



**Report on the Proceedings of the Audit and
Compliance Committee
of Industria de Diseño Textil, S.A. (INDITEX, S.A.)
FY2019**

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1. Preliminary

This document, drawn up by the Audit and Compliance Committee of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (“**Inditex**” or the “**Company**”) in the meeting held on 8 June 2020, represents the annual report on the proceedings 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 (CNMV) [*Spanish Securities and Exchange Commission*] on 18 February 2015 (“**GGC**”), section 79 of CNMV’s Technical Guide 3/2017 on audit committees at public-interest entities (“**Technical Guide 3/2017**”) and section 13(e) of the Audit and Compliance Committee’s Regulations. It describes the main proceedings of the Audit and Compliance Committee from 1 February 2019 through 31 January 2020, FY2019 end.

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

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

a. Origin and evolution

The formation of the Audit and Compliance 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. In this regard, mention should be made of the review and update of a significant number of internal regulations for the purposes of meeting the latest regulatory requirements introduced by Act 31/2014 of 3 December, amending the Spanish Companies Act for the improvement of corporate governance, as well as the latest recommendations in the field introduced following the publication of the GGC. Further so such review, the Audit and Compliance Committee’s Regulations were approved.

The full text of the Audit and Compliance Committee’s Regulations, as amended, is available on the corporate website (www.inditex.com), in the “Corporate Governance” tab under the “Compliance” section.

This set of rules has been recently amended for the purposes, inter alia, of bringing it into line with the principles and recommendations set out in Technical Guide 3/2017, covering the renaming of the Committee (formerly, the “Audit and Control Committee”) and the formation of a new board committee, the Sustainability Committee, and reinforcing its duties or entrusting it with new ones.

b. Regulation, duties and powers

The regulation of the Audit and Compliance Committee is provided in article 28 of the Articles of Association, section 15 of the Board of Directors’ Regulations and sections 5 to 13 of the Audit and Compliance Committee’s Regulations.

The mission and powers of the Audit and Compliance Committee are set out in sections 5 to 13 of its own Regulations.

In this regard, in addition to such powers it is expressly assigned pursuant to statute, the Audit and Compliance Committee is entrusted with the following duties:

- Powers relating to corporate governance: (i) to review and evaluate the appropriateness of the corporate governance system and to propose to the Board of Directors the amendments and updates of the Company's corporate governance regulations; (ii) to oversee the degree of compliance by the Company with recommendations on good governance; (iii) to oversee compliance with the Internal Regulations of Conduct regarding Transactions with Securities, s and, in general, with the corporate governance regulations of the Company; (iv) to regularly receive information on issues relating to management of treasury stock; and (v) to prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report.
- Powers relating to Compliance: (i) to issue reports on the policies and procedures of the Company on topics within its remit; (ii) to oversee compliance with the applicable regulations and the effectiveness of the internal policies and procedures of the Company; (ii) to review the recommendations and best practices on Compliance and corporate governance, both domestic and/or international, and to encourage compliance with the most demanding standard; (iii) to oversee compliance with the Annual Compliance Plan and with the Model of Criminal Risk Prevention of the Group; (iv) to ensure that the Compliance Function relies on the necessary resources for the appropriate discharge of its duties; and (v) to receive information, at least every 6 months, on the level of compliance with the Codes of Conduct and the proceedings of the Ethics Line.
- Powers relating to tax issues: it is incumbent on the Audit and Compliance Committee: (i) to receive from the head of tax issues of the Company prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company during the financial year, and on the degree of compliance with the Code on Good Tax Practices; and (ii) to apprise the Board of Directors of the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, of the tax consequences thereof, when they represent a relevant factor.
- Those relating to oversight and assessment of the systems of relations with the different stakeholders regarding all topics within its remit.

Additionally, certain provisions of the Audit and Compliance Committee's Regulations have been amended in 2019, and this amendment has affected inter alia, the powers of the Committee. In particular: (i) its powers in the field of corporate governance and Compliance have been increased, pursuant to the terms described above; (ii) it has been divested of the powers in the field of social and environmental sustainability, which will be hereinafter incumbent on the Sustainability Committee; and, (iii) a number of duties assigned to the Committee by statute or the Recommendations of the Good Governance Code have been worked up:

- Powers relating to the Internal Audit function: in accordance with Recommendation 46 of the Good Governance Code, Inditex's Internal Audit function directly reports to the Audit and Compliance Committee.

In this regard, in addition to overseeing its effectiveness, the Committee shall assess the performance of the Internal Audit Function and of the Chief Audit Officer.

- Powers relating to statutory audit: the Committee shall be responsible for assessing the performance of the statutory auditor, considering their contribution to the quality of the work done and the integrity of financial information.
- Powers relating to the process of preparing regulated financial information: the supervisory role of the Committee regarding the preparation and reporting of financial information has been extended to also cover regulated non-financial information of the Company.

And this, without prejudice to the power incumbent on the new Sustainability Committee regarding the supervision of the preparation process of the regulated non-financial information within its remit.

- Additionally, the Committee is responsible for overseeing the effectiveness of the internal control over financial reporting (ICFR) system, which is designed by the Management. Likewise, the Committee shall ensure that the financial information released by the Company or that it has to release is regularly updated on the corporate website and, as the case may be, on CNMV's web.
- Powers relating to Enterprise Risk Management: the Committee shall assess the effectiveness of internal control and management systems relating to financial and non-financial risks (including tax risks). To achieve this, in accordance with Recommendation 53 of the Good Governance Code, the Committee shall evaluate any question regarding non-financial risks (including operational, technological, legal, social, environmental, political and reputational).

To perform all such duties, the Committee is entitled to (i) regularly request from the Management reports on the effectiveness of the internal control systems and their weaknesses; (ii) regularly assess the effectiveness of alert mechanisms in place within the Company; and (iii) meet, with the heads of business units at least once a year who will report to the Committee on recent trends of business and the risks associated thereto.

Last, the Committee must ensure that risks are kept within the accepted levels of risk tolerance, assessing risks at least on an annual basis, and promote a corporate culture wherein risk is a factor upon decision-making at all levels of the Company and its Group.

c. Composition

Pursuant to the provisions of article 28 of the Articles of Association, the Audit and Compliance Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors.

Members of the Audit and Compliance Committee will be in office for a 4-year term, being eligible for re-election upon expiry of such term. The Chair of the Audit and Compliance Committee, who needs to be an independent director, shall be elected by the Board of Directors for a maximum 4-year term, upon expiry of which he/she shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her removal.

Members of the Audit and Compliance Committee and especially its Chair, shall be appointed taking into account their knowledge, qualifications and experience on accounting, audit, internal control or risks management issues. They shall have, as a whole, the relevant know-how with regard to the industry to which the Company belongs.

Likewise, pursuant to the provisions of section 14 of the Audit and Compliance Committee's Regulations, at least one of its members shall be appointed taking into account their knowledge, qualifications and experience in the field of information technology.

The Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

At present, 7 directors sit on the Committee, all of them non-executive and 6 of them independent, which represents 85.71% of all committee members.

The Annual General Meeting approved on 16 July 2019, on the proposal of the Board of Directors, the re-election of Mr José Luis Durán Schulz and Mr Emilio Saracho Rodríguez de Torres to the Board of Directors as non-executive independent directors.

The re-election of both directors entailed their continuance as a members of the Audit and Compliance Committee, pursuant to section 23.2 of the Board of Directors’ Regulations.

Likewise, the Board of Directors approved in the meeting held on 10 December 2019, on the proposal of the Nomination Committee, the co-option of Ms Anne Lange to the board of directors as new non-executive independent director, until her ratification by the Annual General Meeting

The Board of Directors further approved in such meeting, on the proposal of the Nomination Committee: (i) to appoint the new director as member of the Audit and Compliance Committee; and (ii) the redistribution of members of board committees and the new composition of the Audit and Compliance, Nomination, and Remuneration Committees.

Consequently, the composition of the Audit and Compliance Committee as at 31 January 2020 is as follows:

Name	Position	Type	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
Ms Anne Lange	Ordinary member	Non-executive independent	10-12-2019
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	17-07-2012
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	15-07-2014
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 Compliance Committee.

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

Upon determining the composition of the Committee, the most appropriate candidates to sit thereon are considered based upon the directors’ background, qualifications and experience and the duties they are called upon to perform.

Below is an overview of the experience, background and merits of members of the Audit and Compliance Committee:

- Mr Durán Schulz has a profound knowledge of the retail sector, both in fast-moving consumer goods and in niche brands (e.g. Lacoste, Gant and Aigle). He has spent his career mainly in the field of financial management and executive decision-making. Mr Durán has a large background in audit, construction and application of accounting regulations and risk management.
- Bns. Denise Patricia Kingsmill has legal training, namely in the field of labour law and competition, having advised also in relation to remuneration schemes. Additionally, she has broad experience managing and serving as an executive director of various boards of a number of international companies of different sectors, and also has background and experience in fashion and design. Her public work, in particular in the field of social action and equality, is noteworthy.
- Ms Lange, a graduate of *École Nationale d'Administration* (ENA), is an entrepreneur with a long career and extensive and proven experience in business management and strategy of companies in the sector of technological innovation and digital transformation. Additionally, she has broad experience holding C-level positions and serving on boards of international entities of different sectors. Her experience in the public sector is also noteworthy.
- Ms López Álvarez has extensive experience in management companies of the new technologies sector, and IT services companies in different geographical markets.
- Mr Echenique Gordillo has legal training and is a State Lawyer, currently on leave. His career spans the management and executive leadership of companies mainly in the banking sector. He also has extensive experience as company director in a large number of companies of different sectors.
- Mr Saracho Rodríguez de Torres is a highly experienced expert in the financial sector, both at domestic and international level. He has a sound knowledge of topics relating to statement and review of financial statements, risk management, and construction and application of accounting standards.
- Mr Arnau Sierra is a State Tax Inspector currently on leave, and his area of expertise includes tax and financial advice, both in the public and the private sector. Furthermore, he has had a long career at the Inditex Group, where he headed the Tax Department, having also held different positions in the companies of Grupo Pontegadea since 2001 (such as chief executive of Grupo Pontegadea, director of GARTLER, S.L., and member of the Board of Trustees of *Fundación Amancio Ortega* which he chairs since 2001).

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

3. Proceedings and Activities of the Audit and Compliance 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 as part of its annual public

documentation. Likewise, it shall meet each time that its Chair calls it. The Chair shall call the Audit and Compliance Committee whenever the Board of Directors or its Chairman 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.

The Chair may also arrange working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee. The Chair and the Secretary of the Audit and Compliance Committee hold a preparatory meeting with the officers of the main areas directly related to the Committee on account of their duties, 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 Compliance Committee is called after such preparatory meeting is held.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. In order for the Committee to duly discharge its duties, external advisors may attend its meetings.

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

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

b. Activities: meetings held, business transacted and attendees

The Audit and Compliance Committee held 5 meetings in 2019.

Directors' attendance rate, whether in person, or by proxy, at the meetings held in 2019 stands at 100%.

The average duration of each meeting has been of approximately 5 hours, and its members allocated enough time for consideration and review of agenda items.

The schedule of the meetings held and business transacted by the Audit and Compliance Committee between 1 February 2019 and 31 January 2020 is attached hereto as Annex I.

4. Main lines of action

In 2019, the main lines of action of the Audit and Compliance Committee have focused on the following:

A. Powers regarding the supervision of the process to draw up and release financial and non-financial information.

- Periodic financial information, annual accounts and auditor's report

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

To do so, prior to the stating of the quarterly, half-yearly or annual financial statements, the Audit and Compliance Committee also meets with the Company's Management to review, among other things, the enforcement of the accounting principles and 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 principles upon stating the annual accounts.

The Audit and Compliance Committee reviewed on 11 March 2019 the results for full year 2018. It reviewed the quarterly results for 2019 and the relevant Results Releases and Press Releases in the meetings held on 10 June (1Q), 9 September (1H) and 9 December 2019 (3Q). Such results – and the respective Results Releases and Press Releases – were released 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 annual accounts and the directors' reports, both individual and consolidated, and the auditor's report for 2018 were also reviewed. The Committee verified that an unqualified auditor report was issued.

- Statement on Non-financial Information

The Committee gave a favourable report to the Statement on Non-financial Information (SNFI) of the Inditex Group for 2018 in the meeting held on 11 March 2019. In accordance with the provisions of Act 11/2018, the SNFI included a description of the Group's business model as well as the most significant priorities of its strategy, those relating to: (i) Human Rights; (ii) social and staff-related issues; (iii) corruption and bribery; and (iv) environmental issues, as well as the analysis and description of the policies relating to each such issues approved, and of the due diligence processes carried out to identify and assess risks.

The SNFI, which is an integral part of the consolidated director's report for FY2018, was subject to an independent review by an external facilitator and the Audit and Compliance Committee verified that it was unqualified.

- 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 2018 approved on 11 March 2019. The Company's ICFR System has been verified by the statutory auditor, who issued an unqualified report.

B. Powers regarding statutory audit

- Overseeing the effectiveness of the statutory audit and fulfilment of the audit engagement

The audit conducted in 2018 was reviewed by the Audit and Compliance Committee in the meeting held on 11 March 2019, 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 2019 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2019. They issued an unqualified report. Likewise, auditors issued a limited review report on the financial statements, and for the first time, they reviewed the consolidated financial statements for the first and third quarter of 2019, on the engagement of the Internal Audit function.

Special mention should be made of the specific audit of the special-purpose consolidated balance sheet as at 1 February 2019. This assignment has consisted of the specific review of the application by the Group as of 1 February 2019 of IFRS 16 lease standard.

Members of the Audit and Compliance Committee met with external auditors on 11 March, 10 June, 9 September and 9 December 2019, 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 9 December 2018 upon special invitation of the Committee, to address the 2020 audit plan.

- Verifying the independence of the statutory auditor

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 Compliance Committee evaluated and approved in all the meetings held in 2019 the engagement by the Company and Group companies of non-audit services from external auditors.

On 11 March 2019, the Committee approved the report on the independence of the external auditors, which also addressed the issue of the provision of non-audit services.

In the meeting held on 11 March 2019, above referred, having established that independence requirements are met and assessed the degree of fulfilment of the audit engagement, the audit findings, and the terms of the contracts entered into with auditors to perform non-audit services other than those covered in the audit engagement, the Audit and Compliance 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.

Finally, the Procedure for the selection of the statutory auditor was approved by the Committee in the meeting held on 9 September 2019, for the purposes of meeting Recommendation 60 of Technical Guide 3/2017. The yardsticks and proceedings to be considered upon selecting or replacing statutory auditors for the purposes of ensuring an unbiased, fair, transparent, efficient and non-discriminating selection process are defined in such Procedure.

C. Powers regarding Internal Audit function

The Chief Audit Officer attended all the meetings of the Audit and Compliance Committee held in 2019 and took an active part therein.

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 and its activities report.

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 2018 in the meeting held on 11 March 2019, and the 2019 First-Half Report in the meeting held on 9 September 2019. Likewise, it acknowledged in the meeting held on 11 March

2019 the supervision of the Model on Criminal Risk Prevention for 2018 and the findings of the assurance review of such Model with limited assurance scope, carried out by an external facilitator, 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.

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

Likewise, the Audit and Compliance Committee followed-up on the supervision of the Model of Criminal Risk Prevention and the progress of the implementation of the Group's Corporate Compliance System in its meetings of 11 June, 9 September and 9 December 2019.

- Supervision of the Compliance function

In the meeting held on 11 March 2019, the Committee approved the strategic action lines of the Compliance Function and its budget for 2019.

Likewise, in its meetings dated 11 March and 9 September 2019, it acknowledged the Annual Compliance Report for 2018 and the Half-yearly Compliance Report for the first half of 2019, respectively.

- 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 2019 the Audit and Compliance Committee gave a favourable report to the following corporate policies:

- In the meeting held on 10 June 2019, to the Data Protection Policy, approved by the Board of Directors in the meeting held on 11 June 2019.
- In the meeting held on 16 July 2019, to the Conflicts of Interest Policy, approved by the Board of Directors in the meeting held on that same day.
- In the meeting held on 9 September 2019, to the Occupational Health & Safety Policy and the Due Diligence Policy, both of which were approved by the Board on 10 September 2019. The Procedure for the Selection of the Statutory Auditor was also approved by the Committee in that same meeting.

Finally, in the meeting held on 9 December, the Committee approved: (i) the amendment of the Ethics Line Procedure; (ii) the Travel Management Policy; (iii) the Information Security Policy; and (iv) the Product Control Policy in the field of Industrial and Intellectual Property. All of them went on to be approved by the Board of Directors on 10 December 2019.

E. Overseeing the Enterprise Risk Management Function

The Audit and Compliance 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 in 2019:

- Risk Map

In the meeting held on 9 December 2019 the Head of the ERM Department apprised the Committee 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 2019 Risks Map.

- Evaluation of other risks

Pursuant to sections 5.3(j) of the Audit and Compliance Committee's Regulations, and to 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 the Committee's duty to oversee the effectiveness of risk control systems).

Likewise, pursuant to section 9(h) of the above referred set of rules, the Audit and Compliance Committee may "*meet with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.*"

Considering the foregoing, the Committee encourages attendance of officers and supervisors of the Company at its meetings, to be regularly apprised of the operation of the risk management systems established, and in particular, with regard to the following:

- Report on Tax Policies

Pursuant to the Company's Tax Policy, the Committee acknowledged in the meeting held on 11 March 2019 the tax policies followed in the year.

- Brexit Contingency Plan

The Audit and Compliance Committee acknowledged the Brexit Contingency Plan submitted by the Internal Audit Department in the meeting held on 11 March 2019. Such Plan addressed the main significant contingencies identified and the measures raised to mitigate their impact.

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

In the meetings held on 10 June 2019, 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.

Likewise, the Committee acknowledged in the meeting held on 9 December 2019 the report of the Data Department on the status of the project to substantially amend the Group's data architecture system, and followed-up on the progress of the projects and objectives of the 2019-2020 Plan. The appointment of the new Chief Analytics Officer was also acknowledged in such meeting.

- Report of the Data Protection Officer – DPO

In the meeting held on 10 June 2019, 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, as well as the contents and scope of the Data Protection Policy approved by the Board of Directors on 11 June 2019.

- The corporate strategy

As a general rule, the Board of Directors delegates the management of the day-to-day business and the conduct of its strategy to the management team, focusing on performing

its general supervisory role and exercising its non-delegable powers, pursuant to statute, the Articles of Association and its own set of rules.

Within the scope of its powers relating to enterprise risk management, the Audit and Compliance Committee will be regularly updated by the Management and the heads of business units who will attend its meetings for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

Accordingly, the Committee acknowledged the Business Plan update in the meetings held on 11 March and 9 December 2019.

F. Powers relating to Corporate Governance

The most relevant proceedings of the Committee in 2019 regarding observance of statutory and good governance requirements have been:

- Annual Corporate Governance Report

The Audit and Compliance Committee approved on 11 March 2019 the Annual Corporate Governance Report for 2018, drafted as regards its format, contents and structure, in accordance with applicable regulations in force and CNMV's Circular 2/2018 of 12 June which amended Circular 5/2013 of 12 June, that established the standard forms for the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading on official securities market; and Circular 4/2013 of 12 June that established the standard forms for the annual report on remuneration of directors of listed public companies, and of members of the board of directors and control committees of savings banks issuing securities admitted to trading on official securities markets. The Committee submitted the ACGR to the Board of Directors which approved it on 12 March 2019, and subsequently sent it to the CNMV as a relevant fact. The ACGR is available on CNMV website (www.cnmv.es).

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

The Audit and Compliance Committee reviewed in the meetings held on 11 March and 9 September 2019 the quarterly reports prepared by the Office of the Chief Compliance Officer and the Compliance Supervisory Board on (i) the enforcement of the Internal Regulations of Conduct, and (ii) the measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

- Amendment of internal regulations

The Audit and Compliance Committee gave a favourable report to the amendment of the Articles of Association and the Board of Directors' Regulations in the meeting held on 10 June 2019.

Additionally, the Committee gave a favourable report in the meeting held on 16 July 2019, to the amendment of the respective set of rules of the Audit and Compliance Committee, the Nomination Committee and Remuneration Committee) and to the new Sustainability Committee's Regulations.

Finally, the Committee gave a favourable report to the amendment of the Internal Audit Charter on 9 December.

- Evaluation of the appropriateness of the corporate governance system

In the meeting held on 9 December 2019 the Audit and Compliance 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 11 March 2019, the Audit and Compliance Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout 2018.

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

- Report on treasury stock

The Committee acknowledged in the meeting held on 11 March 2019 the report on treasury stock, issued by the Capital Markets Director pursuant to the provisions of 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 Committee issued the annual report on its activities on 10 June 2019. It was published in the 2018 Annual Report and is available on www.inditex.com.

- Schedule of dates and agenda of business to be transacted

The Audit and Compliance Committee approved in the meeting held on 9 December 2019 the schedule of dates and agenda of business to be transacted by the Committee in 2020.

By means of such schedule, the agenda, the information and the attendees of the Committee's meetings are systematically planned and organized: recurrent issues to be transacted at each meeting, one-off issues can be planned, without prejudice to the possibility that the Audit and Compliance Committee may transact other business in the year. All the foregoing contributes to a proper planning of Committee meetings and follow-up on issues and in line with the foregoing, to a higher number of meetings between directors and members of management.

G. Other powers

- Structural and corporate changes

In the meeting held on 9 September 2019, the Committee gave a favourable report to the general terms and conditions of the review of the Group's international corporate structure. Such review was subsequently approved by the Board of Directors in its meeting dated 10 September 2019.

H. Inditex Annual Report

The Committee gave a favourable report to the Annual Report for 2018 in the meeting held on 10 June 2019. Such Report provides information on the activities of the company and its Group over the past years and in particular in 2018, regarding three specific areas: financial, social and environmental.

5. Main relations of the Audit and Compliance 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 with regard to matters within its purview, pursuant to the provisions of statute, the Articles of Association, the Board of Directors' Regulations and the Audit and Compliance 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 Compliance Committee apprises all directors of the main business transacted in the last meeting of the Committee.

C. With Board Committees.

Directors sitting on the Audit and Compliance Committee also sit on several other board committees.

D. With the Executive Chairman, the CEO and Senior managers

For the purposes of permitting the Audit and Compliance Committee to be directly apprised of the major business concerns, the Committee encourages the appearance at its meetings of the Executive Chairman, the CEO and of the officers and managers of the Company to explain their view on certain issues directly linked with the Committee's remit 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.

However, efforts will be made to ensure that presence at Committee meetings of anyone other than its members is limited to such cases where it is necessary, and for the transaction of specific items on the agenda for which they were called to attend.

E. With the General Counsel's Office.

The General Counsel and Secretary of the Board, in his capacity of Chief Compliance Officer regularly apprises the Audit and Compliance Committee of the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, of 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 of Chair of the Committee of Ethics regularly advises the Audit and Compliance 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 to implement the Compliance Model.

F. With the Internal Audit Department.

The Internal Audit Department, ensures, under the supervision of the Audit and Compliance Committee, the good operation of the information and internal control systems. Internal Audit is a corporate function that reports to the Executive Chairman but has functional reporting line to the Chair of the Audit and Compliance Committee.

The Chief Audit Officer (CAO), being ultimately responsible for the Internal Audit function, regularly apprises the Audit and Compliance 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 Compliance 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 auditor.

The relations of the Board of Directors of the Company with the external auditors are channeled through the Audit and Compliance 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.

The Audit and Compliance Committee, mostly composed of independent directors, 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 statutory auditor, being responsible for the selection process, and on the terms of their engagement, the scope of their professional mandate and, where appropriate, their termination or renewal. In this regard, in accordance with the provisions of Technical Guide 3/2017, the Audit and Compliance Committee approved in the meeting held on 9 September 2019, the Procedure for the Selection of the Statutory Auditor, for the purposes of ensuring an unbiased, fair, transparent and efficient and non-discriminating selection process.

Likewise, the Committee oversees the enforcement of the audit engagement, evaluates the audit findings and supervises the terms and enforcement of such contracts entered into with the auditors for the performance of non-audit assignments, 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 Compliance Committee's Regulations

H. With 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. Evaluation of the proceedings and performance of the Audit and Compliance Committee

Pursuant to the provisions of section 529*nonies* LSC and Recommendation 36 GGC, the evaluation of the annual performance and effectiveness of the Audit and Compliance Committee and its members was carried out in 2019. The findings of such evaluation have been very positive in respect of all areas evaluated (size, structure, functions, effectiveness, proceedings, planning and organization).

Further to such evaluation, proceedings aimed at promoting the Compliance culture have continued, in particular by reinforcing the powers of the Audit and Compliance Committee in the field of corporate governance and Compliance.

7. Opinion of the Audit and Compliance Committee about statutory auditor's independence

In the meeting held on 11 March 2019, the Audit and Compliance Committee, having reviewed the written confirmation issued by the auditor about its independence and the appropriateness of the non-audit services rendered (and relevant fees paid), without finding any evidence which may cast doubt on the independence of Deloitte, unanimously resolved to issue a favourable

opinion regarding the independence of Deloitte as statutory auditor of the Inditex Group and its individual companies.

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

8. Observance of Guides

The Audit and Compliance Committee, performs its duties duly observing Recommendations of the GGC, the overarching principles and guidelines set forth in Technical Guide 3/2017 and the standards and existing best practices in the field of corporate governance.

The provisions of CNMV's Technical Guide 3/2017 have been considered upon preparing this Report on the Proceedings and Activities of the Audit and Compliance Committee.

9. Findings

Based upon the information herein reported, the structure of the Audit and Compliance Committee, its organization and proceedings as well as the duties and powers it is entrusted with, are found to meet statutory requirements, the internal regulations of the company and the recommendations of GGC, and are aligned with existing best practices in the field of corporate governance.

10. Date of issue and approval

This report has been issued by the Audit and Compliance Committee on 8 June 2020, and unanimously approved by the Board of Directors on 9 June 2020.

DATE OF MEETING	MAIN BUSINESS TRANSACTED	INDITEX'S ATTENDEES ¹
11/03/2019	<ul style="list-style-type: none"> - Review of the financial statements of the company. Review of the annual financial report to be disclosed by the Board of Directors to the market. - Statement on non-financial information (Act 11/2018, of 28 December on mandatory disclosure of non-financial information). - Meeting with the external auditors of the company, including the additional report (sec. 36 Act 22/2015, of 20 July on Statutory Audit) for the Audit and Control Committee. - Report on the independence of auditors. - Motion regarding the appointment/ re-election of statutory auditor. - 2019-2021 Business Plan. - Internal Audit: <ul style="list-style-type: none"> a. 2019 Internal Audit Plan and budget. b. 2018 Internal Audit activities report. Follow-up on recommendations. c. External Audit: 2018 fees and 2019 budget. d. Audit report on the Model of Criminal Risk Prevention. e. Brexit contingency Plan. - Compliance: <ul style="list-style-type: none"> a) 2018 Annual Compliance Report of the Inditex Group: 	<ul style="list-style-type: none"> -Mr Pablo Isla Álvarez de Tejera, Executive Chairman. -Mr Ignacio Fernández Fernández, CFO. -Mr Carlos Crespo González, COO. -Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board. -Ms Paula Mouzo Lestón, CAO. -Ms Piedad Barco Gurrea, Chief Compliance Officer in 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 area and Secretary of the Committee of Ethics. -Mr Marcos López García, Capital Markets Director.

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

	<ul style="list-style-type: none"> i. Compliance progress Map: HQ, Europe, America and Asia. ii. Model of Criminal Risk Prevention. iii. Other Compliance Regulations. iv. Compliance projects: i) 3rd Party Due Diligence and ii) Training v. Committee of Ethics and Whistle Blowing Channel. b) Half-yearly report (August 2018 - January 2019) of the Compliance Supervisory Board. c) Strategic action lines and 2019 budget. - 2018 Annual Corporate Governance Report. - Report on treasury stock. - Report on tax policies followed in the financial year (Code of Good Tax Practices). - Report on related-party transactions. - Provision by external auditor of non-audit services. 	<p>-Mr Andrés Sánchez Iglesias, Tax Director.</p> <p>-Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</p>
<p>10/06/2019</p>	<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 boards. - External audit: 2019 1st quarter Consolidated Financial Statements review and special purpose Audit on consolidated balance as at February 1st 2019 prepared according to IFRS 16 Leases. - Internal audit: work done in 1Q2019. - Information Security. 	<p>-Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</p> <p>-Mr Ignacio Fernández Fernández, CFO.</p> <p>- Mr Carlos Crespo González, COO</p> <p>-Ms Paula Mouzo Lestón, CAO.</p> <p>-Mr Raúl Amigorena Eguiluz, CISO</p> <p>-Ms Cristina Sánchez-Tembleque Cayazzo, Head of Data Protection and Privacy area and Data Protection Officer</p>

	<ul style="list-style-type: none"> - Report of the Data Protection Officer. - Amendment of internal regulations: <ul style="list-style-type: none"> i. Article of association. ii. Board of Directors’ Regulations. Namely, renaming the Committee as Audit and Compliance Committee. - <i>Compliance</i>: <ul style="list-style-type: none"> a) Work done in 1Q2019. b) Observance of local requirements on Compliance: “UK Modern Slavery Act”, “California Transparency in Supply Chain Act” and “NSW Modern Slavery Act”. c) New internal regulations: Data Protection Policy - Statement of the Annual Report (Integrated Report). - Annual Report on the Proceedings of the Audit and Control Committee. - Provision by external auditors of additional non-audit services. 	<p>-Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>
<p>16/07/2019</p>	<ul style="list-style-type: none"> - New internal regulations: Conflicts of Interest Policy - Internal regulations: <ul style="list-style-type: none"> i. Amendment of the Board of Directors’ Regulations ii. Amendment of the Audit and Compliance Committee’s Regulations iii. Approval of the Sustainability Committee’s Regulations iv. Amendment of the Regulations of the Social Advisory Board - Amendment of the Internal Regulations of Conduct regarding Transactions in securities (IRC) 	<p>Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</p>

<p>09/09/2019</p>	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - Meeting with external auditors: Limited review report: 1H2019 results. - International corporate structure. - Internal Audit: <ul style="list-style-type: none"> a. Internal Audit Activities Report for 1H2019. Work done and follow-up on recommendations. b. Update of the audit plan 2H2019. - Procedure for the Selection of the Statutory Auditor - Related-party transactions. - Compliance: <ul style="list-style-type: none"> a. Half-yearly Compliance Report of the Inditex Group for FY2019. b. Report of the Committee of Ethics: Whistle Blowing Channel (1 February - 31 July 2019). c. New internal regulations: <ul style="list-style-type: none"> i. Occupational Health and Safety Policy ii. Due Diligence Policy - Half-yearly Report (February - July2019) of the Compliance Supervisory Board. - Provision by the external auditor of non-audit services. 	<ul style="list-style-type: none"> -Mr Pablo Isla Álvarez de Tejera, Executive Chairman. -Mr Ignacio Fernández Fernández, CFO. -Mr Eliseo Oroza Rodríguez, Chief Administration Officer -Mr Rafael Coya Guerrero, Head of Projects and Processes department. -Mr Fernando de Bunes Ibarra, Head of the ERM Department. -Ms Martina Fernández Porto, member of the ERM Department. -Ms Paula Mouzo Lestón, CAO. -Ms Ana Díaz Ibarra and Mr Manuel Alonso Vila, members of the Internal Audit department. -Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board. -Ms Piedad Barco Gurrea, Chief Compliance Officer in 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 area and Secretary of the Committee of Ethics. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
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<p>09/12/2019</p>	<ul style="list-style-type: none"> - Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - 2019-2022 Business Plan: update. - External audit: <ul style="list-style-type: none"> a. 2020 audit plan. b. Review of the consolidated financial statements 3Q2019. - Intra-group sale of stakes in Russian subsidiaries. - Risks Map: 2019 update. - Technology: New Data Architecture. - Internal audit: <ul style="list-style-type: none"> a. 3Q2019 assignments. b. Amendment of the Internal Audit Charter - Compliance: <ul style="list-style-type: none"> a. 3Q2019 assignments b. Amendment of internal regulations: Ethics Line Procedure c. New internal regulations: <ul style="list-style-type: none"> • Travel Management Policy. • Information Security Policy • Policy on Product Control in the field of Industrial and Intellectual Property. - Evaluation of the appropriateness of the corporate governance system. - Report on the evaluation of the Committee and the performance of its members. 	<ul style="list-style-type: none"> - Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Carlos Crespo González, CEO - Mr Ignacio Fernández Fernández, CFO. - Ms Paula Mouzo Lestón, CAO. - Mr Javier Arija Tejero, member of the Internal Audit department. - Mr Eliseo Oroza Rodríguez, Chief Administration Officer. - Mr Rafael Coya Guerrero, Head of Projects and Processes department. - Mr Andrés Sánchez Iglesias, Tax Director. - Mr Gabriel Moneo Marina, Chief IT officer. - Mr Raúl Amigorena Eguiluz, CISO. - Ms Susana Fernández Martín, head of IP Department. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
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	<ul style="list-style-type: none">- Schedule of dates and agenda of business to be transacted by the Board of Directors in financial year 2020.- Schedule of dates and agenda of business to be transacted by the Audit and Compliance Committee in financial year 2020 (CNMV's Technical Guide 3/2017 on audit committees at public-interest entities, sections 31(b)&(c).- Provision by the external auditor of non-audit services.	
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