside the Inditex Group.</p> <p>- Reports on the appointment of new Senior Executives (art. 29.3(e) Articles of Association; section 16.2(g) Board of Directors' Regulations and section 5(f) of the Nomination Committee's Regulations).</p> <p>a. Chief Operating Officer b. Chief Audit Officer c. Director of Bershka</p>	<p>- Report regarding the membership of the Executive Chairman, as independent director, on the board of directors of a company not belonging to the Inditex Group.</p> <p>Reports on the appointment of new Senior Executives</p>	<p>Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>
11/06/2018	<p>- Explanatory report of the prior analysis of the needs of the Board of Directors for the purposes of the re-election or appointment of directors.</p> <p>- Motion regarding the re-election of Mr Rodrigo Echenique Gordillo as non-executive independent director</p> <p>- Motion regarding the appointment of Ms Pilar López Álvarez to the Board of Directors as non-executive independent director and as member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee</p> <p>- Annual Report on the proceedings of the Nomination Committee</p>	<p>- Explanatory report of the prior analysis of the needs of the Board of Directors for the purposes of the re-election or appointment of directors</p> <p>- Motion regarding the re-election of Mr Rodrigo Echenique Gordillo as non-executive independent director</p> <p>- Motion regarding the appointment of Ms Pilar López Álvarez to the Board of Directors as non-executive independent director and as member of the Audit and Control Committee,</p>	<p>Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>

		<p>the Nomination Committee and the Remuneration Committee</p> <ul style="list-style-type: none"> - Annual Report on the proceedings of the Nomination Committee 	
17/07/2018	<ul style="list-style-type: none"> - Acknowledgement of the removal of a director upon expiry of his term of office. - Report on the appointment of a new member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee. - Report on the re-election of a member and appointment of a new member of the Executive Committee. 	<ul style="list-style-type: none"> - Report on the appointment of a new member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee. . - Report on the re-election of a member and appointment of a new member of the Executive Committee. 	<p>Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>
10/09/2018	<ul style="list-style-type: none"> - Supervision of the annual programme for the evaluation of the performance of the Board of Directors and its Chairman, the Directors and its advisory and control committees 	<ul style="list-style-type: none"> - Annual programme for the evaluation of the performance of the Board of Directors and its Chairman, the Directors and its advisory and control committees 	<p>Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>
11/12/2018	<ul style="list-style-type: none"> - Report on the evaluation of the proceedings of the Board of Directors, the directors, the Nomination Committee and the performance of its members and of the Executive Chairman. - Change in ZARA HOME management. Report on the appointment of a new Senior 	<ul style="list-style-type: none"> - Report on the evaluation of the proceedings of the Board of Directors, the directors, the Nomination Committee and the performance of its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board of Directors. 	<p>Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>

	Executive (art. 29.3(e) Articles of Association; section 16.2(g) Board of Directors' Regulations and section 5(f) of the Nomination Committee's Regulations.		
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