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# REPORT THAT THE NOMINATION COMMITTEE OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) RAISES TO THE BOARD OF DIRECTORS REGARDING THE MOTION ON THE RE-ELECTION OF PONTEGADEA INVERSIONES, S.A. AS PROPRIETARY DIRECTOR AND OF MS FLORA PÉREZ MARCOTE AS ITS LEGAL REPRESENTATIVE TO BE SUBMITTED TO THE ANNUAL GENERAL MEETING

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## I. FOREWORD

This report is issued pursuant to sections 529*decies*(4)&(6) and 529*quindecies*(3)(d) of the [Spanish] Companies Act, article 29.3(d) of the Articles of Association, and sections 16.2(f) and 23.1 of the Revised Text of the Board of Directors' Regulations (the "**Board of Directors' Regulations**") of Industria de Diseño Textil, S.A. ("**Inditex**" or the "**Company**"), and sections 5.3(e) and 6(h) of the Nomination Committee's Regulations. It covers the motion on the re-election of Pontegadea Inversiones, S.L. ("**Pontegadea Inversiones**") to the Board of Directors as non-executive proprietary director and the subsequent re-election of Ms Flora Pérez Marcote as its legal representative. The Nomination Committee raises this motion to the Board of Directors to be subsequently submitted, if appropriate, to the Annual General Meeting, scheduled to be held on 14 July 2020 on first call or on 15 July 2020 on second call.

## II. PURPOSE

To assess the motion on the re-election of the above mentioned director, the Nomination Committee has taken into account the findings of its prior analysis of the needs of the Board of Directors for the purposes of re-election, ratification or appointment of directors, addressed in the relevant explanatory report approved by the Nomination Committee on 8 June 2020 pursuant to Recommendation 14 of the Good Governance Code of Listed Companies, approved by CNMV in February 2015 ("**GGC**"), and sections 3 & 5 of CNMV's Technical Guide 1/2019 on nomination and remuneration committees, approved on 20 February 2019.

In such report the Nomination Committee has considered that in general terms, in order for the Board of Directors to duly perform its duty of supervision, it shall, as a whole, have accredited abilities, skills, experience and merits: (i) regarding the Company, the Group and the retail sector; (ii) in economy and finances, accounting, audit and risk management matters; (iii) in compliance and corporate governance matters; (iv) in different geographical markets; and (v) in management, leadership and business strategy, as well as (vi) the requirement for each board member to be highly qualified and trustworthy both as a person and as a professional, and available for the necessary dedication to the position.

Additionally, the Committee has deemed it appropriate at this particular time, that motions on the re-election and/or appointment of directors should seek to keep or reinforce within the supreme governing body of the company: (i) technological profiles with expertise in the field of sustainability, in line with the strategic focal points marked as a priority by the Company; (ii) the presence of women on the board, still the least represented gender; (iii) a balanced membership of the different types of directors, with a majority of independent directors; and (iv) progressive board refreshment.

The Committee must examine the advisability of the continuance in office and re-election of the director. For such reason, this report also includes the evaluation of the performance of Pontegadea Inversiones via its legal representative, Ms Pérez Marcote during its last tenure, and consider if the suitability requirements demanded to serve as company director are met.

With regard to legal persons, the above referred evaluation must be performed considering the personal qualities of the natural person proposed as its legal representative.

### **III. PROFESSIONAL PROFILE AND SKILLS**

Ms Flora Pérez Marcote has spent a long career within the Inditex Group, where she held different positions in areas relating to both design and purchase of products in the Zara brand. In addition, she has broad experience as company director. She has held the following positions:

- a) Chair (or legal representative of the Chair) of the Board of Directors of Grilse, S.L. since 12 January 2004. Company director since 21 February 2003.
- b) Deputy Chair of the Board of Directors of Pontegadea Inversiones, S.L. Company director since the date of incorporation on 8 June 2001.
- c) Deputy Chair of the Board of Directors of Pontegadea Inmobiliaria, S.L. Company director since the date of incorporation on 23 January 2001.
- d) Deputy Chair of the Board of Trustees of *Fundación Amancio Ortega* since 19 October 2005 and a Trustee since 19 March 2003.

In addition, Ms Pérez Marcote was the legal representative of the company Gartler, S.L., a former proprietary director of Inditex, continuously from 13 December 2004 through 2 December 2015, date on which she was appointed as legal representative of Pontegadea Inversiones.

Consequently, the Nomination Committee highly values: (i) her extensive career at the Inditex Group, and consequently, her profound knowledge of the company's business model and commercial strategy, the dynamics of its governing bodies, its governance regulations, and management and supervision functions at the highest level; and (ii) her values, which are at the core of Inditex's ethical culture.

### **IV. PERFORMANCE**

Pontegadea Inversiones was co-opted to the board of directors as non-executive proprietary director further to a resolution passed by the Board of Directors on 2 December 2015. In that same board meeting, Ms Flora Pérez Marcote was appointed its legal representative. The appointment of Pontegadea Inversiones to the board was subsequently ratified at the Annual General Meeting held in July 2016.

The Nomination Committee has reviewed the work done by Ms Pérez Marcote and her contribution to board proceedings for the period she has been the legal representative of Pontegadea Inversiones since it was co-opted, and has found her service on the board of directors to be satisfactory, having duly contributed to the proceedings and meetings of the Board of Directors and its committees during her tenure.

### **V. INELIGIBILITY**

The Committee has established that none of the causes of ineligibility to be a company director provided in section 213 of the Companies Act and in section 22 of the Board of Directors' Regulations apply to Pontegadea Inversiones, S.L. nor to its legal representative, Ms Pérez Marcote, nor do any of the scenarios whereby directors must offer their resignation to the Board of Directors, pursuant to section 25.2 of the Board of Directors' Regulations.

## **VI. CLASSIFICATION AS PROPRIETARY DIRECTOR**

The Committee has established that the proposed candidate meets the requirements to qualify as proprietary director, pursuant to section 529*duodecies* of the Companies Act.

## **VII. CONTRIBUTION TO THE BALANCED MEMBERSHIP OF THE BOARD**

The re-election of Pontegadea Inversiones to the Board of Directors as proprietary director contributes to the balance of proprietary and independent directors on the board, meeting at the same time the provisions of section 7.2 of the Board of Directors' Regulations and of Recommendation 17 GGC regarding the ratio of independent directors within the Board of Directors which should be at least equal to the ratio of floating capital of the Company. In this regard, should the proposed re-election of Pontegadea Inversiones to the Board of Directors be approved by the Annual General Meeting, a majority of non-executive directors will continue sitting on the Board of Directors.

The proposed re-election of Pontegadea Inversiones to the board of directors as non-executive proprietary director must be reviewed primarily taking into account that it is currently the controlling shareholder of the company, directly holding 50.01% of the share capital.

Thus, the continuance of Pontegadea Inversiones on the Board of Directors is appropriate to keep a sufficient level of stability and balance in the governance structure of the Company, ensuring that counterweight exist to mitigate potential risks associated with concentration of power.

Additionally, the re-election of Ms Pérez Marcote as legal representative further contributes to reinforcing the balance of man and women on the board.

Considering the foregoing, pursuant to the provisions of sections 529*decies*(4) and 529*quindcies*(3)(d) of the Companies Act, article 29.3(d) of the Articles of Association, and sections 16.2(f), 21.2 and 23.1 of the Board of Directors' Regulations, as well as sections 5.3(e) and 6(h) of the Nomination Committee's Regulations, the Committee has resolved, by unanimous vote, to give a favourable report to the motion on the re-election of Pontegadea Inversiones to the Board of Directors, as non-executive proprietary director, and the subsequent re-election of Ms Flora Pérez Marcote as legal representative, to be subsequently submitted, if appropriate, to the Annual General Meeting.

Done in Arteixo (A Coruña), on 8 June 2020