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**EXPLANATORY REPORT ISSUED BY THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) REGARDING THE MOTION ON THE RE-ELECTION OF MR JOSÉ ARNAU SIERRA TO THE BOARD OF DIRECTORS AS NON-EXECUTIVE PROPRIETARY DIRECTOR, INCLUDED AS ITEM 5 ON THE AGENDA OF THE ANNUAL GENERAL MEETING CALLED TO BE HELD ON 13 AND 14 JULY 2021, ON FIRST OR SECOND CALL, RESPECTIVELY**

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## **I. FOREWORD**

This report is drawn up by the Board of Directors of Industria de Diseño Textil, S.A. (“**Inditex**” or the “**Company**”) pursuant to the provisions of section 529*decies*(5) of the Revised Text of the [*Spanish*] Companies Act (the “**Companies Act**”), sections 21.3 and 23.1 of the Board of Directors’ Regulations and section 7 of the Diversity of Board of Directors Membership and Director Selection Policy, 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**”). The report covers the motion on the re-election of Mr José Arnau Sierra to the board of directors as non-executive proprietary director that the board submits to the shareholders at the Annual General Meeting as agenda item 5.

## **II. PURPOSE**

This report seeks first, to support the fact that the motion on the re-election of Mr Arnau to Inditex’s board of directors is based on a prior analysis of the Company’s needs and of the competences required by the board, written up in the relevant explanatory report approved by the Nomination Committee on 7 June 2021, pursuant to Recommendation 14 of the Good Governance Code of Listed Companies, approved by CNMV in February 2015 and amended in part further to a resolution passed by CNMV’s board of directors on 25 June 2020 (“**GGC**”), section 3 of CNMV’s Technical Guide 1/2019 on nomination and remuneration committees, approved on 20 February 2019 (the “**Technical Guide 1/2019**”), and section 7 of the Diversity of Board of Directors Membership and Director Selection Policy.

As provided in the above referred regulations, this report also considers the competence, experience and merits of the director whose re-election to the board is proposed to the Annual General Meeting. Additionally, the fact that the professional profile of the director is deemed suitable for the Company’s description, its business and its international dimension, has also been considered

In the above referred explanatory report the Nomination Committee has found that, in general, for the board of directors to duly perform its oversight role, it should have, as a whole, accredited abilities, competence, experience and merits: (i) regarding the Company, the Group and the retail sector; (ii) in economy and finances, accounting, audit or risk management matters, including both financial and non-financial ones; (iii) in 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, as well as available for the necessary dedication to the position.

Additionally, the Committee has deemed it expedient that the motions on the re-election of directors aim at keeping or reinforcing within the supreme governing body of the company: (i) different profiles and experiences aligned with the strategic focal points of the Company; (ii) a highly diverse board membership 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.

Based on the foregoing, the report issued by the Nomination Committee covering the motion on the re-election of Mr Arnau, describing his competences, experience and merits (and including his CV) has been assessed, and it has been fully endorsed by the board. Such report is attached hereto for any relevant purposes. Further to the review thereof, the board of directors has considered:

- That Mr Arnau has the competences, experience and merits required to be a company director.
- That the director, whose re-election is proposed, has served on the board of directors to its full satisfaction.

In this regard, his high rate of attendance at the meetings of the board of directors and its committees is noted, standing at 100%. Likewise, his commitment, diligence and professionalism in the discharge of his duties and his input to the appropriate performance of the Board is highly valued.

- The board has verified that the candidate qualifies as proprietary director, as proposed by the Nomination Committee, considering the definition included in section 529*duodecies* of the Companies Act.

### **III. FINDINGS**

Should the motion on the re-election of the director be approved by the Annual General Meeting, the structure and size of the board of directors will be as follows:

- o 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.
- o 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 would be ensured, in accordance with the provisions of Recommendation 15 GGC. In addition, the number of independent directors serving on the board would remain above half of all board members, in accordance with Recommendation 17 GGC with regards to companies with large market capitalization.

- In accordance with Recommendation 16 GGC, the ratio of proprietary to non-executive directors would be below the proportion between the capital they represent on the board and the remainder of capital.
  - A balanced composition of male and female directors would be ensured, with female presence on the board standing at 36.36%. Although it remains the least represented gender, the presence of women directors exceeds the 30% target set within such governing body and the company is close to achieving the new 40% target set out in Recommendation 15 GGC (the number of female directors should account for at least 40% of all board seats by the end of 2022). Such new target has already been written in the company's internal regulations.
- The average tenure of independent directors on the board would be 4 years.
  - Members of the board of directors as a whole would have accredited abilities, competence, 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 the digital and new technologies sector; (v) in sustainability; (vi) in different geographical markets; and (vii) in management, leadership and business strategy,

In essence, as the Nomination Committee found in its report with the prior analysis of board needs, a high degree of balance and stability would be reached.

Based on the foregoing, the board of directors has considered that the motion on the re-election of Mr Arnau as non-executive proprietary director contributes to maintaining or reinforcing:

- (i) A diverse board membership in terms of competences, personal skills, sector-specific knowledge, professional experiences, age and origin, contributing in particular, to maintaining the presence of Spanish citizens on the board.
- (ii) The high qualification and professional and personal integrity of board members.
- (iii) The presence on the board of profiles with proven experience and sound knowledge of the Company, the Group (including of its business model and its governance regulations), and generally, of the retail sector.
- (iv) A balanced membership with regard to the different directorship types, with a large majority of non-executive directors and a ratio of proprietary to non-executive directors below the existing proportion between the capital they represent on the board and the remainder of capital.
- (v) The alignment of the decisions of the board of directors with the interests of shareholders, considering that although the company's share capital structure is diverse, a high percentage thereof is held by significant shareholders.

- (vi) The existence of effective counterweight to prevent a potential concentration of power in executive directors.

Considering the foregoing, this report is issued by the Board of Directors in accordance with the provisions of section 529*decies*(5) LSC, sections 21.3 and 23.1 of the Board of Directors' Regulations, and section 7 of the Diversity of Board of Directors Membership and Director Selection Policy. It will be attached to the minutes of the meeting of the Annual General Meeting where the motion on the re-election of the director covered in this report will be considered.

Done in Arteixo (A Coruña), on 8 June 2021.