



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

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## 1. Preliminary

This document, drawn up by the Nomination 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 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 [*Spanish Securities and Exchange Commission*] on 18 February 2015 (the “**GGC**”), section 11 of CNMV’s Technical Guide 1/2019 on nomination and remuneration committees (“**Technical Guide 1/2019**”) and section 22.3 of the Nomination Committee’s Regulations.

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 current Nomination Committee originates in the defunct Nomination and Remuneration Committee. Following recommendation 48 GGC, 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.

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 GGC, and consequently the split of the Nomination and Remuneration Committee into two separate committees was finally approved.

### b. Regulations, duties and powers

The Board of Directors amends 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 full text of the Nomination Committee’s Regulations as amended is available on the corporate website ([www.inditex.com](http://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 1/2019. Such amendment has affected the mission and powers of the Committee. In particular, a number of powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code have been worked upon.

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.

In addition to the powers it is expressly assigned pursuant to statute the Nomination Committee is entrusted with the following duties:

- Proposing a policy on diversity of directors and senior managers.
- With regard to the annual evaluation programme, the Nomination Committee is expressly entrusted with the following powers: (i) establishing and overseeing an annual programme for evaluating the performance of the Executive Chairman, the CEO and board committees; (ii) reporting on an annual basis to the Board of Directors on the performance of the Executive Chairman, the CEO and the remaining executive directors; (iii) proposing an action plan or recommendation to amend potential weaknesses detected or to improve the operation of the Board and its committees; and (iv) assessing the convenience of discussing with the directors the findings of their individual evaluations and, if appropriate, the measures to be adopted to improve their performance.

Additionally, the Committee may gather information about the evaluation of senior managers.

- With regard to succession plans, the Committee is expressly entrusted with the power to be regularly apprised of the succession and career plans of senior managers.
- Designing and periodically organising the induction and refresher programmes for directors.

The Nomination Committee's Regulations was amended in 2019 for the purposes, inter alia, of bringing it into line with the principles and recommendations set out in Technical Guide 1/2019. Such amendment has affected the mission and powers of the Committee. In particular, the following powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code have been worked upon:

- With regard to director selection, the Nomination Committee shall be responsible for setting up a skills chart of the Board on the basis of which the profiles required of candidates that must fill board vacancies will be defined.

Moreover, the Committee shall assess the convenience of outsourcing the search for candidates and, as the case may be, hiring the services of external experts.

- In case of removal of directors: the Committee must ensure the transparency of the process and gather the information it may deem appropriate.

### **c. Composition**

The Nomination 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 Nomination Committee shall be in office for a 4-year term, being eligible for re-election upon expiry of such term.

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. In this regard, pursuant to section 10 of the Nomination Committee's Regulations, the Board of

Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience on corporate governance issues, analysis and strategic assessment of human resources, selection of directors and officers and assessment of the suitability requirements legally provided for the discharge of senior management functions.

Likewise, 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, 4 directors sitting on the Nomination Committee are independent, which represents 80% of all its members.

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

The re-election of Mr Saracho entailed his continuance as member of the Nomination 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 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 Nomination Committee as at 31 January 2020 is as follows:

| Name                                  | Position        | Type                      | Date of first appointment |
|---------------------------------------|-----------------|---------------------------|---------------------------|
| Mr Emilio Saracho Rodríguez de Torres | Chair           | Non-executive independent | 14-07-2015                |
| 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 | 14-07-2015                |
| Mr Rodrigo Echenique Gordillo         | Ordinary Member | Non-executive independent | 14-07-2015                |

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 and re-elected as such on 16 July 2019.

Upon determining the composition of the Nomination 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 Nomination Committee:

- 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.
- 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 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 Nomination Committee, with full information about their profile, experience and knowledge, is available on the corporate website: ([www.inditex.com](http://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 3 times a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it 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. Likewise, the Chair may arrange working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee.

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, and shall inform the Board thereof. Likewise, 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 thereof.

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

The Nomination 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 2 hours.

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

A. Powers regarding appointment of Directors

In the meeting held on 23 May 2019, the Nomination Committee gave a favourable report to the motion raised by the Executive Chairman on the appointment of Mr Carlos Crespo González to the Board of Directors as executive director, to be submitted to the Annual General Meeting and to his subsequent election as CEO and member of the Executive Committee.

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

Likewise, the Committee resolved in the meeting held on 10 June 2019, to give a favourable report to the motions on the re-election of Mr Pablo Isla Álvarez de Tejera and Mr Amancio Ortega Gaona to the Board of Directors as executive and proprietary directors, respectively, and to propose the re-election of Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz as independent directors.

The motions and reports above referred were subsequently submitted by the Board to the Annual General Meeting and were approved by the latter on 16 July 2019.

The relevant reports issued by the Nomination Committee are available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) since the date the notice calling the Annual General Meeting was published.

The motions on (i) the appointment of Mr Crespo as new CEO; and, (ii) the re-election and appointment of members of the Executive Committee were also approved by the ensuing board meeting held after the Annual General Meeting.

The Committee resolved on 9 December 2019 to propose the co-option of Ms Anne Lange to the Board of Directors as independent director. Such appointment was approved by the Board of Directors on 10 December, until it is ratified by the Annual General Meeting.

Finally, also on 9 December 2019, the Committee resolved to raise to the Board of Directors the motions on (i) the appointment of members of the new Sustainability Committee and the ensuing appointment of its Chair and Secretary; and, (ii) the new composition of the Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee.

Such motions were subsequently approved by the Board of Directors in the meeting held on 10 December 2019.

B. Powers regarding appointment of officers

In the meeting held on 9 December 2019, the Nomination Committee gave a favourable report to the motion on the appointment of Mr Javier Losada Montero as new Chief Sustainability Officer of the Inditex Group replacing Mr Félix Poza Peña.

Such motion was subsequently approved by the Board of Directors in the meeting held on 10 December 2019.

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

The Committee approved in the meeting held on 9 December 2019, the report on the evaluation of the performance of the Board of Directors and its members, 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 of Directors in the meeting held on the following day, 10 December 2019.

D. Schedule of dates and agenda of business to be transacted

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Nomination 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 Nomination 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.

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

The Nomination 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](http://www.inditex.com)

## 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 Board Committees

Directors sitting on the Nomination Committee also sit on several other committees.

### C. With the Executive Chairman, the CEO and Senior managers

For the purposes of allowing the Nomination Committee to be directly apprised of the major business concerns, the Committee encourages the presence at its meetings of the Executive



Chairman, the CEO and the officers 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.

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.

#### **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 programmes, and of the succession plans.

#### **F. 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 Nomination Committee**

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, and in line with Recommendation 36 GGC and section 7 of Technical Guide 1/2019, the Nomination Committee is responsible for overseeing and reviewing the programme for the annual evaluation of the performance of the Board and its members, its committees, the executive directors, the Lead Independent Director and the Secretary of the Board, being charged with leading and coordinating the whole process.

The evaluation programme has been updated and improved in 2019, to bring into line with the criteria and recommendations of Technical Guide 1/2019 and with the new organisational structure.

The findings of the evaluation conducted in 2019 have 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 organisation 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 findings of such evaluation were considered and the following improvement has been noted:

- i) The number of board members has increased, from 9 to 11, in line with the Group's dimensions and complexity and so that it is on a par with that of comparable companies.

In the context of the enlargement of the board of directors, the findings of the self-evaluation of board members have allowed identifying such professional profiles whose presence on the board was deemed relevant. Thus, in accordance with the strategic

objectives marked as a priority by Directors, experience and background of board members have been reinforced regarding (i) the experience and background in the digital and new technologies sector, as well as (ii) in sustainability, in line with the strong commitment of the Group in the field.

- ii) In connection with the above, the governance structure, the experience and background of Directors have been brought into line with the strategic objectives marked as a priority.
- iii) The balanced composition has been reinforced and the governance structure of the company has improved, in particular via: (a) the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees; (b) a more balanced distribution of male and female directors, with an appropriate percentage of female representation; and

Meanwhile, as regards the organisation and proceedings of the Board and its Committees, the following improvements are noteworthy:

- i) The increased size of the board has resulted in a redistribution of membership on Board committees, thus achieving a higher degree of specialisation.
- ii) An annual schedule of dates and agendas of business to be transacted by the Nomination and the Remuneration Committees in 2020 has been approved.
- iii) A meeting of independent directors exclusively was held for the first time, led by the Lead Independent Director, to discuss the most sensitive topics of the Company, thus ensuring and preserving their independence within the Board.

Such meeting was deemed very useful as it has served the purposes of determining such issues considered to be a priority, with the subsequent scheduling of meetings and proceedings of the Board and its Committees.

- iv) Finally, proceedings aimed at promoting Compliance culture have continued, in particular, by reinforcing the powers of the Audit and Compliance Committee in the field of corporate governance and Compliance.

In accordance with Recommendation 36 of the Good Governance Code, the Nomination Committee has relied on the advice of external consultant Spencer Stuart in the self-evaluation process.

## **7. Observance of guidelines**

The Nomination Committee performs its duties duly observing Recommendations of the GGC, the overarching principles and guidelines set forth in Technical Guide 1/2019 and the standards and existing best practices in the field of corporate governance.

The provisions of CNMV's Technical Guide 3/2017 and Technical Guide 1/2019 have been considered upon preparing this Report on the Proceedings of the Nomination Committee for FY2019.

## **8. Significant deviations**

No significant deviations from the procedures on appointment adopted by the company have been noted in 2019, nor any irregularities in the field reported in writing to the Board of Directors.

## **9. Findings**

Based upon the information herein reported, the structure of the Nomination 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 Nomination Committee on 8 June 2020.

| DATE OF MEETING | MAIN BUSINESS TRANSACTED   | INDITEX'S ATTENDEES <sup>1</sup>   |
|-----------------|--|--|
| 23/05/2019      | <ul style="list-style-type: none"> <li>- Motion regarding the enlargement of the Board of Directors. Explanatory report in support of the prior analysis of the needs of the Board of Directors for the purposes of re-election or appointment of directors.</li> <li>- Report on the motion to appoint a new executive director and CEO.</li> <li>- Report on the motion to appoint a new independent director</li> </ul>   | <ul style="list-style-type: none"> <li>- Mr Pablo Isla Álvarez de Tejera, Executive Chairman</li> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul> |
| 10/06/2019      | <ul style="list-style-type: none"> <li>- Reports and motions on the re-election and/or appointment of members of the Board of Directors:               <ul style="list-style-type: none"> <li>a) Re-election of Mr Pablo Isla Álvarez de Tejera, as executive director.</li> <li>b) Re-election of Mr Amancio Ortega Gaona, as non-executive proprietary director.</li> <li>c) Re-election of Mr Emilio Saracho Rodríguez de Torres, as non-executive independent director.</li> <li>d) Re-election of Mr José Luis Durán Schulz, as non-executive independent director.</li> </ul> </li> <li>- Annual Report on the Proceedings of the Nomination Committee.</li> </ul> | <ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>  |
| 16/07/2019      | <ul style="list-style-type: none"> <li>- Report on the re-election of members and the appointment of a new member of the Executive Committee.</li> <li>- Report on the amendment of the Nomination Committee's Regulations.</li> </ul>   | <ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>  |
| 09/09/2019      | <ul style="list-style-type: none"> <li>- Supervision of the annual programme for the evaluation of the performance of the Board of Directors and its Chairman, its members and its committees</li> </ul>   | <ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul>  |

<sup>1</sup> 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.

|                   |  |   |
|-------------------|--|---|
|                   |  |   |
| <p>09/12/2019</p> | <ul style="list-style-type: none"> <li>- Report on the motion of a co-option of a new member of the Board of Directors.</li> <li>- Reports on the appointment of the new Chief Sustainability Officer.</li> <li>- Report on the evaluation of the performance of the Board of Directors, the Directors, the Nomination Committees and its members and of the performance of the Executive Chairman, the Chief Executive Officer and the Secretary of the Board of Directors.</li> <li>- Schedule of dates and agenda of business to be transacted by the Nomination Committee in financial year 2020 (CNMV's Technical Guide 1/2019 on nomination and remuneration Committees at public-interest entities).</li> </ul> | <ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board</li> </ul> |