
REPORT ISSUED BY THE NOMINATION COMMITTEE OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) REGARDING THE NEEDS OF THE BOARD OF DIRECTORS WITH REGARD TO THE PROPOSED RE-ELECTION OF MR JOSÉ ARNAU SIERRA AS PROPRIETARY DIRECTOR

I. FOREWORD

This report is drawn up pursuant to Recommendation 14 of the Good Governance Code of Listed Companies, approved by the Spanish National Securities Market Commission (“CNMV”) in February 2015 and amended in part further to a resolution passed by CNMV’s board of directors on 25 June 2020 (“GGC”), and section 5 of the Diversity of Board of Directors Membership and Director Selection Policy originally approved by the Board of Directors on 9 December 2015 and amended in part on 14 December 2020 (the “**Diversity of Board of Directors Membership and Director Selection Policy**”), with regards to the prior analysis of the company’s needs and of the competences required by the board of directors, as at present, one proprietary director serving on the board is approaching the end of his term of office; therefore, a motion regarding his re-election must be raised to the board of directors, to be subsequently submitted to the Annual General Meeting.

II. PURPOSE

Recommendation 14 GGC sets forth that it should be ensured that “*appointment or re-election proposals are based on a prior analysis of the competences required by the board*” and that “*the results of the prior analysis of the competences required by the board should be written up in the nomination committee’s explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.*” In this regard, in accordance with section 3 of Technical Guide 1/2019, on nomination and remuneration committees, approved by CNMV on 20 February 2019 (the “**Technical Guide 1/19**”), analyzing the competences, knowledge and experience as well as other occupations of the directors who are already members of the board, and preparing a Board competency matrix for the purposes of defining the profile and required skills of prospective candidates, are deemed good practices. Likewise, Technical Guide 1/2019 also recommends taking into account the need for a progressive board refreshment. In light of the foregoing, the Nomination Committee has reviewed and considered the needs of the company and the competences required by the board with regards to the annual directors’ election process, in particular, to the re-election of Mr Arnau as director.

In furtherance of the internal regulations of the Group, the composition of the Board of Directors shall reflect the Company’s commitment to diversity of knowledge, qualifications, experience, geographic origin, age and gender. In this regard, pursuant to section 5 of the Diversity of Board of Directors Membership and Director Selection Policy, efforts should be made to ensure a diverse board membership where directors with experience and knowledge of the Group, its business and the retail sector in general serve together with others with background, qualifications, knowledge and experience in other fields and industries.

Likewise, efforts should be made to ensure a balanced board membership as regards directorship types, with a large majority of non-executive directors and an appropriate ratio of proprietary to independent directors. In this regard, pursuant to section 7.2 of the Board of Directors’ Regulations, the ratio of independent directors on the board of directors should be at least equal to the ratio of floating capital of the Company. Likewise, in accordance with Recommendation 17 GGC, the number of independent directors should be at least half of the total number of directors.

The Nomination Committee has reviewed the size, composition, competences and effectiveness of the Board of Directors and has determined that:

- At present, 11 directors sit on the board of directors. This number is within the limit provided in the Articles of Association and within the 5 to 15 range set out in Recommendation 13 GGC.
- The 11 board members are classified as follows: 2 executive directors, 3 proprietary and 6 independent. Thus:
 - o A large majority of non-executive board members is ensured, in accordance with the provisions of Recommendation 15 GGC and the number of independent directors serving on the board is above half of all board members, in accordance with Recommendation 17 GGC with regards to companies with large market capitalization.
 - o In accordance with Recommendation 16 GGC, the ratio of proprietary to non-executive directors is below the proportion between the capital they represent on the board and the remainder of capital.
- Female directors account for 36.36% of all board seats. Thus, the company is close to achieving the new female representation target assumed and written in the Group's internal regulations, in accordance with Recommendation 15 GGC: i.e. the number of female directors should account for at least 40% of all board seats by the end of 2022.
- The average tenure of independent directors on the board is 4 years.
- Members of the board of directors as a whole, have accredited abilities, competences, experience and merits: (i) regarding the Company itself, the Group, and the retail sector; (ii) in economy and finances, accounting, audit and risk management matters, including both financial and non-financial ones; (iii) in regulatory compliance and corporate governance matters; (iv) in the digital and new technologies sector; (v) in sustainability; (vi) in different geographical markets; and (vii) in management, leadership and business strategy.

In this regard, current board members include directors with experience and knowledge of the Group and the retail sector in general, together with others with education, competences, background and experience in other fields and industries.

- The company's corporate governance structure is appropriate to ensure independence through a number of counterweights that prevent potential risk associated with concentration of power.

The Nomination Committee considers that with its current composition and structure, Inditex's board of directors has achieved a high degree of balance and stability materialized in: (i) a balanced membership of the different directorship types, as independent, proprietary and executive directors sit on the Board, with a large majority of independent directors; (ii) a balanced presence of men and women on the board, as female representation has been gradually increased over the past years, and the current percentage of women on the board is close to reaching the new 40% target set by the board of directors before 2022; and, (iii) an appropriate balance of skills and experience that befits the interests of the company and its Group.

In line with the foregoing, the Committee further considers that the current number of directors serving on the board is appropriate to facilitate dialogue and interaction among them, and its size is aligned with the Group's dimensions, complexity and business, and on par with that of comparable companies.

Consequently, the Nomination Committee would highly appreciate it if the motions on the re-election and appointment of directors seek to keep or reinforce within the company's supreme governing body and its committees: (i) different profiles and experiences aligned with the Company's strategic focal points; (ii) a highly diverse membership on the board in terms of, without limitation, professional experience, competences, personal skills, sector-specific knowledge and age; (iii) a balanced membership of the different directorship types, ensuring the majority of non-executive directors and that the presence on the board of proprietary directors is such as to ensure the existence of an effective counterweight; and, (iv) a progressive board refreshment, combined with the necessary presence on the board of directors with proven experience and sound knowledge of the company, the Group, its business and generally, the retail sector.

In line with the commitment recently assumed by the company, the Nomination Committee considers that favoring gender diversity must be a priority with regard to any future director selection, without disregarding however, that all elections must be made based upon suitability and merit yardsticks.

At any rate, the Nomination Committee considers that in order for the Board of Directors to duly perform its oversight role, all its members should have accredited abilities, competences, experience and merits: (i) regarding the Company itself, the Group, and the retail sector; (ii) in economy and finances, accounting, audit and risk management matters, including both financial and non-financial ones; (iii) in sustainability, regulatory compliance and corporate governance matters; (iv) in different geographical markets; and (v) in management, leadership and business strategy, as well as (vi) the requirement for each board member to be highly qualified and trustworthy, both as a person and as a professional, and available for the necessary dedication to the position.

The mission of the Nomination Committee consists of ensuring an appropriate board membership to enhance its proceedings, while encouraging progress regarding observance of recommendations and best practices in the field of corporate governance.

III. FINDINGS

Therefore, the profile of directors to be re-elected in the upcoming Annual General Meeting, following the relevant report issued by the Nomination Committee, and the relevant explanatory report drawn up by the Board of Directors, shall meet the needs of the company and fulfil the competences requirements of the board itself, as shown in this report pursuant to Recommendation 14 GGC and sections 3, 4 & 5 of Technical Guide 1/2019.

Done in Arteixo, A Coruña (Spain), on 7 June 2021