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**REPORT ISSUED BY THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) REGARDING THE MOTIONS ON THE RE-ELECTION AND APPOINTMENT OF DIRECTORS, INCLUDED AS ITEM 6 ON THE AGENDA OF THE ANNUAL GENERAL MEETING CALLED TO BE HELD ON 14 AND 15 JULY 2020, ON FIRST OR SECOND CALL, RESPECTIVELY**

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## **I. FOREWORD**

This report is issued by the Board of Directors of Industria de Diseño Textil, S.A. (“**Inditex**” or the “**Company**”) pursuant to the provisions of section 529*decies*(5) of the Revised Text of the [Spanish] Companies Act (the “**Companies Act**”), section 23.1 of the Revised Text of the Board of Directors’ Regulations (the “**Board of Directors’ Regulations**”), and the provisions of the Director Selection Policy, approved by the Board of Directors on 9 December 2015. The report covers the motions on the re-election and appointment of members to the Board of Directors which are submitted to the Annual General Meeting as item 6 on the agenda, on the proposal of the Nomination Committee.

## **II. PURPOSE**

This report seeks first, to support the fact that the motions on the re-election of Pontegadea Inversiones, S.L. and the subsequent re-election of Ms Flora Pérez Marcote as its legal representative, and of Bns. Denise Patricia Kingsmill as directors, as well as the motion on the ratification of the co-option to the board of directors of Ms Anne Lange, are based on a prior analysis of the needs of the Board of Directors, written up 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**”), sections 3, 4 & 5 of CNMV’s Technical Guide 1/2019 on nomination and remuneration committees, approved on 20 February 2019 (the “**Technical Guide 1/2019**”), and section 3 of the Director Selection Policy. As provided in the above referred regulations, this report also considers the skills, experience and merits of the candidates whose re-election or appointment to the Board of Directors is proposed to the Annual General Meeting, as the case may be. Additionally, the fact that the respective professional profile of each candidate is suitable for the Company’s description, its business and its international presence, has also been considered

In the above referred explanatory report the Nomination Committee has found that, in general, 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, as well as available for the necessary dedication to the position.

Additionally, the Committee has deemed it expedient at this particular time that the motions on the re-election and appointment of directors 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.

Based on the foregoing, each motion and report issued by the Nomination Committee, describing the skills, experience and merits of the candidates (and including their respective CV) have been assessed, and have been fully endorsed by the Board. All of them are attached to this report for any relevant purposes. Further to the review of the above referred motions and reports, the Board of Directors has considered:

- That Ms. Flora Pérez Marcote, as legal representative of Pontegadea Inversiones, S.L., Bns. Denise Patricia Kingsmill and Ms Anne Lange have, as a whole and each of them individually, the skills, experience and merits required for the directorship.
- That the directors and the legal representative of Pontegadea Inversiones, S.L., whose re-election is proposed, have served on the Board of Directors to its full satisfaction.

A high rate of directors' attendance at the meetings of the Board of Directors and its committees is noted, close to 100%. Likewise, the commitment, diligence and professionalism of directors in the discharge of their respective duties and their contribution to the appropriate performance of the Board is highly valued.

- The Board has verified that candidates qualify as proprietary and independent directors, on the proposal of the Nomination Committee, considering the definitions of section 529*duodecies* of the Companies Act.

### **III. FINDINGS**

Should the motions on the re-election and appointment of directors be approved by the Annual General Meeting, the structure and size of the Board of Directors will be as follows:

- At present, 11 directors sit on the board of directors. This number was determined further to the enlargement of the board resolved by the Annual General Meeting held on 16 July 2019. Such number is within the limit provided in the Articles of Association and within the 5 to 15 range set out in Recommendation 13 GGC.
- 2 executive directors, 3 proprietary directors and 6 independent directors would sit on the Board. A large majority of board members are non-executive, in accordance with the provisions of Recommendation 15 GGC.

The number of independent directors would be above half of all board members, as required for companies with large market capitalization. In addition, the percentage of proprietary directors would not exceed the ratio between the share capital they represent and the remaining capital. All of which is in accordance with Recommendations 15 and 17 GGC.

- 36.36% of total board members would be women, exceeding the 30% target set in the Director Selection Policy and in Recommendation 14 del GGC.
- The average tenure of independent directors on the board would be 4 years.

- Members of the Board of Directors would have, as a whole, accredited abilities, skills, experience and merits: (i) regarding the Company itself, 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 the digital and new technologies sector; (v) in sustainability; (vi) in different geographical markets; and (vii) in management, leadership and business strategy,

This means, as the Nomination Committee found in its report on board needs, that a high degree of balance and stability would be reached.

Based on the foregoing, the Board of Directors has considered that the motions on the re-election and appointment of directors contribute, as a whole, to maintain and reinforce:

- (i) Diversity of origin, background and experience on the board, encouraging in particular technological profiles with expertise in the field of sustainability, in line with the Group's strategical focal points.
- (ii) The high qualification and professional and personal integrity of board members.
- (iii) By ratifying the appointment of the independent director, progressive board refreshment is encouraged, with new members sitting thereon.
- (iv) A sound and solid knowledge of the Company and its Group: the necessary director rotation must be combined with the continuance of other directors with proven experience and sound knowledge of the Company, its business model, its governance regulations and of the ever changing retail sector to which it belongs.
- (v) A balanced board: with the motions raised, the presence of independent and proprietary directors is ensured.
  - The re-election and ratification of the appointment of the 2 independent directors ensures that a majority of independent directors sit on the board.
  - The re-election of the proprietary director (and its legal representative) permits: (i) ensuring that the decisions of the Board of Directors are aligned with the interests of shareholders, considering that although the company's share capital structure is diverse, a high percentage thereof is held by significant shareholders; and (ii) acting as counterweight in case of potential risk of concentration of power in executive directors.
- (vi) A balanced presence of men and women on the board. Although women are still the least represented gender, the 30% target of female representation has been exceeded.

Considering the foregoing, this report is issued by the Board of Directors in accordance with the provisions of section 529*decies*(5) LSC, section 23.1 of the Board of Directors' Regulations, and

the Director Selection Policy. It will be attached to the minutes of the meeting of the Annual General Meeting where the motions on re-election and appointment of directors covered in this report will be considered.

Done in Arteixo (A Coruña), on 9 June 2020.