



**Report of the Sustainability Committee  
of Industria de Diseño Textil, S.A. (INDITEX, S.A.)  
FY 2019**

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## 1. Sustainability Committee: regulations, composition and proceedings

### a. Origin and evolution

The Board of Directors resolved on 11 June 2019 to form the Sustainability Committee, in line with the Group's corporate strategy and its commitment to sustainability, its composition and own set of rules pending approval.

The Sustainability Committee's Regulations were subsequently approved by the Board of Directors in the meeting held on 16 July 2019, following a favourable report of the Audit and Compliance Committee.

To complete the whole formation process, the Board approved on 10 December 2019, following a favourable report of the Nomination Committee, the appointment of its members and the subsequent election of its Chair and Secretary.

### b. Regulations, duties and powers

The regulation of the Sustainability Committee is provided in article 30bis of the Articles of Association, section 17bis of the Board of Directors' Regulations and more specifically, in the Sustainability Committee's Regulations. The powers and duties of the Committee are addressed in sections 5 to 8 of the Sustainability Committee's Regulations.

In particular, section 5.3 thereof covers the mission of the Sustainability Committee:

*"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Sustainability Committee has the following basic responsibilities:*

- (a) To follow-up on the policies on social and environmental sustainability and to propose to the Board their update or amendment, if applicable;*
- (b) To oversee the monitoring of compliance with the Code of Conduct for Manufacturers and Suppliers by the suppliers of goods sold by the Company and its Group;*
- (c) To verify that the goods that the Company sells comply with the product health and safety standards;*
- (d) To verify compliance with the most exacting environmental standards, encouraging biodiversity conservation and the sustainable management of natural resources in respect of use of raw materials, production processes, product and store;*
- (e) To regularly review the Group's internal regulations on sustainability, and to propose to the Board, if appropriate, their update or amendment, and to monitor compliance with them*
- (f) To oversee the preparation process, as well as the clarity and integrity of the regulated non-financial information in the field of sustainability, in accordance with applicable regulations and international standards of reference;*
- (g) To oversee and evaluate the processes of relations with the different stakeholders of the Company and its Group regarding matters under its purview;*
- (h) To report, prior to its approval, on any document that the Company must publish relating to the matters under the Committee's remit.*
- (i) To propose to the Board of Directors the policies, objectives and strategies to be followed-up regarding the foregoing responsibilities."*

Meanwhile, section 6 addresses the powers of the Committee relating to sustainability:

*“With regard to the sustainability of the Company and its Group, the Committee has the following main duties:*

- (a) To oversee the sustainability policy, ensuring that it focuses on creating value, to review it, and to propose to the Board, if appropriate, its updating and amendment;*
- (b) To review the recommendations and best business practices on the market in the field of sustainability;*
- (c) To follow up on the sustainability strategy and practices, to assess the level of achievement and, where appropriate, to propose recommendations to improve the positioning of the Group in the field;*
- (d) To verify and encourage compliance by the Group with the most exacting policies, regulations and standards on human, labour and environmental rights to the extent that they affect the workers of the supply chain, production processes, product and store;*
- (e) To be informed of the different public or private initiatives launched in the countries where the Group operates, relating to social and environmental sustainability;*
- (f) To be informed of the listing and ranking of the Group in the most exacting and renown international sustainability indices;*
- (g) To encourage compliance by the Group with the UN’s 17 Sustainable Development Goals (SDG);*
- (h) To receive from the Sustainability Department at least once a year and whenever the Committee may deem it fit for the appropriate exercise of its duties, information on the sustainability policy and specifically on:*
  - a. compliance with the Code of Conduct for Manufacturers and Suppliers, with special reference to the result of the social audits, as well as the projects directly or indirectly executed by the Company for the purposes of ensuring the application and observance of human and labour rights across the entire production line;*
  - b. achievement of the goals of the Strategic Sustainability Plan from time to time in force regarding social, environmental, and health and safety of the product issues; and*
  - c. progress in the level of compliance with public and internal commitments undertaken by the Company in the field of Sustainability.*

Section 7 sets out the powers relating to the relations with the different stakeholders:

*“With regard to the relations established with the different stakeholders of the Company and its Group, the Committee has the following main duties:*

- (a) To advise and inform the Board about the main interests and requirements of the different stakeholders of the Company and its Group;*
- (b) To oversee the procedures and communication channels of the Company and its Group with the different stakeholders and encourage their improvement;*

- (c) *To review and inform the Board regarding the latest advertisement and responsible marketing trends; and*
- (d) *To make proposals aimed at improving the Company's reputation, the image of its different commercial brands, the transparency and the ethics standards that guide the Group's activity."*

Finally, section 8 covers other powers entrusted to the Committee:

*"Additionally, the Committee shall have the following duties:*

- (a) *To issue such reports and carry out proceedings that fall within its remit, or which are required by the Board of Directors or its Chairman;*
- (b) *The Committee shall report on the appointment and removal of the members of the Social Advisory Board of the Company, before the report issued by the Nomination Committee, assessing the qualification, skills, knowledge, experience and other occupations of the prospective candidates.*

*The Committee may also submit motions on appointment of candidates where it deems its appropriate;*

- (c) *To issue reports on the internal regulations of the Company on matters that fall within its remit;*
- (d) *To assess the draft bills and the amendments of national as well as foreign or international regulations on sustainable development, corporate social responsibility and related issues, and their potential impact on the Group's activity; and;*
- (e) *To prepare an annual report on the proceedings and activities of the Sustainability Committee."*

### **c. Composition**

Pursuant to the provisions of section 17bis of the Board of Directors' Regulations and section 9.1 of the Sustainability Committee's Regulations, the Sustainability 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 shall be independent directors.

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

Members of the Sustainability Committee, and namely its Chair, shall have the appropriate background, qualifications and experience to discharge the duties they are called upon to perform. In particular, they shall have the appropriate knowledge, qualifications and experience in the field of sustainability, social action initiatives, sustainable management of resources and design of communication policies with stakeholders.

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, 5 non-executive directors sit on the Sustainability Committee, 4 of whom are independent, which represents 80% of all its members

Consequently, the composition of the Sustainability Committee as at 31 January 2020 is as follows:

Name	Position	Type	Date of first appointment
Bns. Denise Patricia Kingsmill	Chair	Non-executive independent	10-12-2019
Ms Anne Lange	Ordinary member	Non-executive independent	10-12-2019
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	10-12-2019
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	10-12-2019
Mr José Luis Durán Schulz	Ordinary Member	Non-executive independent	10-12-2019

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

Bns. Denise Patricia Kingsmill was appointed Chair of the Sustainability Committee on 10 December 2019.

The most appropriate candidates to sit on the Sustainability Committee were considered in the motion raised by the Nomination Committee on 9 December 2019, based upon the directors' background, qualifications and experience and the duties they are called upon to perform pursuant to section 17bis of the Board of Directors Regulations and section 9.2 of the Sustainability Committee's Regulations.

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

- Bns. 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 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.

- 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 Sustainability Committee, with full information about their profile, experience and knowledge, is available on the corporate website: ([www.inditex.com](http://www.inditex.com)).

#### **d. Proceedings**

The Committee shall meet at least 3 times a year, and each time that its Chair calls it. The Chair of the Sustainability 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

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, 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.

## **2. Main relations of the Sustainability Committee**

### **A. With the Board of Directors**

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

### **B. With Board Committees**

Most of the directors sitting on the Sustainability Committee also sit on the Audit and Compliance Committee, the Remuneration Committee and/or the Nomination Committee.

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

For the purposes of allowing the Sustainability Committee to be directly apprised of the major business concerns, the Committee encourages the presence in 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.

### **D. With the Sustainability Department**

The Sustainability Committee shall have regular contact with the Sustainability Department.

In this regard, the Sustainability Committee will receive from the Sustainability Department at least once a year and whenever the Committee may deem it fit for the appropriate exercise of its duties, information on the sustainability policy and specifically on:

- i. compliance with the Code of Conduct for Manufacturers and Suppliers, and with the projects directly or indirectly executed by the Company for the purposes of ensuring the application and observance of human and labour rights across the entire production line;
- ii. achievement of the goals of the Strategic Sustainability Plan from time to time in force regarding social, environmental, and health and safety of the product issues; and
- iii. the progress in the level of compliance with public and internal commitments undertaken by the Company in the field of Sustainability

#### **E. With the Social Advisory Board**

The Social Advisory Board is a permanent consulting and advisory body, without executive duties, with information, advisory and proposal-making powers in the area of social and environmental sustainability. It will advise and support the Committee regarding social and environmental sustainability matters of the company and its Group.

Likewise, The Social Advisory Board will regularly report to the Committee, at least once a year, in joint meetings, on its proceedings and on the main business transacted by the former, for the purposes of informing about its role and findings regarding the statement on non-financial information and the social and environmental sections of Inditex's Annual Report (Integrated Report).

At any rate, the Sustainability Committee or its Chair, may request from the Social Advisory Board that it issues reports and/or that it engages in specific proceedings within its remit, whenever this is convenient for the better discharge of the duties of the Committee.

### **3. Events after the reporting period**

Although the Sustainability Committee was formed further to a resolution passed by the Board of Directors on 11 June 2019, the whole formation process was completed in the meeting held by the Board on 10 December 2019, with the appointment of its members.

The Sustainability Committee has held its first meeting on 8 June 2020, with the following agenda:

- Introducing the Sustainability Department and the 2020 Annual Work Programme.
- Observance of local requirements on Compliance: "UK Modern Slavery Act", "California Transparency in Supply Chain Act" and "NSW Modern Slavery Act".
- Drafting of the Annual Report (Integrated Report) with regard to Sustainability sections; and
- Issuing this Report.