

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR- END DATE:

31/01/2017

Tax Identification No. [C.I.F.] A-15.075.062

Company Name:

INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.)

Registered Office:

Avda. de la Diputación, Edificio Inditex, 15142 Arteixo (A Coruña) - SPAIN

ANNUAL CORPORATE GOVERNANCE REPORT
OF INDUSTRIA DE DISEÑO TEXTIL, S.A.

In this Annual Corporate Governance Report, the Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (hereinafter, “**INDITEX**”, “**Inditex**” or the “**Company**”) has included all the relevant information corresponding to financial year 2016, which commenced on 1 February 2016 and ended on 31 January 2017, excepting those cases in which other dates of reference are specifically mentioned.

The Good Governance Code of Listed Companies (hereinafter, “**CBG**” [*Spanish acronym*] or “**Good Governance Code**”), approved by the *Comisión Nacional del Mercado de Valores* [Spanish Securities and Exchange Commission] (hereinafter, “**CNMV**” [*Spanish acronym*]) in February 2015 lists a set of principles and practices that must govern corporate governance of listed companies.

Meanwhile, the revised text of the Spanish Companies Act approved by *Real Decreto Legislativo* 1/2010, of 2 July, (hereinafter, the “**Companies Act**” or “**LSC**” [*Spanish acronym*]), amended by Act 31/2014 of 3 December to improve corporate governance (hereinafter, “**Act 31/2014**”) and by Act 5/2015 of 27 April, on promotion of corporate financing (hereinafter, “**Act 5/2015**”), represents the basic legal framework of corporate governance in Spain.

The contents and structure of this Report meet the requirements laid down in the applicable regulations, as provided in section 540 of the Companies Act, introduced by the above referred Act 31/2014, in Order ECC/461/2013 of 20 March, and in Annex I of CNMV’s Circular 7/2015 of 22 December, which amended Circular 5/2013 of 12 June. Such regulations establish the standard forms of the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading in official securities markets.

This Annual Corporate Governance Report will be published as a relevant fact, contemporaneously with the release of the Annual Report on the Remuneration of Directors, and is available on Inditex’s corporate website (www.inditex.com), and on CNMV’s website (www.cnmv.es).

Corporate governance rules of Inditex are established in the Articles of Association, the Board of Directors’ Regulations, the Regulations of the General Meeting of Shareholders, the Regulations of the Board’s Committees, the Internal Regulations of Conduct regarding Transactions in Securities, the Code of Conduct and Responsible Practices of the Inditex Group and the Regulations of the Social Advisory Board, as it is explained in more detail below:

Articles of Association: They were approved by the Annual General Meeting in July 2000 and have been subsequently subject to several amendments, the latest of which took place on 19 July 2016.

In the meeting of the Annual General Meeting of 19 July 2016, the Articles of Association were amended in part for the purposes of adapting their wording to the reform of the Companies Act introduced by Act 9/2015 of 25 May, on urgent measures in bankruptcy matters, (hereinafter, “**Act 9/2015**”) and Act 22/2015, of 20 July, on auditing (hereinafter, “**Act 22/2015**”).

Board of Directors' Regulations: They were approved by the Board of Directors in July 2000. Their purpose is to determine the principles of operation of the Board of Directors, the basic rules for its organisation and proceedings and the rules governing the conduct of its members; they include, among other matters, rules regarding the appointment and removal of Directors, their rights and duties and the relationship of the Board of Directors with the shareholders, the markets and the external auditors, all this with the aim of achieving the highest possible degree of efficiency. The Board of Directors' Regulations has been subject to different amendments, the latest of which was approved by the Board of Directors on 14 June 2016, in order to adjust them to the wording of the Articles of Association and to the reform introduced by Act 22/2015.

Regulations of the Committees of the Board of Directors (Audit and Control Committee's Regulations, Nomination Committee's Regulations and Remuneration Committee's Regulations): These sets of rules were approved by the Board of Directors in the meeting held on 9 June 2015. They seek to govern the proceedings of these Committees as regards their powers, composition, calling, establishment, decision-making and relationship with the remaining governing bodies of the Company.

The Audit and Control Committee's Regulations were amended on 14 June 2016 in order to adjust them to the wording of the Articles of Association, i.e. to the reform introduced by Act 22/2015.

Regulations of the General Meeting of Shareholders: This text was approved by the Annual General Meeting on 18 July 2003. Its aim is to govern the proceedings of the General Meeting of Shareholders as to calling of meetings, preparation, information, attendance, proceedings and exercise of voting rights, and to inform shareholders of their rights and duties relating to such body. Said Regulations have been subject to different amendments, to adapt its wording to the subsequent updates of the Articles of Association.

Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the "**Internal Regulations of Conduct**" or "**IRC**"): they were approved by the Board of Directors in July 2000. This document contains, among others, the rules governing the confidentiality of relevant information, transactions involving securities of Inditex by the persons included in its scope, the treasury stock policy and the communication of relevant facts.

The IRC was amended further to a resolution of the Board of Directors dated 19 July 2016, for the purposes of adapting the contents thereof to the new European regulatory framework to combat market abuse, made up of the Regulation (EU) No 596/2014 of 16 April 2014 on market abuse, and Directive 2014/57/EU of 16 April 2014, that seeks to reinforce the integrity of the market and to set up mechanisms for a streamlined implementation and supervision in the different Member States of the European Union.

Code of Conduct and Responsible Practices of the Inditex Group: it was approved by the Board of Directors on 17 July 2012. This Code supersedes the former Code of Conduct of the Inditex Group and the former Internal Guidelines for the Responsible Practices of the Inditex Group. The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties. Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its main stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined. The Code of Conduct and Responsible Practices is based upon a number of general principles, including, (i) that according to

which all the operations of the Inditex Group shall be carried out under an ethical and responsible perspective; (ii) that according to which all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner; and (iii) that according to which all the activities of the Group shall be carried out in the most environment-friendly manner, promoting biodiversity preservation and sustainable management of natural resources.

The full text of all the aforementioned documents is available on the corporate website (www.inditex.com): (i) in the tab "Investors", section "Corporate Governance"; (ii) in the tab "Our Group", section "Our Principles"; and, (iii) in the tab "Sustainability".

Regulations of the Social Advisory Board: The Social Board is the advisory body of Inditex in the fields of corporate social responsibility and environmental sustainability. In December 2002, the Board of Directors authorised its creation and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and proceedings and the rules of conduct of its members.

The Regulations of the Social Advisory Board were amended by the Board of Directors in the meeting held 14 July 2015, for the purposes of driving the Group's strategy in the following areas: (i) the Corporate Social Responsibility Policy; (ii) the Code of Conduct for Manufacturers and Suppliers of the Group; (iii) the Environmental Sustainability Policy; and, (iv) the Code of Conduct and Responsible Practices of the Group.

A OWNERSHIP STRUCTURE

A.1. Complete the following table about the share capital of the company:

Date of latest amendment	Share capital (€)	Number of shares	Number of voting rights
20-07-2000: AGM Resolution	€93,499,560	3,116,652,000 shares	3,116,652,000

State whether there are different classes of shares with different rights attached thereto:

Yes

No

Class	Number of shares	Nominal value per share	Number of voting rights per share	Different rights
-	-	-	-	-

All shares are of the same class and series, represented by the book-entry method, and are fully paid-up and subscribed.

INDITEX has been listed on the different Spanish Stock Exchanges since 23 May 2001 and has been part of the selective Ibex 35 since July 2001. In addition, it has been part of the Stoxx 600 index since September 2001, of the selective Morgan Stanley Capital International index since November 2001, of the Dow Jones Sustainability index since September 2002, of the FTSE4Good index since October 2002 and of the FTSE ISS Corporate Governance index, since its launching in December 2004.

A.2. List the direct and indirect owners of significant holdings in your company at the date of the financial year end, excluding the directors:

As INDITEX's shares are represented by the book-entry method and no shareholders register is kept by the Company, the ownership structure of the company may not be accurately known.

At any rate, according to the information provided by CNMV on its website (www.cnmv.es) and the information provided to Inditex by shareholder *Rosp Corunna Participaciones Empresariales, S.L.*, the owners of significant holdings in the Company as at 31 January 2017, excluding the Directors, were those shown below:

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)		% on total voting rights
		Direct owner of the holding	No. of voting rights	
PARTLER 2006, S.L.	289,362,325			9.284%
Ms Sandra Ortega Mera and Mr Marcos Ortega Mera (*)	0		157,474,030	5.053%

(*) through:

Name (person or company) of the direct owner of the holding	Number of direct voting rights	% on total voting rights
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	157,474,030	5.053%

State the most significant movements in shareholding structure that have taken place over the financial year:

The Company has not received any notices regarding any significant movements in shareholding structure over the financial year.

A.3. Complete the following tables on the members of the board of directors of the company, who have voting rights attached to shares in the company:

As at 31 January 2017, the members of the Board of Directors who had an interest in the share capital of the Company were as follows:

Name (person or company) of the director	Number of direct voting rights	Number of indirect voting rights (*)		% on the total voting rights
		Direct owner of the holding	No. of voting rights	
Mr Pablo Isla Álvarez de Tejera	1,866,227		0	0.0598%
Mr Amancio Ortega Gaona	0		1,848,000,315 (*)	59.294%
Mr José Arnau Sierra	30,000		0	0.001%

PONTEGADEA INVERSIONES, S.L.	1,558,637,990	0	50.010%
Ms Denise Patricia Kingsmill	0	0	0%
Mr José Luis Durán Schulz	1,700	0	0%
Mr Rodrigo Echenique Gordillo	0	0	0%
Mr Carlos Espinosa de los Monteros Bernaldo de Quiros	150,000	0	0.005%
Mr Emilio Saracho Rodríguez de Torres	0	0	0%

(*) Through:

Name (person or company) of the direct holder of the holding	Number of direct voting rights	% on the total voting rights
PONTEGADEA INVERSIONES, S.L.	1,558,637,990	50.010%
PARTLER 2006, S.L.	289,362,325	9.284%
Total:	1,848,000,315	59.294%

Total % of voting rights held by the Board of Directors	59.36%
--	--------

Complete the following tables on the members of the Board of Directors who have rights over shares in the company:

Name (person or company) of the shareholder	Number of direct voting rights	Indirect voting rights (*)			% on the total of voting rights
		Direct owner	Number of voting rights	Number of equivalent shares	
Mr Pablo Isla Álvarez de Tejera	Up to a maximum number of 241,934 shares (a maximum no. of 122,180 shares for the second cycle of the 2013-2017 Long-term Performance Shares Plan addressed to members of management and other employees of the Inditex Group, pursuant to the terms and conditions of the Long-term Performance Shares Plan approved by the AGM on 16 July 2013, and a maximum number of 119,754 shares for the first cycle of the 2016-2020 Long-term Performance	-	-	-	Up to a maximum 0.008 %

	Shares Plan addressed to members of management and other employees of the Inditex Group, pursuant to the terms approved by the AGM on 19 July 2016).				
--	--	--	--	--	--

A.4. State, where applicable, the family, business, contractual or corporate relationships existing between the owners of significant holdings, to the extent that they are known by the company, unless these be scarcely relevant or stem from the ordinary course of trade:

The Company has not received notices of any family, business, contractual or corporate relationships existing between the owners of significant holdings that are of a relevant nature or that do not stem from the ordinary course of trade, without prejudice to that referred to under item A.3 above as regards the fact that director Mr Amancio Ortega Gaona is the indirect owner of shares in Inditex through two significant shareholders: Pontegadea Inversiones S.L. and Partler 2006, S.L. and that, as stated in section A.2 above, Rosp Corunna Participaciones Empresariales, S.L. is the property of Ms Sandra Ortega Mera and Mr Marcos Ortega Mera, the children of Mr Amancio Ortega Gaona.

A.5. State, where applicable, the business, contractual or corporate relationships existing between the owners of significant holdings and the company and/or its group, unless these be scarcely relevant or stem from the ordinary course of trade:

There have been no relationships of a business, contractual or corporate nature between the owners of significant holdings and the Company that are of a relevant nature or that do not stem from the ordinary course of trade, without prejudice to the information provided under section D below regarding "Related-party Transactions" and "Intra group transactions".

A.6. State whether the company has been informed of any para-social agreements affecting the company pursuant to the provisions of sections 530 and 531 of the Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes

No

Participants in the para-social agreement	% of share capital affected	Brief description of the agreement
-	-	-

State whether the company knows of the existence of concerted actions among its shareholders. If so, give a brief account thereof:

Yes

No

Participants in the para-social agreement	% of share capital affected	Brief description of the agreement
-	-	-

In the event that during the year any modification or breaking of those pacts or agreements or concerted actions has occurred, state it expressly:

The Company has not received any notices regarding the making of para-social agreements nor does it have any proof of the existence of concerted actions between its shareholders.

A.7. State if there is any legal or natural person who exerts control or could exert control over the company in accordance with section 4 of the Stock Exchange Act. If so, identify it/them:

Yes

No

Name (person or company)
Mr Amancio Ortega Gaona

Remarks
Mr Ortega holds a 59.294% interest in the share capital through PONTEGADEA INVERSIONES, S.L. and PARTLER 2006, S.L.

A.8. Complete the following tables on the treasury stock of the company:

At year-end closing:

Number of direct shares	Number of indirect shares (*)	total % on share capital
3,610,755	0	0.116%

(*) Through:

Name or company name of the direct holder of the interest	Number of direct shares
-	-
Total:	-

Explain the significant changes, in accordance with the provisions of Real Decreto 1362/2007, occurred during the financial year:

As at 1 February 2016, the Company held an aggregate number of 3,500,000 treasury stock shares. During FY2016, the settlement of the first cycle (2013-2016) of the 2013-2017 Long-term Performance Shares Plan (hereinafter, the “**Plan**”) took place, and the relevant number of shares were delivered to the beneficiaries of the above referred first cycle of the Plan.

Moreover, for the purposes of allowing the Company to have the required number of shares to be delivered to the beneficiaries of the second cycle (2014-2017) of the Plan, and within the scope of the authorization for the derivative acquisition of shares referred to in section A.9 below, the Company acquired a number of own shares. As at 31 January 2017 the number of own shares totaled 3,610,755.

A.9. Give details of the conditions and term of the current mandate given by the Annual General Meeting to the Board of Directors to issue, buy back or transfer own shares

At the date of this report, the authorisation granted by the Annual General Meeting of 19 July 2016 to the Board of Directors to acquire the company's own shares, remains in force. The resolution passed by the aforementioned Annual General Meeting on item eight on the agenda is transcribed below:

"To authorize the Board of Directors, so that it may, in accordance with the provisions of section 146 of Companies Act, proceed to the derivative acquisition of treasury stock, either directly or through any subsidiaries in which the Company is the controlling company, observing the legal limits and requirements and under the following conditions:

- a) Methods of acquisition: the acquisition shall be done through purchase and sale, exchange or dación en pago (acceptance in lieu of payment).*
- b) Maximum number of treasury stock to be acquired: shares with a nominal value which, added to that of those shares, directly or indirectly in the possession of the Company, do not exceed 10% in the share capital.*
- c) Maximum and minimum prices: the minimum price of acquisition of the shares shall be their nominal value and the maximum price shall be up to 105% of their market value at the date of purchase.*
- d) Duration of the authorization: five (5) years from the date of this resolution.*

For the purposes of the provisions of section 146.1(a) of the Companies Act, it is hereby stated that shares acquired under this authority may be used by the Company, among others purposes, to be delivered to employees or directors of the Company, either directly or as result of the option right they may hold, under employees' remuneration schemes in respect of employees of the Company or its Group.

This authorization supersedes the authorization approved by the Annual General Meeting held on 16 July 2013".

A.9 bis Estimated floating capital

	%
Estimated Floating Capital	40.59

A.10. State whether there is any restriction on the transferability of securities and/or any restriction on voting rights. Namely, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market

Yes

No

Description of the restrictions
-

All shares of the Company have the same voting and financial rights attached, and there are no legal or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that provided in section 83.1 of the Companies Act, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

A.11. State whether the Annual General Meeting has resolved the taking of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007:

Yes

No

Describe, if applicable, the approved measures and the terms on which the restrictions will become ineffective.

A.12 State whether the company has issued securities that are not traded on a Community regulated market.

Yes

No

Specify, if applicable, the different classes of shares, and the rights and obligations attaching to each class of shares.

B GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders duly convened and established in accordance with all statutory requirements and those provided in the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the company. Its resolutions are binding on all shareholders, including absent or dissenting ones, without prejudice to any remedies they may have at law.

In accordance with the Articles of Association and the Regulations of the General Meeting of Shareholders, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

- (a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.
- (b) To appoint, re-elect and remove directors, as well as, confirm or revoke such interim appointments of directors made by the Board of Directors, and to review their management.
- (c) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors.
- (d) To approve the directors' remuneration policy pursuant to statutory terms.
- (e) To conduct, as a separate item of the agenda, an advisory say-on-pay vote on the Annual Report on the Remuneration of Directors.
- (f) To authorize the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the

authorization to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.

- (g) To authorize the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.
- (h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, as well as any other amendment whatsoever of the Articles of Association.
- (i) To authorize the derivative acquisition of own shares.
- (j) To approve such transactions which entail a structural amendment in the Company, and namely: (i) the transformation of listed companies into holding companies, through "subsidiarisation" or the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities; (ii) the acquisition, disposal or contribution to another company of essential assets; and, (iii) such transactions which entail an effective amendment of the corporate objects and those having an effect equivalent to the liquidation of the Company.
- (k) To appoint, re-elect and remove the financial auditors.
- (l) To appoint and remove, where appropriate, the Company's liquidators
- (m) To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof.
- (n) To resolve on the matters submitted to it by a resolution of the Board of Directors.
- (o) To give directions to the Board of Director or to submit to its prior authorization the passing by the Board of Directors of decisions or resolutions on certain management matters; and
- (p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues

The Board of Directors must call the Annual General Meeting once a year; within the first six months of the closing of each financial year in order to, at least, review the company's management, approve, where appropriate, the accounts of the previous year and decide upon the distribution of income or loss.

Pursuant to the provisions of sections 168 and 495.2.a) of the Companies Act, the Extraordinary General Meeting shall meet when the Board of Directors so resolves or when a number of shareholders representing at least three percent in the share capital so request, expressing in the request the business to be transacted. In this latter case, the General Meeting of Shareholders shall be called to be held within the deadline provided in the applicable regulations and the agenda of the meeting must include the businesses that were the subject of the request.

In the resolutions to call the General Meeting of Shareholders, the Board of Directors shall require the presence of a Notary to take up the minutes of the General Meeting.

General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register or in one of the newspapers with the largest circulation in Spain, on the Company's website (www.inditex.com) and on CNMV's website (www.cnmv.es), at least one month in advance of the day scheduled for the meeting to be held, or within any longer period required by statute, where appropriate, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call. There must be at least a 24-hour period between the first and the second call. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

No later than the date of publication, or at any rate, on the business day that immediately follows, the Company shall send the notice of the meeting to CNMV, and to the Governing Organisations of the Stock Exchanges where the company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be available on the Company's website (www.inditex.com).

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and will be validly established to discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

B.1. State and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Act (LSC) in connection with the quorum required to hold a valid General Meeting of Shareholders

Yes No

	Quorum % other than that established in sec. 193 LSC for general cases	Quorum % other than that established in sec. 194 LSC for special cases covered therein
Quorum required on 1st call	50% of the subscribed voting stock	-
Quorum required on 2nd call	-	-

Description of differences

Article 18.1 of the Articles of Association and section 16 of the Regulations of the General Meeting provide that the General Meeting will be validly established on first call where shareholders who are present or represented by proxy represent at least fifty percent of the subscribed share capital with the right to vote. On second call, generally, the General Meeting shall be validly established regardless of the capital attending the same. However, if the General Meeting of Shareholders is called to decide on an increase or a reduction in the share capital, the issue of bonds convertible into Company's shares or which entitle bondholders to participate in the company's earnings, the exclusion or restriction of the pre-emptive right, the transformation of the Company, the merger for the creation of a new company or via the taking-over of the company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the substitution of the company's objects as well as any other amendment whatsoever of the Articles of Association,

shall require, on second call, the attendance of twenty-five percent of the subscribed share capital with the right to vote.

Therefore, the only difference between said rules and the provisions of the Companies Act, both in general and for special cases, lies in the quorum required to hold the General Meeting on first call in accordance with section 193 of the Companies Act, that the Articles of Association and the Regulations of the General Meeting of the company have established as the quorum required to hold valid meetings on first call in accordance with section 194 of the Companies Act (shareholders who are present or represented by proxy possess at least fifty percent of the subscribed share capital with the right to vote). This qualified quorum may not be deemed to be a restriction on the control by the Company, since it is only applicable to first calls.

This is expressly permitted by section 193 of the Companies Act, which, having laid down that the General Meeting of Shareholders shall be validly held on first call when the shareholders present or represented by proxy possess, at least, twenty-five per cent of the subscribed voting share capital, goes on to provide that a higher quorum may be established in the Articles of Association.

B.2. State and, if applicable, explain whether there are differences with the rules provided by the Companies Act for the passing of corporate resolutions:

Yes No

	Qualified majority other than that established in section 201.2 LSC for cases set forth in section 194.1 LSC	Other instances in which a qualified majority is required
% established by the entity for the passing of resolutions	-	-
Describe the differences		
-		

B.3. State the rules applicable to amendment to the Articles of Association. Namely, report the majorities established to amend the Articles of Association, and, if any, the rules to safeguard shareholders' rights when amending such Articles.

Pursuant to the provisions of sections 285 *et seq.* of the Companies Act, it is incumbent on the Annual General Meeting to resolve about any amendment of the Articles of Association.

Rules applicable to the amendments of the company's by-laws are provided in the Articles of Association and the Regulations of the General Meeting of Shareholders. Article 18 of the Articles of Association and section 16 of the Regulations of the General Meeting of Shareholders provide a special quorum in order to call the Annual General Meeting which has to address any amendment of the Articles of Association.

“The General Meeting of Shareholders shall be validly established on first call when shareholders who are present or represented by proxy hold at least fifty (50) percent of the subscribed share capital with the right to vote. On second call, generally, the General Meeting shall be validly established regardless of the share capital attending same. However, if the General Meeting of Shareholders is called to decide on an increase or a reduction in the share capital, the issue of bonds convertible into Company’s shares or which entitle bondholders to participate in the company’s earnings, the exclusion or restriction of the pre-emptive right, the transformation of the Company, the merger by establishment of a new company or by absorption of the Company by another entity, its spin-off in whole or in part, the global assignment of assets and liabilities, the transfer of the registered address abroad, the substitution of the company objects as well as any other amendment whatsoever of the Articles of Association, the attendance of twenty-five (25) percent of the subscribed share capital with the right to vote shall be required on second call.”

Section 6.h) of the Regulations of the General Meeting of Shareholders expressly assigns to the AGM the power to approve any amendment of the Articles of Association: *“In accordance with the provisions of the Articles of Association, the General Meeting of Shareholders is authorized to pass all kinds of resolutions concerning the Company, the following powers being namely reserved thereto, without prejudice to any other powers vested by the applicable regulations: (h) To resolve the issue of bonds convertible into Company’s shares or which allow bondholders to participate in the company’s earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, as well as any other amendment whatsoever of the Articles of Association.”*

B.4. Give the attendance figures for the general meetings held during the year to which this report refers and the previous year:

Date AGM	Attendance data				Total
	% attendance in person	% attendance by proxy	% remote voting		
			Electronic vote	others	
14-07-2015	0.08%	85.56%	0.82% ⁽¹⁾		86.46%
19-07-2016	0.07%	85.92%	0.94% ⁽²⁾		86.93%

(1) One hundred and forty shareholders cast their vote through remote communication means, by post, or electronic vote
(2) One hundred and forty-eight shareholders cast their vote through remote communication means, by post, or electronic vote

B.5. State whether there are any by-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.

Yes No

Number of shares required to attend the General Meeting	1
---	---

B.6 Section Repealed

B.7. State the address and means of access to the company's website, to the information on corporate governance and other information on the general meetings which must be made available to shareholders through the Company's website.

The most relevant information on the Company's corporate governance (Articles of Association, Regulations of the General Meeting of Shareholders, Board of Directors' Regulations, Audit and Control Committee's Regulations, Nomination Committee's Regulations, Remuneration Committee's Regulations, Internal Regulations of Conduct regarding Transactions in Securities, the composition of the Board of Directors and its Committees, the Annual Corporate Governance Report, and the Annual Report on the Remuneration of Directors) is available in the tab "Investors", "Corporate Governance" of the corporate website (http://www.inditex.com/en/investors/corporate_governance).

The information on the Annual General Meeting is included in the section "General Meeting of Shareholders". Contemporaneously to the notice calling the AGM; a direct access to the information on the AGM called is provided on the corporate website's homepage.

With regard to the Annual General Meeting held on 19 July 2016 (www.inditex.com/es/investors/corporate_governance/AnnualGeneralMeeting/AGM_2016), this section includes: (i) the link to the Electronic Forum of Shareholders; (ii) the link to the electronic voting and voting by proxy platform; (iii) the link to the live broadcast of the Annual Meeting of Shareholders; (iv) the notice calling the AGM; (v) the Agenda; (vi) the proposed resolutions in respect of the items of the agenda; (vii) the annual accounts, the management report and the audit report, of the Inditex Group; ; (viii) the annual accounts, the management report and the audit report, of Industria de Diseño Textil, S.A. (Inditex, S.A.); (ix) the statement of liability of the directors about the contents of the annual Accounts; (x) the prior report of the Nomination Committee on the review of the requirements of the Board of Directors prior to the selection of board members; (xi) the report on the motion to ratify and appoint a director addressed in item four a) of the Agenda; (xii) the report on the motion to appoint a non-executive independent director addressed in item four b) of the Agenda; (xiii) the report issued by the Board of Directors in respect of item five of the agenda including the full text of the proposed amendments to the Articles of Association; (xiv) the report issued by the Board of Directors in respect of item eleven of the agenda; (xv) the revised text of the Articles of Association the approval of which is addressed in item five of the agenda; (xvi) the revised text of the Board of Directors' Regulations referred to in item eleven of the agenda, (xvii) the 2015 Annual Corporate Governance Report; (xviii) the 2015 Annual Report on the Remuneration of Directors; (xix) the 2015 Annual Report; (xx) the 2015 Annual Activities Report of the Audit and Control Committee; (xxi) the 2015 Annual Activities Report of the Nomination Committee; (xxii) the 2015 Annual Activities Report of the Remuneration Committee; (xxiii) the Report of the Audit and Control Committee on the independence of the auditors; (xxiv) the report of the Audit and Control Committee on related-party transactions; (xxv) the proxy and distance voting card; (xxvi) the implementation of the internal regulations on the exercise of the vote by proxy and distance voting right; (xxvii) the total number of shares and voting rights at the date of calling; (xxviii) the document with the FAQ of shareholders about the Annual General Meeting; (xxix) the resolutions

passed, and; (xxx) the information on votes cast and the outcome of the voting.

Pursuant to the provisions of recommendation 9 of CBG, the Company's conditions and procedures for establishing share ownership, the right to attend general meetings and the exercise or delegation of voting rights are addressed in the notice calling the AGM, developed in the internal regulations, and permanently available on the corporate website (www.inditex.com).

Other information of interest, such as the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers is available in the tab "Our Group", section "Our Business Principles" (http://www.inditex.com/en/our_group/our_approach) and in the tab "Sustainability" (<https://www.inditex.com/en/sustainability>). Additionally, the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors is available in the tab "Investors", section "Investors and Shareholders" (<http://www.inditex.com/en/Investors/contact>).

C ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors

Except for such issues whose transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and monitoring body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of the day-to-day business of Inditex to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding Inditex's policy, monitoring the management bodies, assessing the management by the senior executives, making the most relevant decisions for the Company and liaising with the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have a decision power within the company which has not been subject to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board of Directors carries out its duties in accordance with the corporate interest, it being understood as the viability and maximization of the company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activities, and especially those of the other "stakeholders" of the Company (employees, customers, suppliers and civil society at large), determining and reviewing its business and financial strategies pursuant to said criterion, trying to achieve a reasonable balance between the proposals chosen and the risks taken.

C.1.1. Maximum and minimum number of directors provided in the Articles of Association

Maximum number of directors	12
Minimum number of directors	5

C.1.2. Complete the following table with the members of the Board:

Name (person or company) of the director	Representative	Director category	Office on the Board	Date first appointed	Date last appointed	Election procedure
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	14-07-2015	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	14-07-2015	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	17-07-2012	AGM
PONTEGADEA INVERSIONES, S.L.	Flora Pérez Marcote	Proprietary	Ordinary member	09-12-2015	19-07-2016	Board of Directors
Ms Denise Patricia Kingsmill		Independent	Ordinary member	19-07-2016	19-07-2016	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	14-07-2015	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	15-07-2014	AGM
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós		Affiliate	Ordinary member	30-05-1997	15-07-2014	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	08-06-2010	14-07-2015	AGM

Total number of Directors	9
----------------------------------	---

State the vacancies occurred on the Board of Directors during the period:

Name (person or company) of the director	Director category at the time of removal	Date of termination
Ms Irene Ruth Miller	Ordinary member, independent	19-07-2016

Ms Irene Ruth Miller stepped down on 19 July 2016 as ordinary member of the Board of Directors, the Audit and Control Committee, the Nomination Committee and the Remuneration Committee, on account of expiry of her term of office.

C.1.3. Complete the following tables about the members of the board and their different classification:

EXECUTIVE DIRECTORS

Name (person or company) of the director	Position within the company
Mr Pablo Isla Álvarez de Tejera	Executive Chairman

Total number of executive directors	1
Total % of Board members	11.11%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name (person or company) of the director	Name (person or company) of the significant shareholder being represented or who has proposed the appointment
PONTEGADEA INVERSIONES, S.L.	Mr Amancio Ortega Gaona
Mr Amancio Ortega Gaona	Mr Amancio Ortega Gaona
Mr José Arnau Sierra	Mr Amancio Ortega Gaona

Total number of proprietary directors	3
% of total Board	33.33%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name (person or company) of the director	Profile
Mr José Luis Durán Schulz	(1)
Mr Rodrigo Echenique Gordillo	(1)
Ms Denise Patricia Kingsmill	(1)
Mr Emilio Saracho Rodríguez de Torres	(1)

Total number of independent directors	4
% of total Board	44.44%

⁽¹⁾ A brief description of the profile of the non-executive independent members of the Board of Directors of the company is given below:

Mr José Luis Durán Schulz (52)

He has been an independent director since July 2015. He holds a degree in Economics and Management from ICADE (*Instituto Católico de Administración y Dirección de Empresas*). From 1987 through 1990, he was an auditor at Arthur Andersen. In 1991, he joined Carrefour Group, where he held the following positions: Head of Management Control (Spain, Europe and Latin America) (1991-1997); Chief Financial Officer for Spain (1997-2001); Group Chief Financial Officer (2001-2005) and Group Chief Executive Officer (2005-2008). In July 2009, he joined Maus Frères International Group, based in Switzerland, where he held the following positions, until January 2015: Chief Executive Officer of Lacoste, Executive Chairman of Gant and Board member of Aigle, S.A. Until 31 December 2015, he was a member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and until 4 October 2016, he was a member of the Board of Directors of such company. At present, he

is an independent director and member of the Audit Committee of Orange and CEO of Value Retail Management.

Mr Rodrigo Echenique Gordillo (70)

He has been an independent director since July 2014. He is a graduate in Law from Complutense University of Madrid and *Abogado del Estado* [State lawyer] currently on leave. From 1973 through 1976 he held several positions in the State Administration. From 1976 through 1983 he was Head of Legal Services and subsequently Deputy General Manager at *Banco Exterior de España*. From 1984 to 1994 he held different positions at *Banco Santander*, where he became a member of the Board of Directors in October 1988, being appointed at the same time Chief Executive Officer and member of the Executive Committee where he served until September 1994. From October 1994 through January 1999, he was a member of the Board of Directors, the Executive Committee and all Board Committees of *Banco Santander*, chairing the Audit and Control Committee, and was Deputy Chairman of *Banco Santander de Negocios* and *Santander Investment*. Since January 1999, he has been a member of the Board of Directors, the Executive Committee and the Executive Committee of Risks. He has been Deputy Chairman of *Banco Banif, S.A.*, Chairman of *Allfunds Bank*, and Chairman of SPREA. He has been a member of the Board of Directors of *Banco Santander International* and *Santander Investment*. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as *Ebro Azúcares y Alcoholes, S.A.*, *Industrias Agrícolas, S.A.*, *SABA, S.A.* and *Lar, S.A.* He was also a member and subsequently Chairman of the Advisory Board of *Accenture, S.A.*, *Lucent Technologies*, and *Quercus y Agrolimen, S.A.* He has been the Chairman of *Vallehermoso, S.A.*, *Vocento, S.A.*, *NH Hotels Group*, and *Metrovacesa, S.A.*

At present, he is Executive Deputy Chairman of *Banco Santander* and member of the Executive Committee and Chairman of *Santander España*.

As at 31 January 2017, he was the Chairman of the Board of Directors of *Merlin Properties SOCIMI, S.A.*

He is Deputy Chairman of the Chamber of Commerce of Spain.

Likewise, he is a member of the Board of Trustees of *Fundación Banco Santander, of Plan España*, of the Board of Trustees of *Fundación Consejo España-EE.UU.*, of *Fundación Empresa y Crecimiento* and of *Fundación ProCNIC* and *CNIC*. From July 2001 through February 2008, he chaired the Social Advisory Board of *Carlos III University of Madrid*.

Ms Denise Patricia Kingsmill (69)

She has been an independent director since July 2016. She holds a degree in Economics and Anthropology from Girton College, Cambridge. At the beginning of her career, she worked as a solicitor in employment law. She was created Baroness Kingsmill, of Holland Park, in the Royal Borough of Kensington and Chelsea, on 1 June 2006. She has been awarded five honorary doctorate from universities across the United Kingdom. At present, she holds the office of non-executive director on the Board of *International Consolidated Airlines Group, S.A.*; non-executive director of the Supervisory Board of *EON*; non-executive director of *Telecom Italia* and member of the International Advisory Board of *IESE*

Business School. She had previously held the office of non-executive director at British Airways from 2004 through 2010; Vice Chair, senior independent director and Chairman of Nominations and Ethics Committees at APR Energy; Deputy Chairman of the Competition Committee from 1997 through 2003; and Chairman of the Department of Trade and Industry's Accounting for People task force in 2003.

Mr Emilio Saracho Rodríguez de Torres (61)

He has been an independent director since June 2010. A Graduate in Economics from the Complutense University of Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of *Banco Santander de Negocios*, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of *Grupo Santander* and Deputy General Director. He has been a director of FISEAT, *Santander de Pensiones* and *Santander de Leasing*. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined J.P. Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 through 1 January 2008, he was Chief Executive Officer of J.P. Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He is in charge of Investment Banking operations of J.P. Morgan for Europe, the Middle East and Africa. He sits on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. As at 31 January 2017, he was Vice Chairman of JPMorgan Chase & Co. At present, he holds the office of director on the Board of International Consolidated Airlines Group, S.A.

State whether any director considered as an independent director receives from the company or from its group any amount or benefit on any grounds other than the remuneration for his/her directorship, or maintains or has maintained over the last year, a business relationship with the company or any company in its group, either in his/her own name or as a significant shareholder, director or senior executive of an entity that maintains or has maintained any such relationships.

No independent director receives any amount or benefit on any grounds other than the remuneration for his/her directorship, nor maintains or has maintained any business relationship with the Company or its Group, either in his/her own name or as significant shareholder, director or senior executive of an entity that maintains or has maintained any such relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that such director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Reasoned statement
-	-	-

AFFILIATE DIRECTORS

Affiliate directors will be identified and the reasons why they will not be considered proprietary or independent will be listed, as well as their ties, whether with the company, its officers or its shareholders:

Name of director (person or company)	Reasons	Company, officer or shareholder with whom the director has ties
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Pursuant to the provisions of sec.529 <i>duodecies</i> of LSC, further to his re-election by the Annual General Meeting on 15 July 2014, he no longer qualifies as independent director, having served on Inditex's Board of Directors for longer than 12 straight years.	-

Total number of other directors	1
% of total Board	11%

State the variations that, where appropriate, have occurred during the period in the category of each director:

No changes have occurred during the period in the category of any director.

C.1.4 Complete the following table with information about the number of female directors over the last 4 years, as well as the nature of their directorship:

	Number of female directors				% of total director of each type			
	FY 2016	FY 2015	FY 2014	FY 2013	FY 2016	FY 2015	FY 2014	FY 2013
Executive	0	0	0	0	0	0	0	0
Proprietary	1	1	1	1	11.11 %	11.11%	11.11 %	11.11 %
Independent	1	1	1	1	11.11%	11.11%	11.11 %	11.11 %
Affiliate	0	0	0	0	0	0	0	0
Total:	2	2	2	2	22.22 %	22.22 %	22.22 %	22.22 %

C.1.5 Explain the measures, if any, that have been taken to try to include on the Board a number of female directors that would mean reaching a balanced presence of women and men.

Explanation of measures
As mentioned in section C.1.19 below, directors are appointed by the

General Meeting of Shareholders, which is also entitled to resolve the removal of any of them at any time.

The proposals for the election of directors that the Board of Directors submits to be considered by the Annual General Meeting, and the election resolutions that said body passes by virtue of the powers to co-opt that it has been legally reserved, must be preceded by the relevant report from the Nomination Committee, and regarding independent directors, by the relevant proposal of such Committee.

Pursuant to the provisions of section 16.2. (b) of the Board of Directors' Regulations, and section 5 (b) of the Nomination Committee's Regulations, this Committee shall set a representation target for the least represented gender on the Board of Directors and prepare guidelines on how to reach such target and it shall also ensure that, when filling up any new vacancies and when appointing new directors, the selection process does conform to the prohibition of any manner of discrimination. In accordance with Inditex's "Director Selection Policy", at any rate, efforts will be made so that by 2020, female directors would represent at least 30% of the total number of members of the Board of Directors.

Additionally, pursuant to the provisions of section 529 *bis* 2 of the Companies Act, the Board of Directors shall ensure that gender, experiences and knowledge diversity is encouraged in recruitment processes of directors, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

Meanwhile, pursuant to the Code of Conduct and Responsible Practices of the Inditex Group, no one who is employed at Inditex shall be discriminated against because of their gender, and all employees shall be bound to interact with other employees, pursuant to criteria of respect, dignity and justice, taking into account the different cultural background of each individual, without allowing any manner of violence, harassment or abuse in the work place, or any manner of discrimination on account of race, religion, age, nationality, gender or any other personal or social condition beyond qualifications and capacity.

C.1.6 Explain the measures, if any, taken by the Nomination Committee to ensure that selection processes are free from any implied bias hindering the selection of female directors and that the company deliberately seeks and includes potential female candidates who meet the professional profile sought:

Explanation of measures
As stated in section C.1.5 above, the Nomination Committee shall set a representation target for the least represented gender on the Board of Directors and prepare guidelines on how to reach such target, in addition to ensuring that, upon filling out vacancies or appointing new directors, selection processes do not suffer from any manner of discrimination. As stated in section C.1.6 <i>bis</i> below, a minimum representation target is provided in the "Director Selection Policy".

When despite any measures that might have been taken, the number of female directors is low or zero, explain the reasons:

Explanation of reasons
-

C.1.6.bis Explain the conclusions of the Nomination Committee regarding verification of compliance with the director selection policy. And, namely, explain how this policy is fostering the goal by 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors.

The Nomination Committee reviewed and gave a favourable report to Inditex's "Director Selection Policy" in the meeting held on 2 December 2015. Such Policy was approved by the Board of Directors on 9 December 2015. Section 6 (a) of the Nomination Committee's Regulations provides that it is incumbent on such Committee "to issue a report on the directors' selection policy approved by the Board of Directors and verify on an annual basis compliance thereof". During the above referred meeting, the Nomination Committee set as target to make efforts so that by 2020 female directors would represent at least 30% of the total number of members of the Board of Directors.

C.1.7 Explain the form of representation of the board of shareholders with significant holdings:

Name of director (person or company)	Name of the significant shareholder (person or company) they represent or who proposed their appointment
PONTEGADEA INVERSIONES, S.L.	Mr Amancio Ortega Gaona
Mr Amancio Ortega Gaona	Mr Amancio Ortega Gaona
Mr José Arnau Sierra	Mr Amancio Ortega Gaona

As stated in section C.1.3 above, as at 31 January 2017 the total number of Directors serving on the Board of Inditex amounts to 9, 3 of whom are proprietary directors.

The three proprietary Directors hold such office representing Mr Amancio Ortega Gaona, owner of a 59.294% stake in Inditex's share capital. Such percentage stands as at 31 January 2017.

C.1.8. Describe, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 3% in the share capital:

No proprietary directors have been appointed at the behest of shareholders whose stake is less than 3% in the share capital.

Name of shareholder (person or company)	Reasons
-	-

State whether formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied:

Yes

No

Name of shareholder (person or company)	Reasons
-	-

C.1.9 State whether any director has stood down before the expiry of his/her term of office, whether the director has given reasons to the Board and through which channels, and in the event that he/she gave reasons in writing, describe at least the reasons given by the director:

No director has stood down before the expiry of his/her term of office during financial year ended 31 December 2017.

C.1.10 State, in the event that there are any, the powers that have been delegated to the chief executive officer(s):

Mr Pablo Isla Álvarez de Tejera	
---------------------------------	--

Mr Pablo Isla Álvarez de Tejera, Executive Chairman, has been delegated each and every one of the powers contained in the list included further below, and these must be exercised in the following manner and conditions: all of them individually, without distinction, with the exception of those included in sections four to six (both inclusive) and which entail disposal of funds in excess of a given amount; in such case the Executive Chairman must act jointly with another person who, by virtue of any legal title, is also empowered with the power in question.

At any rate, the prior resolution of the Board of Directors or, where delegated, of the Executive Committee, shall be required in the event of transactions, proceedings or agreements which (i) entail the acquisition, disposal or encumbrance of real property of the company, or of any manner of industrial or intellectual property rights of the company, or of shares or interests held by the Company, above a given amount; or which (ii) regardless of their nature, entail the assumption of payment commitments in excess of a given amount. Certain types of financial or treasury transactions, proceedings or agreements are excepted from the requirement of a resolution of the Board, as the joint action referred to above will suffice.

At any rate, the requirement of joint action and/or of a prior resolution of the Board of Directors shall not apply when it involves transactions, proceedings or agreements which are, regardless of the amount involved, carried out or awarded between companies belonging to the INDITEX Group, understanding as such those companies, whether Spanish or foreign, in which INDITEX holds, whether directly or indirectly through other investee companies, at least 50% in their share capital, in which case the Executive Chairman may act individually, for and on behalf of the company, regardless of the amount involved in the matter in question.

List of powers:

1.- To appear and represent the company vis-à-vis all manner of authorities, institutions, agencies, departments and offices of the General State Administration, Central or Peripheral Government, Autonomous Communities, Provinces, Municipalities, of the Institutional, Corporate or Independent Administration, whether Spanish authorities or authorities from a foreign State, or of the European Union, including vis-à-vis any manner of Public Registries and, in general, before any entity or public or private person, whether domestic or foreign. To sign and lodge all manner of applications and petitions; and, in general, to exercise such powers as may be required for the management and defence of the rights of the company.

2.- To sign, send, receive and collect from the postal and telegraph authorities or offices ordinary or registered postal or telegraph correspondence, declared value items and postal and telegraphic money orders. To file any relevant claims before said authorities or offices and, where appropriate, collect the related indemnity payments.

3.- To verify consignments of all kinds of merchandise and goods by land, sea or air, and to receive those addressed to the Company. To file the relevant claims against railroad, shipping companies or airlines, or against carriers in general for breakdowns, delays, losses or any other breach of the transportation agreement, and to collect the indemnity agreed with the same or set by the courts. To sign agreements and arrangements of all types with carriers, travel agencies, hotels, restaurants and other persons or entities who take part in the transport of individuals or in the sphere of the hotel and catering industry.

4.- To claim and collect amounts owing to the Company for whatever reasons and to sign the appropriate receipts. To make payment. To render and require the rendering of accounts and to challenge or approve said accounts. To provide, cancel and recover all manner of bonds and deposits, including those at/of the General Savings Deposit and its branches.

5.- To execute all manner of acts and contracts for valuable consideration relating to property of all kinds, whether movable and real property, rights, securities, shareholdings, shares, interests, at such prices, for such considerations, under such terms, for such periods and under such provisions, terms and conditions as are deemed appropriate.

Specifically, without limitation:

- To acquire, assign, grant and dispose of or transfer for whatever title for valuable consideration, including that of a court-ordered sale in lieu of payment, all manner of property, whether movable or real property, rights, trademarks and other distinctive signs and industrial property on intellectual property rights, securities, shareholdings, shares and interests; take out all manner of compulsory and voluntary insurance; to hire the execution of works, services and supplies of all kinds; to lease as a lessor or lessee, grant or be the recipient of financial leases, sublease as a sub lessor or sub lessee; to create, amend, acknowledge and extinguish real property rights; including chattel mortgages and mortgages, pledges with or without transfer of possession and any other encumbrance on any manner of property and rights owned by the Company; to carry out groupings of, additions of, divisions of and severances of title to properties, make declarations of new construction work and divisions of real property under the condominium

ownership system, establishing the bylaws which shall govern the same, and, generally, to execute any disposals; and to conduct and take part in measurements, surveys and boundary marking, approving the same and executing any certificates that may be issued. Regarding all the above acts and contracts, attorneys in fact may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, substitute, cancel, terminate or discharge the same.

- To execute any manner of bank and financial agreements in general, even though they would entail indebtedness of the Principal; do such acts and things as are allowed by bank laws and practice; to act as a plaintiff or defendant in connection with all types of securities and commercial papers.

As an exception to the foregoing, in the exercise of the authority conferred, securities and guarantees may only be granted to other companies belonging to the "INDITEX" Group, and as a result, securities, guarantees, surety insurance or any other security may only be granted to them.

6.- To grant all manner of acts and contracts relating to IT, management, security and communication products, plant and systems, as well as those referring to intellectual property arising out of or related with the same and, in general, any others referring to all manner of movables. Specifically, to acquire, assign, grant, encumber and dispose of or transfer for whatever title, including that of a court-ordered sale in lieu of payment, the aforementioned goods; to lease them as lessee or lessor, to grant or be the recipient of financial leases in respect thereof, or to sublease them as sub lessor or sub lessee; to create, amend, acknowledge and extinguish or cancel real property rights and securities on the movables belonging to the Company. Regarding all the above acts and contracts, the attorneys in fact may act with the broadest powers in the execution and performance thereof, requiring, where appropriate, whatever is necessary for such purpose, as well as to amend, substitute, cancel, terminate or discharge them.

7.- To enter into all manner of agreements for business collaboration, such as franchise contracts, joint-venture contracts, accounts in participation, commercial distribution agreements, licence and agency contracts as well as supply agreements and option to purchase agreements associated to the contracts for business collaboration and, in general, in any such agreement that the national and international expansion of the company might require.

8.- To represent the Company in meetings or Annual or Extraordinary General Meetings of any manner of companies and economic interest groupings, *uniones temporales de empresas* [temporary business partnership] and any other entities, taking the floor therein and casting their vote in the way that they deem appropriate, regardless of the business being transacted, including, without limitation, the following business: incorporation, alteration, merger or split-off, assignment of assets and liabilities, winding-up and liquidation of all kinds of entities and companies, amendment of by-laws and internal regulations, capital increases or reductions, approval of accounts, granting and revocation of powers of attorney, appointment and removal of officers or acceptance of offices to which the principal has been appointed in any company, proceeding to the relevant statements of disqualification or incompatibility required to accept such appointment and appointing the natural persons who will act on their behalf in the discharge of such office, with all powers inherent therein, replacing the representatives natural persons already appointed, even

where the appointment or replacement falls on the attorneys in fact themselves, and generally, exercising on behalf of the Company any rights that it may be entitled to, in its capacity as shareholder. To appear in and grant any deed of incorporation, amendment, merger, split off, assignment of assets and liabilities, winding-up or liquidation of any manner of companies, economic interest groupings, temporary business partnership of companies and any other entities. And for all purposes above, to subscribe such documents, whether public or private, which may be necessary and generally, to do such acts and things which may be required for the full effectiveness and publicity thereof further to their registration with public registries.

9.- To attend in the name and on behalf of the company, meetings, general meetings and assemblies of condominiums or co-owners, taking the floor therein and casting their vote in the way that they deem appropriate, whatever the matter that is being debated and on which resolutions are passed, to accept positions and appointments and, in general, to exercise in the name of the company any rights that it may be entitled to in Condominium Owner Communities, as well as in the meeting they these may hold in compliance with the current Condominium Property Law and other applicable legislation

10.- To appear in deeds of incorporation, alteration, merger or winding-up of all kinds of entities and companies, and attend, on behalf of the Company, assemblies, meetings or ordinary and extraordinary meetings of shareholders, intervening therein and casting their vote in the manner that they deem appropriate whatever the matter that is being debated and on which resolutions are passed, accepting positions and appointments and, in general, exercising in the name of the company any rights that may correspond to it.

11.- To set up the offices, workplaces and buildings of the Company and to organize the services provided therein. To establish branches, hire staff, establishing recruitment and joining terms; to freely appoint and remove the same, including officers and skilled employees; to establish their rights, duties, powers and functions, salary, bonuses and indemnity payments; to agree upon promotions and transfers; and to exercise penalization and disciplinary powers, as well as to act on behalf of the Company before the employees' collective representation bodies and to represent it in the negotiation of agreements or pacts whatever their scope or nature.

12.- To represent the company before any manner of authorities and administrative bodies, of whichever administration, that have authority in labour and Social Security matters, bringing proceedings and claims, requesting or not the suspension of the actions being the subject of the claim, to appear and act in matters pending in which their principal has a direct or indirect interest, in all manner of cases and proceedings, proposing and examining all types of evidence; to request and obtain documents, copies, certificates and transfers; to file, prepare and draft all manner of pleadings, applications, petitions, allegations and claims; and, in general, to carry out all those acts that are necessary in the labour life of the company, to file its registration as a company before the labour authorities and the Social Security, those necessary for and arising out of the hiring of all manner of workers, including applying for and receiving payment of subsidies and allowances, the registration of workers [with the relevant authorities], etc., as well as those actions that are necessary for or are motivated by the amendment or termination of that labour relationship;

those that are necessary for or arise out of the training that has to be given to the personnel of the company; statements and payments of Social Security contributions, requests for postponement and refunds, all that are necessary in the relations of the company with the employment and job-search offices; and, in general, to following the procedures through all its stages and motions, bringing the appropriate actions before the courts or not, until such time as firm decisions are obtained and fully enforced.

13.- To represent the company before all manner of authorities and administrative bodies, of whichever administration, that have authority in respect of Health and Safety at Work and Occupational Hazards, bringing proceedings and filing claims and, in general, carrying out all those actions that may be desirable for the principal company in those cases in which it, directly or indirectly, may have an interest. To carry out all that may be necessary to promote and maintain the safety of the workers in the workplaces, complying with the legislation on the prevention of Labour Risks and other complementary regulatory schemes; to plan and executive the policy for the prevention of risks; to act in the name of the company before the workers and their representative bodies and participating bodies as regards prevention; to draw up and introduce an occupational hazard plan; to organise the prevention service, providing it with the material and human resources that are necessary for it to develop its activity; to contract and to sign arrangements with authorised entities for the provision or acting as external prevention services; to carry out, organise and arrange the carrying out of assessments of risks, medical check-ups and other health check measures and prevention systems; to contract the performance of external labour risk prevention audits and, in general, all those acts that are related to such risks. To proceed to insure common and occupational risks of the workers, signing agreements and association documents with of the Social Security Agencies and Mutual Insurance Companies for Work Accidents and Industrial Diseases of the Social Security, or entities that should replace them in such functions and tasks, reporting or putting an end to, at the appropriate time, those that may have been signed; to accept positions and participate in the governing boards and advisory boards of such entities collaborating in the management of Social Security.

14.- As regards procedural rules, to exercise all those actions that are available to the principal and to waive those brought. To appear before the ordinary and special Courts of Law and Tribunals of all levels and jurisdictions, in all manner of trials, as well as in any kind of voluntary jurisdiction cases, administrative and economic-administrative cases. Consequently, to enter into conciliation agreements, with or without composition settlements, to mediate in pre-court proceedings, to file relevant claims and to answers summons and notifications, to sue, contest or accept, and report or lodge complaints; to file statements and ratify them, request and obtain documents; to request the practice of any proceedings whatsoever including: indictments, imprisonment and releases from prison; to hear notifications, notices, citations and summons, to assert and challenge jurisdictions; to apply for joinder of claims; challenge judges, magistrates and court officials; to propose and examine evidence and submit depositions; to attend court appearances, hearings and meetings and speak and vote, including meetings of creditors in all manner of collective execution proceedings, and may take part in auctions and request the adjudication of goods in partial or total payment of the debt being claimed; to reach a composition in court and outside court, to file and pursue, to the end, the litigation or case through its particular proceedings, possible incidents and appropriate appeals, until such time as firm

resolutions, decisions or judgments are obtained and enforced; to take responsibility for the money or goods that are subject to the procedure being followed and, generally, exercising in the name of the company any rights that it may be entitled to.

15.- To compromise and refer to arbitrators all matters in respect of which they are empowered, either in any of the types of arbitration proceedings with the scope and under the requirements provided for in the Spanish legislation on arbitration, or those types of arbitration proceedings characteristic of international commercial arbitration.

16.- To request that a Notary Public enter into record the minutes, and to serve and receive notices and notarial summons.

17.- To grant powers of attorney, allocating to third parties, in full or in part, the above listed authorities, to revoke the powers granted, and to get copies of all kinds of records and deeds.

18.-To execute as public deeds the resolutions passed by the Annual General Meeting, the Board of Directors or any other corporate body.

C.1.11 Identify, where appropriate, the members of the Board who hold the position of director or officer in other companies that are part of the group of the listed company:

As at 31 January 2017, no member of the Board of Directors holds any position of director or officer in other Group companies.

C.1.12 List in detail, where appropriate, the directors of your company that are members of the Boards of Director of other companies that are listed on official stock markets that are not part of the group, whose aforementioned membership has been communicated to the company:

Name of the director (person or company)	Name of listed company	Office
Mr Pablo Isla Álvarez de Tejera	Telefónica, S.A.	Director
Ms Denise Patricia Kingsmill	International Consolidated Airlines Group, S.A	Director
Ms Denise Patricia Kingsmill	Telecom Italia	Director
Mr Rodrigo Echenique Gordillo	Banco Santander	Executive Vice-Chairman of the Board of Directors
Mr Rodrigo Echenique Gordillo	Banco Santander México	Director
Mr Rodrigo Echenique Gordillo	Merlin Properties Socimi, S.A.	Chairman
Mr José Luis Durán Schulz	Orange	Director
Mr Emilio Saracho Rodríguez de	International Consolidated	Director

Torres	Airlines Group, S.A
--------	---------------------

C.1.13. State and, if applicable, explain, if the Board of Directors' Regulations have established rules on the maximum number of company boards on which its directors may sit:

Yes

No

Explanation of the rules
Pursuant to section 22.2 of the Board of Directors' Regulations, the Board of Directors may not propose or appoint in order to fill a position of director, anyone who holds the office of director in more than four listed companies other than the Company at the same time

C.1.14 Section Repealed

C.1.15 State the overall remuneration for the board of directors:

Remuneration of the board of directors (€k)	12,302
Amount of overall remuneration corresponding to the rights accumulated by current directors with respect to pensions (€k)	0
Amount of overall remuneration corresponding to the rights accumulated by former directors with respect to pensions (€k)	0

The amount stated as "*Remuneration of the board of directors (€k)*" corresponds to the aggregate amount shown in section D.1.c) "*Summary of remunerations (€k)*" of the Annual Report on Remuneration of Directors for FY2016. It includes the sum of €3,395k, equivalent to 110,500 shares, accrued to the Executive Chairman under the first cycle of the 2013-2017 Long-term Performance Shares Plan (hereinafter, the "**Plan**"), addressed to members of management and other employees of the Inditex Group. Such Plan was approved by the Annual General Meeting on 16 July 2013 and its main description is provided in the Annual Report on the Remuneration of Directors. After the relevant withholding tax was applied, the Executive Chairman received an aggregate number of 60,907 shares, pursuant to the settlement of the first cycle of the Plan in July 2016.

With regard to the "*Amount of overall remuneration for rights accumulated by directors as pensions (€k)*", no contributions to long term savings systems were made during financial year 2016 and the amount of accumulated funds in such systems reached €7,611 as at 31 January 2017 (pursuant to the provisions of section D.1.a iii) "*Long term saving systems*" of the Annual Report on Remuneration of Directors for FY2016.

C.1.16. Identify the senior managers who are not in turn executive directors and state the total remuneration accrued in their favour during the financial year

Name (person or company)	Office
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board

Mr Marco Agnolin	Director of BERSHKA
Ms Lorena Alba Castro	Chief Logistics Officer
Ms Eva Cárdenas Botas	Director of ZARA HOME
Mr Carlos Crespo González	Chief Audit Officer
Mr José Pablo del Bado Rivas	Director of PULL & BEAR
Mr Jesús Echevarría Hernández	Chief Communication Officer
Mr Ignacio Fernández Fernández	Chief Financial Officer
Mr Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernada	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	General Services and Infrastructures Director
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Legal Director
Mr Jorge Pérez Marcote	Director of MASSIMO DUTTI
Mr Óscar Pérez Marcote	Director of ZARA
Mr Felix Poza Peña	Chief Sustainability Officer
Mr Ramón Reñón Túñez	<i>Director General Adjunto al Presidente y Consejero Delegado</i> [Deputy General Manager]
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS
Total remuneration senior executives (€k)	31,379

The sum provided as “Aggregate remuneration for senior executives” includes the number of 248,625 shares accrued to the senior executives pursuant to the settlement of the first cycle of the Plan in July 2016. Such shares are equivalent to the gross amount of €7,638k.

C.1.17. Identify, if appropriate, the members of the board who, in turn sit on the board of directors of companies of significant shareholders and/or in entities of their group:

Name of the director (person or company)	Name of significant shareholder (company)	Office
Mr Amancio Ortega Gaona	PONTEGADEA INVERSIONES, S.L.	Chairman of the Board

Mr Amancio Ortega Gaona	PARTLER 2006, S.L.	Chairman of the Board
Ms Flora Pérez Marcote (legal representative of PONTEGADEA INVERSIONES, S.L.)	PONTEGADEA INVERSIONES, S.L.	1 st Deputy Chair
Mr José Arnau Sierra	PONTEGADEA INVERSIONES, S.L.	2 nd Deputy Chair
Mr José Arnau Sierra	PARTLER 2006, S.L.	2 nd Deputy Chair

Detail, if appropriate, the relevant affiliations other than those considered in the above paragraph that link board members to significant shareholders and/or companies in their group:

Not applicable.

Name of the related director (person or company)	Name of the related significant shareholder (person or company)	Description of the relationship
-	-	-

C.1.18. State whether the regulations of the Board of Directors have been amended during the financial year.

Yes No

Description of the amendments
-

The Board of Directors approved the amendment of its Regulations during the meeting held on 14 June 2016. Such approval would be effective upon approval by the Annual General Meeting of the proposed amendment of the Articles of Association, which took place on 19 July 2016. The amendment of the Board of Directors' Regulations, is structured as follows:

- (a) A first group of amendments seeks to adapt the wording of the Board of Directors' Regulations to the regulatory changes introduced in the Companies Act by Act 22/2015.
- (b) Additionally, the opportunity brought by the necessary adaptation of the text to the new regulations, referred to in the paragraph above, was taken to introduce technical and drafting improvements into the text and to update any references to regulations repealed since the last Annual General Meeting.

The amendments carried out are described below, grouped in accordance with each of the Chapters into which the Board of Directors' Regulations are divided:

- Amendment of section 5 (*"Mission of the Board of Directors"*) of Chapter II of the Board of Directors' Regulations (*"Mission of the Board of Directors"*).

This amendment is made to improve the wording of the Regulations, by specifically referring to the office held by those in charge of the different committees of the Board of Directors, i.e., their respective Chairs.

- Amendment of section 13 (“*Delegated and advisory bodies of the Board of Directors*”), section 15 (“*The Audit and Control Committee*”) and section 17 (“*The Remuneration Committee*”) of Chapter IV of the Board of Directors’ Regulations (“*Structure of the Board of Directors*”).

The amendments of sections 13 and 15 seek to adapt the contents of the Board of the Directors’ Regulations, in line with of such provisions of the Articles of Association, affected by new wording of section 529 *quaterdecies* of the Companies Act, as amended by Act 22/2015.

Additionally, the opportunity arising from the review of the Articles has been taken to introduce a technical improvement in the wording of sections 15.2h) and 17.2.c) for ease of reference of the interested parties.

- Amendment of section 34 (“*Conflicts of interest*”) of Chapter IX (“*Duties of Directors*”)

This amendment seeks to update the reference to the regulations, Act 24/1988 of 28 July, on the Stock Exchange having been repealed by the Sole Repeal Provision of the Revised Text of the Stock Exchange Act approved by *Real Decreto Legislativo* 4/2015 of 23 October.

- Amendment of section 42 (“*Corporate website*”) of Chapter X of the Board of Directors’ Regulations (“*Relations of the Board of Directors*”)

The opportunity arising from the review of the Board of Directors’ Regulations has been taken to adapt the name of some of the documents posted on the corporate website.

C.1.19. State the procedures for the selection, appointment, re-election, assessment and removal of directors. Give details of the authorised bodies, the procedures to follow and the criteria to be used in each of the procedures:

The system for the selection, appointment and re-election of members of the Board of Directors constitutes a formal and transparent procedure, expressly regulated in the Articles of Association, the Board of Directors’ Regulations and the Nomination Committee’s Regulations.

The “Director Selection Policy” was approved by the Board of Directors in the meeting held on 9 December 2015. According to such Policy, processes for the selection of prospective directors shall be based upon a prior analysis of the needs of the Company and of the Board of Directors itself. Such analysis shall be carried out by the Board of Directors on the advice of the Nomination Committee.

The outcome of such prior analysis shall be recorded in an explanatory report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements:

- Be honest, suitably qualified persons of well-known ability, competence, experience and merits.
- Be trustworthy professionals, whose conduct and career is in line with the principles laid down in the Code of Conduct and Responsible Practices and with the views and values of the Inditex Group.

Additionally, the Nomination Committee shall define the required duties and skills of candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively discharge their duties.

In the meeting held on 13 June 2016, the Nomination Committee issued a report covering Board of Directors' needs regarding the ratification, appointment or re-election of directors. In such report, the Nomination Committee considered that, in order for the Board of Directors to duly perform its supervision duties, its members shall meet, as a whole, the following requirements:

- (i) Have knowledge and expertise regarding the retail sector.
- (ii) Be performant in economy and finances, as well as accounting, audit and risk management matters.
- (iii) Be aware of and committed to regulatory compliance and corporate governance matters.
- (iv) Have international experience as well as experience in different geographical matters.
- (v) Have experience in management, leadership and business

In the process for director selection, efforts shall be made so that the Board of Directors would reach an appropriate balance of profiles, knowledge, skills, careers and experiences so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched.

Those persons who are involved in any legal grounds of disqualification to hold the office of director, or who do not meet the requirements laid down by the Company's corporate governance rules to be a director, shall not be eligible to be a director.

Namely, the Board of Directors may not propose or appoint, to fill any vacancy as director, anyone who holds the office of director at the same time in more than four listed companies other than the Company,.

The Nomination Committee shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

The Company may rely on external advisors with regard to the prior analysis of the needs of the Company, the search or assessment of potential candidates or the evaluation of their performance.

It is incumbent on the Nomination Committee to establish and ensure the effective independence of the experts referred to in the paragraph above

Pursuant to the provisions of the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations, directors shall be appointed by the General Meeting of Shareholders or by

the Board of Directors, pursuant to statute and the corporate governance regulations of the Company.

The proposals for the election, ratification or re-election of directors that the Board of Directors submits to be considered by the Annual General Meeting, and the election resolutions passed by the Board of Directors by virtue of the powers to co-opt that are legally reserved to it, must be preceded by (i) a motion made by the Nomination Committee with regard to independent directors, or by (ii) a report from the Nomination Committee regarding the remaining categories of directors. The above referred motion and report shall be prepared by the Nomination Committee and include to which category the relevant director belongs to, this classification being duly supported.

The proposals for the election of directors that the Board of Directors submits to be considered by the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the Annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and his dedication to office during his mandate, as well as his observance of the company's corporate governance rules.

Where the Board of Directors departs from the motions and reports of the Nomination Committee, it must state the reasons for its actions and place them on the record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the class of such directors, and said class shall be confirmed or, where appropriate, reviewed on an annual basis in the Annual Corporate Governance Report, after verification by the Nomination Committee.

The Nomination Committee has set a representation target for the least represented gender on the Board of Directors in addition to guidelines on how to reach a target.

At any rate, efforts shall be made to ensure that by 2020, the number of female directors would represent at least thirty percent of the aggregate number of Board members.

The Nomination Committee shall establish on an annual basis compliance with the Director Selection Policy and inform thereof the Board of Directors, which shall disclose such information in the Annual Corporate Governance Report.

C.1.20 Explain to what degree the annual evaluation of the Board has led to significant changes in its internal organization and the procedures applicable to its activities:

As it will be explained in further detail in section C.1.20 *bis* below, the Company's internal regulations include a regulated evaluation process, in accordance with statute and the recommendations of the Good Governance Code.

In this respect, each annual evaluation process includes, where appropriate, a number of recommendations which seek to implement certain improvement with regard to (i) the quality and effectiveness of the proceedings of the Board of Directors; (ii) the operation and composition of its delegated bodies; (iii) the diversity in the composition and powers of the Board of Directors; (iv) the performance of the Executive Chairman, and (v) the performance and contribution of each director, paying special attention to those in charge of the different committees of the Board of Directors.

Considering the foregoing, the following improvement has taken place, inter alia:

- (i) A higher number of meetings of the Board committees. In this respect, both the Board of Directors and all its committees have held a higher number of meetings in 2016. Additionally, in accordance with the schedule of meeting dates and agendas approved by the Board of Directors on 13 December 2016, a higher work load is estimated for FY2017.
- (ii) The drafting by the Nomination Committee of a report about the needs of the Board of Directors regarding the ratification, appointment or re-election of directors, whereby the specific needs of the Board are reviewed. Such report was approved by the Nomination Committee in the meeting held on 13 June 2016.

C.1.20.bis Describe the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and chief executive of the company, and the performance and contribution of each board member.

Pursuant to the provisions of section 7(a) of the Nomination Committee's Regulations, it is incumbent on this body to establish and oversee "an annual programme for evaluating the performance of the Board of Directors, its Chairman, its delegated bodies and its supervisory and control committees."

Therefore, considering the statutory framework and Inditex's own internal regulations, the evaluation system of the Board of Directors and its committees is carried out as follows:

1. The Nomination Committee is charged with preparing an annual programme for the evaluation of the performance of the duties of the Board of Directors, the Chairman, and the Committees.
2. Based upon this annual programme, each committee will prepare an evaluation report assessing its performance and that of its members. Such report shall be sent to the Board of Directors. Contemporaneously, the Nomination Committee shall prepare such report in respect of the Board of Directors and the Chairman.

To carry out this procedure, separate questionnaires are sent to each director, as described below:

- a) An individual self-assessment questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.
 - b) An assessment questionnaire in respect of the committees, sent by the Chair of each committee to all the members sitting on it.
 - c) An evaluation questionnaire in respect of the Board of Directors sent to all its members through the Chair of the Nomination Committee.
3. Meanwhile, since the Chairman is an executive director, the lead independent director shall be responsible for coordinating the evaluation of the Chairman.
 4. Finally, the Board of Directors shall assess – pursuant to statute and to the Board of Directors’ Regulations–, the performance of the Board itself, the Directors and the Committees, as stated in section 2 above.

The company has been assisted by external consultant Spencer Stuart in such evaluation process.

C.1.20.fer Break down, where appropriate, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

Inditex has engaged consultant Spencer Stuart to advise it on the evaluation process in respect of the proceedings of the Board of Directors, the Directors, its Committees and the performance of the members of these latter and of the Executive Chairman. Apart from this specific engagement, Spencer Stuart does not have any business relationship with Inditex or with any of its Group’s companies.

C.1.21 State the circumstances under which directors must resign.

Section 25 of the Board of Directors’ Regulations provides the obligation for Directors to resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

- a) When they reach a certain age, under the terms detailed in section C.1.26.
- b) When they cease to hold such executive positions to which their appointment as director was associated.
- c) When they are involved in any of the incompatibility or prohibition cases provided in statute, the Articles of Association or the Board of Directors’ Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company.
- d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors.

- e) When they are involved in any circumstances that may harm the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequence.
- f) When the reasons for their appointment cease; and
- g) With regard to proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.

C.1.22. Section Repealed

C.1.23 Are qualified majorities, other than the statutory majorities, required for any type of decision?

Yes

No

Where applicable, explain the differences.

Explanation of the differences
<p>Article 25.4 of the Articles of Association of the Company provides <i>“For resolutions to be passed, an absolute majority of votes by the directors attending the meeting shall be required, except for such cases where a larger majority is required by statute, by these Articles of Association or by the Board of Directors’ Regulations. In the case of an equality of votes, the Chairman shall have a casting vote.”</i></p> <p>Apart from this general rule, the scenarios of qualified majority for the passing of resolutions by the Board of Directors are shown below:</p> <ul style="list-style-type: none"> - Article 27.2 of the Articles of Association provides that for the permanent delegation of any power of the Board of Directors which is not non-delegable pursuant to the applicable regulations, to the Executive Committee or the Chief Executive Director, if any has been appointed, and for the appointment of such directors who have to hold such offices, it shall be necessary for two-thirds of those making up the Board of Directors to vote for the motion. However, this qualified majority is required pursuant to the provisions of section 249.3 of the Companies Act, and therefore it does not constitute a higher quorum than the one required by statute. - Meanwhile, section 3.4 of the Board of Directors’ Regulations requires the resolution to be passed by a majority of two-thirds of the directors present for the amendment of said Regulations, which actually means a qualified majority not required by statute.

C.1.24. Explain whether there are any specific requirements other than those relating to the directors, to be appointed chairman of the Board of Directors:

Yes

No

Description of requirements
-

C.1.25. State if the chairman has a casting vote:

Yes No

Matters on which the casting vote may be exercised
The Chairman of the Board of Directors has a casting vote in the event of equality of votes cast by the directors attending the meeting.

C.1.26. State if the Articles of Association or the Board of Directors' Regulations establish any age limits for the directors:

Yes No

Age limit for the chairman 68

Age limit for the chief executive officer x Age limit for directors x

Section 25.2 of the Board of Directors' Regulations provides that the directors must place their office at the disposal of the Board of Directors and, should the Board deem it appropriate, tender the relevant resignation: *"When they reach the age of 68. Notwithstanding this, the directors who exercise the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon attaining the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of the founder of the Company, Mr. Amancio Ortega Gaona".*

C.1.27. State whether the Articles of Association or the Board's Regulations establish a limited term of office for independent directors, other than those established by law:

Yes No

Maximum number of terms of office	-
-----------------------------------	---

C.1.28. State whether the Articles of Association or the Board of Directors' Regulations establish specific rules for proxy voting in the Board of Directors, the way this must be done and, namely, the maximum number of proxies a director may hold and whether it has established any limit regarding the classes that may be delegated beyond the limits stipulated by legislation. If so, briefly describe such rules.

Article 25.3 of the Articles of Association establishes that any director can appoint another director as proxy holder in writing, each meeting requiring a special proxy, notifying the Chairman of the same in writing.

Pursuant to the provisions of article 25.3 of the Articles of Association and section 20.1, second paragraph of the Board of Directors' Regulations, non-executive directors may only be represented by another non-executive director.

In line with this provision, section 20.1 of the Board of Directors' Regulations states that the Board of Directors shall be validly established when at least half plus one of its members attend either in person or by proxy (or, in case of an uneven number of directors, when a number of directors immediately higher than half of it is in attendance), stating further that the directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant a proxy to another member of the Board giving instructions as to its use and communicating the same to the Chairman of the Board of Directors.

C.1.29. State the number of meetings that the Board of Directors has held during the financial year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present. Proxies granted with specific instructions shall be counted as attendance.

Number of Board meetings	7
Number of Board meetings without the presence of the Chairman	0

If the Chairman is an executive director, state the number of meetings held without an executive director being present or represented and chaired by the Lead Independent Director

Number of meetings	0
---------------------------	---

State the number of meetings held over the financial year by the different committees of the Board:

Number of meetings of the Executive Committee	0
Number of meetings of the Audit and Control Committee	6
Number of meetings of the Nomination Committee	4
Number of meetings of the Remuneration Committee	6

C.1.30. State the number of meetings held by the Board of Directors during the financial year attended by all its members. In calculating this number, proxies granted with specific instructions will be counted as attendances:

Number of meetings attended by all directors	7
% of attendance over the total votes during the financial year	100%

C.1.31. State if the individual and consolidated annual accounts that are presented for approval to the board are previously certified:

Yes No

Identify, where appropriate, the person or persons who has/have certified the individual and consolidated annual accounts of the company, for their preparation by the Board:

The individual and consolidated annual accounts of the Company that are presented in order to be prepared by the Board are previously certified by the Executive Chairman and the Chief Financial Officer.

Name	Office
Mr Pablo Isla Álvarez de Tejera	Executive Chairman
Mr Ignacio Fernández Fernández	Chief Financial Officer

C.1.32. Explain, where appropriate, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts being presented to the Annual General Meeting with qualifications in the auditors' report.

The Audit and Control Committee, mostly made up of non-executive independent directors, meets with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting standards in the drafting of the financial statements. In such meetings, any disagreement or difference of opinion existing between the Company's Management and the external auditors is put forward, so that the Board of Directors can take the necessary steps in order for the audit reports to be issued without qualifications.

Furthermore, before the drafting of the annual, half-yearly or quarterly financial statements, the Company's Management also holds a meeting with the Audit and Control Committee and is subjected by the latter to suitable questions as to, among others, the application of accounting standards and the estimates made in the preparations of the financial statements, topics which are subject to discussion with the external auditors.

In this respect, section 45.5 of the Board of Directors' Regulations provides that: *"The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy"*.

Finally, pursuant to the provisions of section 45.2 of the Board of Directors Regulations, the Board shall meet at least once a year with the financial auditors to receive information on the work done and on the development of the Company's risk and accounting positions.

C.1.33. Is the Secretary of the Board of Directors a director?

Yes No

If the Secretary is not also a director, complete the table below:

Name of the secretary (person or company)	Representative
Mr Antonio Abril Abadín	-

C.1.34 Repealed Section.

C.1.35. State, where appropriate, the specific mechanisms established by the company to preserve the independence of the auditor, the financial analysts, investment banks and credit rating agencies.

Section 45 of the Board of Directors' Regulations provides that:

- “1. The relations of the Board of Directors with the external auditors of the Company shall be channelled through the Audit and Control Committee.*
- 2. The Board of Directors shall meet at least once a year with the financial auditors to receive information on the work done and on the evolution of the accounting and risk situation of the Company.*
- 3. The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an auditing firm incurring in incompatibility in accordance with the legislation on financial auditing as well as any auditing firm wherein the fees that the Company expects to pay them, for all services are in excess of the limits established in the legislation on financial auditing..*
- 4. The Board of Directors shall publicly disclose the whole of the fees paid by the Company to the audit firm for services other than auditing.”*

The mechanisms to preserve the independence of external auditors are explained below:

- The Audit and Control Committee, mostly made up of non-executive independent directors, and which has, as a whole, the relevant know-how with regard to the industry to which Inditex belongs, proposes to the Board of Directors the appointment of the financial auditors, so that such motion is submitted to the Annual General Meeting. The Audit and Control Committee shall be in charge of the selection process of auditors, pursuant to the applicable regulations, as well as of the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment;
- One of the functions of the Audit and Control Committee consists of liaising with external auditors in order to receive information on such matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards. Namely, the Audit and Control Committee shall:
 - Receive from the auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly.
 - Oversee the contracting of the financial auditor for services other than auditing of the annual accounts, where the amount of the fees to be invoiced is significant, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services.

- Verify that the Company and the auditor comply with applicable regulations regarding the provision of services other than the auditing of accounts, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the independence of the auditors.
 - Ensure that the remuneration of the external auditors for their work does not compromise their quality and independence.
 - In the event of resignation of the auditor of accounts, examine the circumstances that may have given rise thereto.
 - Issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the financial auditor or of the audit firms has been jeopardized. At any rate, such report must contain the assessment of the provision by external auditors of each and every additional service other than the statutory audit, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the audit regulations.
- The Company discloses in its consolidated annual report the fees paid to the external auditors for each ground other than financial auditing.

Meanwhile, the Audit and Control Committee approved on 18 July 2016 the Procedure to Contract an Auditor for the Provision of Additional Services other than Auditing of Annual Accounts, that regulates the process that shall be followed so that the Audit and Control Committee may be apprised of and authorize the agreements executed by the Company and the entities within its Group with external auditors for the provision of services other than auditing, for the purposes of ensuring the due independence of the latter. Additionally, such Procedure lists a number of services that under no circumstances may be provided by external auditors.

As regards the mechanisms established to ensure the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit. In this respect, the Company has approved the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, which is available on its website.

Additionally, specific mechanisms set up by Inditex to preserve the independence of financial analysts, investment banks and rating agencies, are addressed in the Financial Risk Management Policy and in the Investment Policy. This is overseen by the Investment Committee of the company. At any rate, the relationship of Inditex with financial analysts

and investment banks is based upon the principles of transparency, equal treatment and non-discrimination.

C.1.36. State whether the Company has changed its external auditors during the financial year. Identify, where appropriate, the incoming auditor and the outgoing one:

Yes No

Outgoing auditor	Incoming auditor
-	-

If there has been any disagreement with the outgoing auditor, provide a description thereof:

Yes No

Description of the disagreement
-

C.1.37. State if the audit firm carries out work for the company and/or its group other than that of auditing and, in such case, declare the amount of the fees received for said work and the percentage that it represents of the fees charged to the company and/or its group.

Yes No

	Company	Group	Total
Amount of work other than auditing (€k)	47	134	181
Amount of work other than that of auditing / total amount charged by the audit firm (in %)	13.1%	2.1%	2.7%

C.1.38 State whether the audit report on the Annual Accounts for the prior financial year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of such observations or qualifications.

Yes No

Description of the reasons
-

C.1.39. State the number of consecutive financial years that the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, State the percentage that represents the number of financial years audited by the current audit firm over the number of financial years in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	5	5
No. of financial years audited by the current audit firm / No. of	16%	19%

financial years that the company has been audited (in %)		
--	--	--

C.1.40. State and where appropriate give details whether there is any procedure for directors to get external advice:

Yes No

Describe the procedure
<p>The possibility for directors to seek external advice is expressly covered in section 28 of the Board of Directors' Regulations:</p> <p>"1. <i>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 expense.</i></p> <p><i>The commissioned task must of necessity deal with specific problems of a certain importance and complexity which may arise in the performance of the office.</i></p> <p>2. <i>The decision to engage external experts must be notified to the Chairman of the Board of Directors and may be open to veto by the Board of Directors if it proves that:</i></p> <p>a) <i>It is not necessary for the proper performance of the duties entrusted to the non-executive directors; or</i></p> <p>b) <i>The cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or</i></p> <p>c) <i>The technical assistance obtained may be properly provided by in-house experts and staff members, or has already been entrusted to other experts; or</i></p> <p>d) <i>The confidential nature of the information to be provided to the expert may be jeopardized."</i></p>

C.1.41. State and, where appropriate, give details if there is a procedure to enable the directors to have the necessary information to prepare the meetings of the administrative bodies in a timely manner:

Yes No

Describe the procedure
<p>Pursuant to section 19.2 of the Board of Directors' Regulation, the notice calling ordinary meetings shall be given at least three days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.</p> <p>Additionally, section 27 of the Board of Directors' Regulations, recognises the widest powers for directors to obtain information on any issue of the Company (and its subsidiaries); examine its books, registers, documents and other records of the company's operations and inspect all its facilities, and namely, on the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Audit and</p>

Control Committee has played in such process; likewise it provides that the exercise of the powers of information shall be channelled through the Chairman, the Deputy Chairman or (any of the Deputy Chairmen, where appropriate), or through the Secretary of the Board of Directors, who shall attend to the requests made by any director, and directly provide him/her with the information, facilitate contacts with the appropriate spokespersons at the appropriate level in the organisation or establish such measures as to enable them to conduct the desired examinations *in situ*.

Meanwhile, section 31 of the Board of Directors' Regulations covers the obligation for directors to diligently obtain information on the course of business of the Company and suitably prepare for the meetings of the Board of Directors and of such committees on which they serve.

C.1.42. State and, where applicable give details, whether the Company has established any rules requiring Directors to inform —and, if applicable, resign— under circumstances that may undermine the credit and reputation of the Company:

Yes

No

Describe the rules
Pursuant to the provisions of section 25.2 (e) of the Board of Directors' Regulations, Directors must place their office at the disposal of the Board of Directors and tender, if this latter should consider it advisable, the relevant resignation, where they are involved in any circumstances that may be detrimental to the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases for which they are prosecuted as well as any subsequent procedural consequences.

C.1.43. State whether any member of the Board of Directors has informed the Company that he has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for any offences covered in Section 213 of the Companies Act:

Yes

No

Name of the Director	Criminal cause	Comments
-	-	-

State whether the Board of Directors has analysed the case. If so, provide a duly reasoned explanation of the decision made regarding whether or not the director should remain in office or, if applicable, describe the actions taken by the board of directors as at the date hereof or that it plans to take.

Yes

No

Not applicable.

Decision made/action taken	Duly reasoned explanation
-	-

C.1.44 Detail the significant agreements reached by the company that come into force, are amended or terminated in the event of a change in control of the company stemming from a public takeover bid, and its effects.

Not applicable

C.1.45 Identify in aggregate terms and state in detail any agreement between the company and its directors, manager or employees which include any indemnity, severance or golden parachute clauses, for cases of resignation or wrongful dismissal or if the contractual relationship comes to an end as a result of a public takeover bid or other kinds of transactions.

Number of beneficiaries	22
--------------------------------	----

Type of beneficiaries	Description of the agreement
Executive Chairman.	The Executive Chairman shall be entitled to receive gross compensation in an amount equal to the remuneration of two years calculated based upon the fixed remuneration established for the year in course, where the contract is terminated by unilateral decision of the Company, and in case of resignation tendered by the Executive Chairman under certain premises (among which is the succession in the company or a change in control in the Company that affects more than 50% in the share capital or 50% of the voting rights, provided that a significant renewal of the governing bodies of the Company or a change in the contents or purpose of the main activity of the Company takes place at the same time, if such request for termination takes place within six months of the occurrence of such succession or change. For such purposes, no succession or change in control shall be deemed to have taken place in the event of direct or indirect family succession in the ownership of the Company
Senior executives and officers	Meanwhile, apart from the Executive Chairman, golden parachute clauses are provided in the contracts executed with 21 senior executives and officers, in the event that their contractual relationship, whether ordinary or senior management, is terminated further to withdrawal by Inditex, wrongful or unreasonable dismissal, or resignation based upon

	certain grounds, pursuant to the terms and conditions of their contracts. In such cases, the senior executive or officer shall be entitled to receive gross compensation in an amount equivalent to the remuneration of two years, calculated on the basis of the fixed and variable remuneration determined for the year in course
--	---

State whether these contracts must be disclosed to and/or approved by the company or group governing bodies:

	Board of Directors	General Meeting of Shareholders
Decision-making body that authorizes the clauses	x	

	YES	NO
Is information about these clauses provided to the AGM?	x	

The information about these clauses is included in the Annual Report on the Remuneration of Directors for FY2016, which will be put to the advisory say-on-pay vote of the following Annual General Meeting as a separate item on the agenda.

C.2 Committees of the Board of Directors

C.2.1. Describe all of the committees of the Board of Directors, the members thereof and the proportion of proprietary and independent directors of which they are comprised:

EXECUTIVE COMMITTEE

In accordance with the provisions of article 27 of the Articles of Association, an Executive Committee was set up by the Board of Directors on 28 February 1997, which holds in delegation all the powers of the Board, except for those that cannot be delegated by statute or pursuant to the Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

Composition of the Executive Committee as at 31 January 2017:

Name	Office	Category
Mr Pablo Isla Álvarez de Tejera	Chair	Executive
Mr José Arnau Sierra	Deputy Chair	Proprietary
Mr Amancio Ortega Gaona	Ordinary Member	Proprietary
Mr José Luis Durán Schulz	Ordinary Member	Independent
Mr Rodrigo Echenique Gordillo	Ordinary Member	Independent
Mr Carlos Espinosa de los Monteros Bernaldo de	Ordinary Member	Affiliate

Quirós		
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Independent

% executive directors	14.3 %
% proprietary directors	28.5 %
% independent directors	42.9 %
% affiliate directors	14.3 %

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

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

Pursuant to the provisions of section 14 of the Board of Directors' Regulations, the Executive Committee shall be made up of a number of directors being no less than three and no greater than seven. The Board of Directors shall endeavour that the composition of the Executive Committee would reflect a similar structure, with regard to each class of directors, to that of the Board of Directors itself. The Chairman of the Board of Directors shall act as the Chair of the Executive Committee and the Secretary of the Board of Directors shall act as Secretary, who may be assisted by the Deputy Secretary.

State whether the composition of the Executive Committee reflects the distribution of different classes of directorship on the Board:

Yes No

Otherwise, explain the composition of the Executive Committee

AUDIT AND CONTROL COMMITTEE

Article 28 of the Articles of Association and section 15 of the Board of Directors' Regulations, as well as the Audit and Control Committee's Regulations set out the regulations governing the Audit and Control Committee.

Composition of the Audit and Control Committee as at 31 January 2017:

Name	Office	Category
Mr José Luis Durán Schulz	Chair	Independent
Ms Denise Patricia Kingsmill	Ordinary Member	Independent
Mr José Arnau Sierra	Ordinary Member	Proprietary
Mr Rodrigo Echenique Gordillo	Ordinary Member	Independent
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Independent

% executive directors	0.0 %
% proprietary directors	16.7 %
% independent directors	66.7 %
% affiliate directors	16.7 %

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

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

a) Composition:

Pursuant to the provisions of article 28 of the Articles of Association, the Audit and Control Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors, who shall be elected, especially its Chair, taking into account his/her knowledge, qualification and expertise in accounting, audit or risks management matters. Members of the Audit and Control Committee shall, as a whole, have the relevant know-how with regard to the industry to which the Company belongs. The Chair of the Audit and Control Committee, who needs to be an independent director, shall be elected by the Board of Directors for a maximum four-year term, upon expiry of which he shall be replaced. He/she may be re-elected after expiry of one year of the date of his/her removal. The Board of Directors shall appoint a Secretary of the Audit and Control Committee, who need not be a member of said body.

b) Duties

In accordance with the provisions of article 28 of the Articles of Association, the Audit and Control Committee shall have the following duties:

- To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of said Audit and Control Committee, and namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Control Committee in this process;
- To oversee the effectiveness of the internal control system of the company, the internal audit, and the risks management system, including tax risks, and to discuss with the auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without jeopardising its independence; for such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;
- To oversee the process for preparing and disclosing the regulated financial information to the Company and, as the case may be, to the Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the

appropriate application of accounting criteria, and to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;

- To table to the Board of Directors, to be submitted to the General Meeting of Shareholders, the motions on selection, appointment, re-election and replacement of the external auditor, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them, and to regularly gather from the external auditor information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;
- To liaise with the external auditor in order to receive information on those matters that could represent a threat to its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorisation of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by audit legislation and auditing standards. At any rate, the Committee should receive every year from the external auditor, the statement of its independence regarding the Company or those entities directly or indirectly related thereto, as well as detailed and separate information on any additional services of any manner rendered and the relevant fees received from such entities by the external auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing regulations on the audit activity;
- To issue every year prior to the issue of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardised. Such report must address at any rate, the reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and regarding the independence system or the regulations on the audit activity.
- To advise previously the Board of Directors on all the topics covered by statute, by the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the financial information that the Company must disclose regularly; (ii) the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties.

Additionally, pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 5 to 15 of the Audit and Control Committee's regulations, the Committee shall also discharge duties regarding the following fields:

- Process to prepare the regulated financial information
- Auditing
- Internal Audit
- Enterprise Risk Management Policy
- Corporate governance

- Compliance with internal regulations
- Corporate social responsibility
- Environmental sustainability
- Tax issues

c) Organizational and operational rules

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 within its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof 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.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to the provisions of statute.

d) During financial year 2016, the main activities of the Audit and Control Committee have focused on the following:

A. Periodic financial information, annual accounts and audit report

The Audit and Control 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 Control Committee also meets with the Company's Management to review the enforcement of the accounting standards, 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 standards upon stating the annual accounts.

The Audit and Control Committee reviewed on 7 March 2016 the results for FY2015. It reviewed the quarterly results of FY2016 and the relevant Results Releases and Press Releases in the meetings held on 13 June (1Q), 19 September (2Q) and 12 December 2016 (3Q). Such results – and the respective Results Releases and Press Releases – were provided 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 management reports, both individual and consolidated, and the Audit Report, all of them for FY2015, were also reviewed. The Committee verified that an unqualified Audit Report was issued.

B. Effectiveness and independence of Financial Auditors

The audit conducted during FY2015 was reviewed at the meeting of the Audit and Control Committee held on 7 March 2016, with the attendance of the external auditors who had been previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2016 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2016. Likewise, they issued a limited review report on the financial statements.

Additionally, the main issues, classified in international, domestic, accounting issues and other less relevant ones, were reviewed.

The Audit and Control Committee approved on 7 March 2016 the report on the independence of the external auditors of the Company, which also addressed the provision of additional services other than auditing of annual accounts.

Subsequently, the Procedure to contract an auditor for the provision of additional services other than auditing of annual accounts, was approved by the Committee in the meeting held on 18 July 2016. Such Procedure covers the process for the Committee to be apprised of and at any rate, authorize the contracts that the Company and the Group companies would execute with external auditors to provide services other than financial auditing, as a mechanism to ensure their independence. Additionally, a number of services that under no circumstance may be rendered by external auditors, is provided in such Procedure.

C. Internal Audit

The Chief Audit Officer and the external auditors attended the meetings of the Audit and Control Committee throughout FY2016 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, and approved its budget and its activities report.

D. External auditors

Members of the Audit and Control Committee met with the external auditors in the meetings held on 7 March, 13 June and 19 September 2016, without any member of the Management being present, to deal with different issues within its remit.

Moreover, external auditors attended the meeting of such Committee held on 12 December 2016, especially invited to do so by the Audit and Control Committee, to address the audit plan for FY2017.

E. Risks Map

The Audit and Control Committee gave a favourable report to the updated 2016 Risks Map in the meeting held on 18 July 2016.

F. Annual Corporate Governance Report (hereinafter, ACGR)

The Audit and Control Committee approved on 7 March 2016 the Annual Corporate Governance Report for FY2015, drafted as regards its format, contents and structure, in accordance with the provisions of Circular 7/2015 of 22 December of CNMV. The ACGR was submitted by the Committee to the Board of Directors which approved it on 8 March 2016, and subsequently sent to the CNMV as a relevant fact.

G. Inditex's Annual Report

The Committee issued a favourable report on the Annual Report (for FY2015 in the meeting held on 13 June 2016. Information on the activities of Inditex and its Group of companies over the last years, and namely during FY2015 with regard to three areas: financial, social and environmental, was provided in such Annual Report.

H. Review of the reports of the Committee of Ethics.

The Audit and Control Committee reviewed and approved the Annual Report of the Committee of Ethics for FY2015 in the meeting held on 7 March 2016, and the half-yearly report of the Committee of Ethics for the first half of FY2016 in the meeting held on 19 September 2016.

The issues reviewed in such reports include, without limitation, the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers, with a detail of the cases seen by the Committee of Ethics, the proceedings of such Committee, the resolutions pronounced, the results of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group, and the proceedings to implement the Corporate Compliance System at domestic and international level (disclosure and communication of the Corporate Compliance System, proceedings related to the acceptance of the Code of Conduct and Responsible Practices, and training in the area of Corporate Compliance System).

I. Review of the reports of the Code Compliance Supervisory Board and the Code Compliance Office

The Audit and Control Committee reviewed in the meetings held on 7 March and 19 September 2016 the quarterly reports prepared by the Code Compliance Office in respect of the enforcement of the Internal Regulations of Conduct regarding transactions in securities of Inditex and its corporate group (hereinafter, the "IRC") and the half-yearly reports issued by the Code Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

J. Amendment of the Company's internal regulations

In the meeting held on 13 June 2016, the Audit and Control Committee gave a favourable report to the amendment of the Articles of Association, the

Board of Directors' Regulations and the Audit and Control Committee's Regulations.

K. Corporate Policies

In the meeting held on 18 July 2016, the Audit and Control Committee gave a favourable report to the Policy on Criminal Risk Prevention and the Criminal Risk Prevention Procedure, the Internal Regulations of Conduct regarding Transactions in Securities, and the Zero Standard.

In the meeting held on 19 September 2016, the Audit and Control Committee gave a favourable report to the Policy on Official Internet and Social Networks Accounts and Profiles of the Inditex Group, which was subsequently approved by the Board of Directors. Likewise, in the meeting held on 12 December 2016, the Committee gave a favourable report to the Compliance Policy and the Policy on Human Rights, both of which were subsequently approved by the Board of Directors.

L. Report on its activities

The Audit and Control Committee issued the annual report on its activities on 13 June 2016. It was published in the 2015 Annual Report and is available on www.inditex.com

Identify the Director sitting on the Audit Committee who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the number of years the Chair has been in office

Name of the director with experience	Mr Jose Luis Durán Schulz, Ms Denise Patricia Kingsmill, Mr Emilio Saracho Rodríguez de Torres, Mr José Arnau Sierra and Mr Rodrigo Echenique Gordillo
Number of years as Chair	1

NOMINATION COMMITTEE

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations and the Nomination Committee's Regulations set out the regulations governing the Nomination Committee.

Composition of the Nomination Committee as at 31 January 2017:

Name	Office	Category
Mr Emilio Saracho Rodríguez de Torres	Chair	Independent
Ms Denise Patricia Kingsmill	Ordinary Member	Independent
Mr José Luis Durán Schulz	Ordinary Member	Independent
Mr José Arnau Sierra	Ordinary Member	Proprietary
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate

Mr Rodrigo Echenique Gordillo	Ordinary Member	Indepedent
-------------------------------	-----------------	------------

% executive directors	0.0 %
% proprietary directors	16.7 %
% independent directors	66.7 %
% affiliate directors	16.7 %

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

Explain the committee's duties, describe the procedure and organisational and operational rules and summarize the main actions taken during the year

a) Composition

Pursuant to the provisions of article 29 of the Articles of Association, the Nomination Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors and who shall be elected, considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Nomination Committee shall be appointed by the Board of Directors out of the independent members of the Committee.

b) Duties

In accordance with article 29.2 of the Articles of Association, section 16 of the Board of Directors' Regulations, and sections 5 to 9 of the Nomination Committee's Regulations, the Nomination Committee shall have the following duties:

- To evaluate the qualifications, knowledge and experience required on the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill out each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties.
- To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target.
- To ensure that, upon filling any vacancy or upon electing new directors, selection procedures would ensure the non-existence of any manner of discrimination
- To table to the Board of Directors the motions on the appointment of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders.
- To issue a report regarding the motions to appoint the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder;

- To issue a report regarding the motions to appoint and to remove senior executives.
- To review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and arranged manner.

c) Organizational and operational rules

The Nomination Committee shall meet at least once a year and each time that the Board of Directors or the Chairman thereof calls it. The Chairman of the Board of Directors shall call the Nomination Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorized by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

d) During FY2016, the most relevant proceedings of the Nomination Committee have focused on the following issues:

A. Composition of the Board of Directors.

In the meeting held on 13 June 2016, the Committee gave a favourable report to the motion of the Board of Directors on the ratification and appointment of Pontegadea Inversiones, S.L., as non-executive proprietary director, and of Ms Flora Pérez Marcote as its legal representative, and drafted the motion to appoint Ms Denise Patricia Kingsmill as non-executive independent director that the Board of Directors would table to the Annual General Meeting. The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website (www.inditex.com) from the date of the notice calling the Annual General Meeting.

B. Offices of Audit and Control Committee.

The Committee gave a favourable report to the appointment of Mr José Luis Durán Schulz as Chair of the Audit and Control Committee, replacing Ms Irene Ruth Miller.

C. Composition of the Social Advisory Board

The Nomination Committee acknowledged the resignation of Mr Alfred Vernis Domènech from the Social Advisory Board in the meeting held on 12 December 2016.

D. Evaluation.

Pursuant to the provisions of article 29.3.a) of the Articles of Association, section

5.3. c) and section 16.2.a) of the Board of Directors' Regulations, section 7a) and c) of the Nomination Committee's Regulations and, in accordance with the Recommendations of the Good Governance Code, the Nomination Committee submitted to Board of Directors a report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and the performance of its members, as well as that of the Executive Chairman.

The outcome of the evaluation conducted in FY2016 has been very positive regarding the assessed areas, among which the following stand out: the size and structure, the functions, the effectiveness and the proceedings, the planning and organization 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 and the Executive Chairman.

R
E
M
U
N
E
R
A
T
I
O
N

REMUNERATION COMMITTEE

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and the Remuneration Committee's Regulations set out the regulations governing the Remuneration Committee.

Composition of the Remuneration Committee as at 31 January 2017:

Name	Office	Category
Mr Rodrigo Echenique Gordillo	Chair	Independent
Ms Denise Patricia Kingsmill	Ordinary Member	Independent
Mr José Luis Durán Schulz	Ordinary Member	Independent
Mr José Arnau Sierra	Ordinary Member	Proprietary
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Independent

% executive directors	0.0 %
% proprietary directors	16.7 %
% independent directors	66.7 %
% affiliate directors	16.7 %

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

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year

a) Composition

Pursuant to the provisions of article 30 of the Articles of Association, the Remuneration Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, a majority of whom shall be independent directors. Members of

such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. The Chair of the Remuneration Committee shall be appointed by the Board of Directors out of the independent members of the Committee.

b) Duties

Pursuant to article 30.3 of the Articles of Association, section 17 of the Board of Directors' Regulations and sections 5 and 6 of the Remuneration Committee's Regulations, the Remuneration Committee shall have the following duties:

- To propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out senior management duties directly reporting to the Board, the executive committees or the chief executive officers.
- To propose to the Board of Directors the individual remuneration and the remaining terms and conditions of the employment agreements of executive directors, ensuring that they are observed.
- To propose the basic terms and conditions of the contracts with senior executives, including their remuneration and severance pay, where appropriate.
- To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders.
- To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents.
- To verify that the remuneration policy fixed by the Company is observed.
- To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee.
- To propose to the Board of Directors the cancellation of payment or, if appropriate, the refund of variable items which make up the remuneration of directors based upon results, where such items have been paid on the basis of information later shown clearly to be inaccurate; likewise, to propose the termination of the relation with the relevant supervisor(s) and the filing of the relevant claims

c) Organizational and operational rules

The Remuneration Committee shall meet at least once a year and each time that the Board of Directors or the Chairman of the Board calls it. The

Chairman of the Board of Directors shall call the Remuneration Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorized by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

d) During FY2016 the most relevant proceedings of the Remuneration Committee have focused on the following issues:

A. Contract and remuneration of the Executive Chairman

The Remuneration Committee approved in the meeting held on 7 March 2016 the motion regarding the remuneration of the Executive Chairman for the discharge of executive duties to be subsequently submitted to the Board of Directors, which approved it in the meeting held on 8 March 2016.

B. Annual Report on Remuneration of Directors for FY2015.

The Remuneration Committee resolved in the meeting held on 7 March 2016 to table the Annual Report on Remuneration of Directors for FY2015 to the Board of Directors for approval. Such report was submitted to CNMV as a relevant fact and is available on CNMV's website: (www.cnmv.es).

Additionally, pursuant to section 541 LSC, the Annual Report on Remuneration of Directors for FY2015 was approved by the Annual General Meeting held on 19 July 2016, having been put to the advisory say-on-pay vote.

C. 2013-2016 Long-term Performance Cash Plan.

Also during the above mentioned meeting held on 7 March 2016, the Committee determined and tabled to the Board of Directors the pluri-annual variable remuneration accrued during FY2015 in the scope of the 2013-2016 Long-term Performance Cash Plan, considering that a level of overachievement was reached.

D. 2013-2017 Long-term Performance Shares Plan

In the meeting held on 18 July 2016, the Committee acknowledged the payment for the first cycle (2013-2016) of the 2013-2017 Long-term Performance Shares Plan.

E. 2016-2020 Long-term Incentive Plan

In the meeting dated 22 February 2016, the Remuneration Committee gave a favourable report to the goals and terms of the 2016-2020 Long-term Incentive Plan, and submitted it to the Board of Directors.

Additionally, on 18 July 2016, the Committee gave a favourable report to the 2016-2020 Long-term Incentive Plan Regulations, and submitted it to the Board of Directors, which approved it on 19 July 2016.

F. Plan for Employees participating in the increase of economic benefits of the Inditex Group.

The defunct Nomination and Remuneration Committee gave a favourable report to the extraordinary plan for employees participating in the increase of economic benefits of the Inditex Group in the meeting held on 16 March 2015. Such plan is addressed to certain employees of the Group throughout the world and it seeks to boost and reward, on an exceptional basis, their contribution to the improvement of results and their permanence with the Inditex Group within the Plan's term. The Plan was approved by the Board of Directors in the meeting held on 17 March 2015. On 7 March 2016, the Remuneration Committee gave a favourable report to the outcome of the first calculation period of the Plan and resolved to table such outcome, together with the terms that will govern it, to the Board of Directors, which approve it on 8 March 2016.

C.2.2 Complete the following table with information on the number of female directors sitting on board committees over the last four years:

	Number of female directors			
	FY2015 %	FY2014 %	FY2013 %	FY2012 %
Executive Committee	0	0	0	0
Audit and Control Committee	16.7 %	16.7 %	16.7 %	16.7 %
Nomination Committee	16.7 %	16.7 %	16.7 %	16.7 %
Remuneration Committee	16.7 %	16.7 %	16.7 %	16.7 %

C.2.3 Section Repealed

C.2.4 Section Repealed

C.2.5. State, where appropriate, the existence of rules for the Board's committees, the place where they are available for consultation and any modifications introduced during the year. In turn, please State if an annual report has voluntarily been prepared on the activities of each committee.

The full text of the Audit and Control Committee's Regulations, the Nomination Committee's Regulations and the Remuneration Committee's Regulations is available on the corporate website.

Audit and Control Committee:

<http://www.inditex.com/documents/10279/14200/Reglamento+de+la+Comisi%C3%B3n+de+Auditor%C3%ADa+y+Control+ENG+FINAL.pdf/94dfb183-5c25-44ba-93f7-17396385ccaa>

Nomination Committee:

<http://www.inditex.com/documents/10279/180043/Reglamento+Comisi%C3%B3n+Nombramientos+9.6.2015+CAdm+Trad.pdf/43eff62c-c6b6-44b2-b5a6-f46dfad28055>

and Remuneration Committee:

<http://www.inditex.com/documents/10279/180045/Reglamento+Comisi%C3%B3n+Retribuciones+9.6.2015+Trad.pdf/c5afae37-bec2-4463-b42e-ca97859cb343>

Additionally, regulation on the Board's committees is also included in the Board of Directors' Regulations and in the Articles of Association. The full text of the Board of Directors' Regulations is available on both the corporate website:

<http://www.inditex.com/documents/10279/14200/Reglamento+del+Consejo+de+Administraci%C3%B3n+ENG+FINAL.pdf/fd49e830-ccba-4d65-93f0-bc776b1d9347>, and on the website of CNMV (www.cnmv.es)

The Audit and Control Committee, the Nomination Committee and the Remuneration Committee prepare every year a report on the activities they have carried out during the financial year, which is included in the Annual Report published every year in respect of the Annual General Meeting.

C.2.6. Section Repealed

D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

Below is a list of related-party transactions carried out during FY2016 pursuant to the definitions, criteria and groupings provided in Order EHA/3050/2004 of 15 September, to which the Instructions included in Annex I of CNMV's Circular 7/2015 of 22 December refer, regarding completion of the form of the annual corporate governance report of listed companies, whereby the contents of the annual corporate governance report of listed companies provided in section 540 of the Companies Act, as amended by Act 31/2014 and in section 5 of Order ECO/461/2013, of 20 March, are determined.

D.1. Identify the competent body and explain the procedure, if any, to approve related- party and intra-group transactions:

Procedure to approve related-party transactions
<p>Pursuant to the provisions of section 5.3.(b) (vii) of the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee to report on the transactions of the Company or of any of the Group's companies with directors, shareholders or with Related Persons, as referred to in Section 40 of the Board of Directors' Regulations. Related Persons are defined in section 34 of such Regulations.</p> <p>In no event shall the Board of Directors authorize the transaction without a prior report from the Audit and Control Committee evaluating the transaction from an arm's length perspective.</p> <p>In this respect, section 15 (c) of the Audit and Control Committee's Regulations provides that it is incumbent on such Committee to advise the</p>

Board of Directors on such transactions that the Company or the companies comprising its corporate Group intend to carry out with directors or with shareholders who hold a significant stake or who have proposed the appointment of any director of the Company, or with their respective related persons, from an arm's length perspective.

In the event of transactions with significant shareholders, the Audit and Control Committee shall examine it also from the standpoint of an equal treatment to all shareholders.

In the case of transactions within the ordinary course of trade of the Company and being of a habitual or recurrent nature, a general authorization of the line of transactions and the terms of execution thereof will suffice.

The Company shall report on any transactions carried out with its directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope provided by statute in each case. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors or with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.

No Board authorization is required for such related-party transactions that meet at the same time the following terms:

- i) they are conducted under contracts with standard terms and conditions which apply *en masse* to many customers;
- ii) they are conducted at prices or rates generally established by the suppliers of the good or service in question;. and
- iii) their amount is not in excess of 1% of the Company's annual revenue.

Such authorization has to be granted by the Annual General Meeting where it refers to a related-party transaction with a director which amount is in excess of ten percent (10%) of the corporate assets.

D.2. Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the significant shareholders of the company:

The transactions carried out during FY2016 by the INDITEX Group with its controlling shareholder Pontegadea Inversiones, S.L., or with Partler 2006, S.L. or *Rosp Corunna Participaciones Empresariales*, S.L.U and with persons and companies related thereto, are shown below:

Name of the significant shareholder (person or company)	Name of the company or entity of its group (person or company)	Nature of the relationship	Type of transaction	Amount (€)
PONTEGADEA INVERSIONES, S.L. PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Lease of assets	(39,636)

PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Lease of assets	171
PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Sale of assets	24,600
PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Other expenses	(20)
PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Sale of goods	6
PONTEGADEA INVERSIONES, S.L., PARTLER 2006, S.L. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Provision of services (Construction)	11,354
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Lease of assets	(1,119)
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.U. or persons or companies related thereto	INDITEX GROUP ⁽¹⁾	Contractual	Other expenses	(3)

(1) Different companies of the Inditex Group.

D.3. Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the directors or officers of the company:

With regard to the remuneration received by directors and officers, reference is made to the provisions of sections C.1.15 and C.1.16 above.

Name (person or company) of directors or officers	Name (person or company) of the related party	Link	Nature of relationship	Amount (€k)
-	-	-	-	-

No other relevant transactions have been carried out between the Company or entities of its group and the directors and officers of the Company.

D.4. Give details of the significant transactions carried out with other companies belonging to the same group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the company as regards its object and conditions.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens:

Company name of the group entity	Brief description of the transaction	Amount (€k)
Joint Control Companies (1)	Purchase of goods	960,402
100% Subsidiaries (2)	Sale of goods and provision of services to stores	23,781

(1) Transactions between Inditex and its subsidiaries are part of the company's usual business as regards their purpose and terms, and have been fully eliminated during the consolidation process. For such reason, they are not detailed in this section.

(2) The above mentioned transactions are exclusively within the ordinary course of trade of the Group through its stores, and are not due to tax reasons. As at 31 January 2017, proceedings of the Group with Group companies residing in countries or territories classified as tax havens under the Spanish laws, correspond to sales through certain stores of the Group, namely nine stores in Macau and one in Monaco.

D.5 State the amount of the transactions carried out with other related parties

No other transactions with related parties have been carried out.

D.6. Give details of the mechanisms established to detect, determine and resolve any potential conflicts of interest between the company and/or its group and its directors, officers or significant shareholders.

Section 34 of the Board of Directors' Regulations reads as follows:

"1.- It shall be understood that a conflict of interest situation exists where there is a direct or indirect conflict between the interest of the Company and the personal interest of the Director. It is considered that directors have a personal interest when the matter affects them or a Person Related to them.

For the purposes of these Regulations, Related Persons are understood as being the following:

- (a) The spouse of the director or any other person with similar relation of affectivity;*
- (b) the ascendants, descendants and siblings of the director or of the spouse (or any other person with similar relation of affectivity) of the director;*
- (c) the spouse (or any other person with similar relation of affectivity) of the ascendants, descendants and siblings of the director;*
- (d) those companies where directors hold the office of director or a management position, or in which they hold a significant interest, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in*

the applicable regulations, and for the case of unlisted national or foreign companies, any direct or indirect interest over twenty (20) percent of its issued share capital.

With regard to directors who are legal entities, Related Persons are understood as being the following:

- (a) Those partners who are included with regard to the Director legal entity, in any of the situations provided in Section 42 of the Code of Commerce;*
- (b) The representative, who is a natural person, the director de iure or de facto, the liquidators and the attorneys-in fact with general powers of the director, who is a legal entity;*
- (c) Those companies that are part of the same corporate group, as defined in Section 42 of the Code of Commerce, and their shareholders; and,*
- (d) Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the provisions of the paragraph above regarding directors who are natural persons.*

2. The following rules shall apply to the conflict of interest situations:

- (a) Prevention: directors must take all necessary measures to prevent, as far as possible, becoming involved in any situations in which their interests may, either on their behalf, or on behalf of third parties, be in conflict with the interest of the company and with their duties towards the company.*
- (b) Information: without prejudice to their obligation of active prevention, directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any conflict of interest situation in which they are involved.*
- (c) Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in a conflict of interest situation, with the exceptions provided in the applicable laws. Likewise, with regard to proprietary directors, they shall abstain from taking part in the voting of those matters that might entail a conflict of interest between those shareholders that had proposed their appointment and the Company*
- (d) Transparency: the Company must disclose in the notes to the annual accounts any conflict of interest situation in which a director is, that the Company is aware of by virtue of the information of same by the affected person, or by any other means.”*

In addition, sections 33 and 35 to 37 of the Board of Directors' Regulations address the following situations which can give rise to conflicts of interest: (i) The rendering of professional services in competing companies (section 33); (ii) the use of corporate assets (section 35); (iii) the use of non-public company information for private ends (section 36), and (iv) taking advantage of business opportunities of the Company (section 37).

Moreover, section 39 of the Board of Directors' Regulations provides that directors must inform (i) the Company of the shares in its share capital of which he/she is the direct or indirect holder. Likewise, they must inform about those other shares which are held, directly or indirectly, by their closest relatives, all of which is in accordance with the provisions of the Internal Regulations of

Conduct Regarding Transactions in Securities; (ii) the Company of any conflict of interest situation, either direct or indirect, in which either themselves or their Related Parties may be involved in respect of the interest of the Company; and (iii) the Nomination Committee of all the positions they hold and the activities they carry out in other companies or entities and, in general, about any fact or situation which may be relevant for the performance of their duties as director of the Company. (In this respect, and without prejudice to the obligation of placing their office at the disposal of the Board, provided in Section 25 of the Board of Directors' Regulations- which addresses the resignation, removal and dismissal of directors-, directors shall inform the Board of Directors of any other change in their professional situation and of any circumstance which might compromise the credit and reputation of the Company or jeopardize its interests); and (iv) of any legal, administrative proceedings or other proceedings whatsoever brought against them and which might, given their relevance or description, seriously affect the reputation of the Company. Namely, directors shall inform the Company via the Chairman of the Board of Directors, should they be accused, indicted or should an order have been issued against them initiating trial proceedings in any criminal cause for any offence, as well as of the occurrence of any other relevant procedural milestones in such a case. The Board of Directors shall review the case and shall take, based upon the interest of the company, such measures as it may deem fit.

Additionally, section 1 of the Board of Directors' Regulations provides that the rules of conduct established thereon for the directors shall apply, to the extent that they are compatible with their specific nature, to the senior executives of the company who are not directors. More particularly and with the due nuances, the following sections shall apply to senior executives: section 32 (duty of confidentiality), 34 (conflicts of interest), in connection with the duty of informing the Company, 35 (use of corporate assets), 36 (non-public information), 37 (business opportunities), and 38 (prohibition to make undue influence of the office).

With regard to significant shareholders, section 40 of the Board of Directors' Regulations provides that:

- “1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a shareholder who owns, either individually or jointly with others, any significant stake, including any shareholder who, regardless of his/her stake in the share capital, is represented on the Board of Directors of the Company or of other companies which are part of its corporate group.*
- 2. In no event shall such a transaction be authorized if previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions. In the event of transactions with significant shareholders, the Committee shall examine it also from the standpoint of an equal treatment for all shareholders.*
- 3. In the case of transactions within the ordinary course of company business and being of a habitual or recurrent nature, a general authorization of the line of transactions and their conditions of execution will be sufficient.*
- 4. The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope of the Law. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by*

the company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions

5. *The authorisation of the Board of Directors shall not be required for such transactions which meet simultaneously the following three conditions:*
 - (a) *they are carried out pursuant to standard agreements and applied to a large number of clients;*
 - (b) *they are carried out at such prices or rates generally set by the provider of the good or service in question; and*
 - (c) *their amount is not in excess of one percent (1%) of the annual revenue of the Company.*
6. *The authorisation shall be granted by the General Meeting of Shareholders when it refers to any transaction with a director for a value which is in excess of 10% of the corporate assets.”*

As stated under section D.1 hereof, the Audit and Control Committee is responsible for reporting on the transactions that involve or could involve any conflict of interest situation, and the Nomination Committee is responsible for reporting on the authorization or release from the obligations stemming from the duty of loyalty of directors by the Board of Directors, where such responsibility is not incumbent on the General Meeting of Shareholders.

Finally, section 4.8 of the Code of Conduct and Responsible Practices provides that: *“INDITEX’s employees shall avoid any situation which might entail any conflict between their personal interests and those of the company. They shall also refrain from representing the company and from taking part or having a say in any decision making wherein they may have, either directly or indirectly, either themselves or through any related party thereto, any personal interest. They may not avail themselves of their position in the company to obtain any economic or personal benefit, or any business opportunity for them.*

No employee of INDITEX may render services as consultant, director, officer, employee or advisor to any of INDITEX’s competitors, except for such services which may be rendered at the request of INDITEX or with the authorization of the Committee of Ethics.

INDITEX respects the private life of its employees and therefore the private sphere of their decisions. In the framework of this policy of respect, employees are urged to report to the Committee of Ethics any personal conflicts of interest or any conflicts of interest involving their relatives, that might jeopardize the necessary objectivity or professionalism of their duties within Inditex, so that, in the respect of the confidentiality and privacy of individuals, the relevant measures might be taken for the mutual benefit of the company and of the affected individuals.

Namely, the cases below shall be considered as potential situations of conflict of interest and they shall be reported to the Committee of Ethics:

- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which is the same, similar or supplementary to the business conducted by INDITEX.*

- *The conduct by any employee or by any person related to him/her, either directly or indirectly, by themselves or through any company or institution, of any business which involves an exchange of goods and/or services, regardless of the remuneration system agreed.”*

D.7. Is more than one company of the Group listed in Spain?

Yes No

Identify the subsidiaries listed in Spain:

Listed subsidiaries
-

State whether they have publicly and accurately defined their respective areas of activity and any possible business relationship among them as well as those between the listed dependent company and the other companies within the group;

Yes No Not applicable

Define any potential business relations between the parent company and the listed subsidiary company and between the listed subsidiaries and the other group companies
-

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the group:

Mechanisms for the resolution of possible conflicts of interest
-

E SYSTEMS FOR CONTROL OF RISKS

E.1. Explain the scope of the company’s Risks Management System.

Risks management in the Inditex Group is a process driven by the Board of Directors and the Senior Executives, incumbent on each and every single member of the Group, which seeks to provide reasonable safety in the achievement of the objectives established by the Group, ensuring the shareholders, other stakeholders and the market at large, an appropriate level of guarantee which ensures protection of value built.

In this context, the Enterprise Risks Management Policy of the Group sets the overarching principles, key risk factors and the general action lines to manage and control the risks which affect the Group. This Policy is enforced on the whole Group and is at the basis of an Integral Risks Management System.

The Enterprise Risks Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas or units of the Group. Among the internal policies or regulations developed and implemented by these areas regarding the management of the different types of risks, the following should be pointed out:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Code of Conduct and Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Criminal Risk Prevention Procedure.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct for Manufacturers and Suppliers.
- The Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy
- The Procurement Policy
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors
- The Policy and Procedure for Representatives and Attorneys
- The Policy on Human Rights
- The Compliance Policy
- The Tax Policy and the Tax Strategy
- Procedure to Contract an Auditor for the Provision of Additional Services other than Auditing of Annual Accounts

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

The whole process is based upon the identification and assessment of the factors which may have a negative impact on the achievement of the business objectives, which translates into a risks map that includes the main risks which are classified in different groups, together with an assessment thereof based upon their potential impact, the likelihood of their occurrence and the level of preparedness of the Group to address them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. The risk management process continues with adopting a certain response to such factors, and establishing the control measures which are necessary for such response to be effective.

Within the Risks Management System, business units represent the first line of defense, and they report the relevant information to the Enterprise Risks Management Department, which coordinates the System as a second line of defense.

Internal Audit acts as a third line of defense, overseeing in an independent and objective manner the Risks Management System and reporting to the Board of Directors through the Audit and Control Committee.

E.2. Identify the corporate bodies responsible for drawing up and enforcing the Risks Management System

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the Inditex Group are described below:

The Board of Directors is charged with:

- Approving the Enterprise Risk Management Policy, on the proposal of the Management. Such Policy defines the strategy in the field of risks management and disclosure thereof to the rest of the organization. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

The Audit and Control Committee is charged with:

- Overseeing the control and risks management function.
- Periodically reviewing the Enterprise Risk Management Policy, including tax risks.
- Ensuring that the Enterprise Risk Management Policy would include at least:
 - (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;
 - (ii) The determination of the level of risk that the Company deems acceptable;
 - (iii) The course of action planned to reduce the impact of the identified risks, should they materialize; and,
 - (iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks;
- Reviewing the information about the risks that the Group has to address, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and
- Evaluating any question regarding non-financial risks (including without limitation, operational, technological, regulatory, social, environmental, political and reputational) that the enterprise risk management policy and the risks management systems must contain.

The Financial Division (to which the ERM Department belongs) is charged with:

- Ensuring the good running of the Risk Management System and namely that all relevant risks which affect the Company are duly identified, managed and quantified.
- Taking an active role in the preparation of the risk strategy and in the important decisions on risk management.
- Ensuring that the ERM System would appropriately mitigate risks.
- Overseeing the work and liaising with Risks Managers at each Business Unit or Area, both at corporate or concept level, providing valid tools for

risks assessment and management.

- Maintaining and updating knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.
- Regularly reviewing the risks management policies and manuals and proposing the amendment and update thereof to the Board of Directors, where applicable.
- Coordinating and processing the information received by Risks Managers at each Business Unit or Area, reporting to the Senior Managers and the Board of Director through the Audit and Control Committee.
- Promoting appropriate and effective communication channels between ERM Department and the remaining Divisions and areas involved.

Risks Managers are charged with:

- Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department.
- Identification of events which may entail potential risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.
- Follow-up and notice of the risks management development, as well as the defined action plans.

The Internal Audit Department is charged with:

- Contributing to the improvement of risks management, control and governance processes, assuring to the Audit and Control Committee an effective and independent supervision of the internal control system and issuing recommendations for the Group which help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Company.
- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

Senior Executives are charged with:

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Group, encouraging the creation of an all-encompassing risks management culture.
- Defining and validating functions, powers and responsibilities within the framework of the ERM System.
- Determining the level of risk that the Company may deem acceptable. Provision of appropriate and sufficient resources to implement Risks Management activities.
- Validation of action and work plans resulting from the risks management process itself.

- Follow-up on activities.

Additionally, certain specific Committees exist in respect of the follow-up of the major risks:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Code Compliance Supervisory Board
- Committee for Information Security
- Investments Committee
- Reputation Committee

E.3 State the main risks that could prevent attainment of business goals

In order to permit a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organization. Thus, the Group defines risk as: “any potential event which might have a negative impact on the achievement of its business objectives”.

Risks reviewed are classified and grouped in the following categories:

1. Business environment

These are risks stemming from external factors, associated with the Group's business.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which the Group operates, whether as regards procurement processes or distribution and sale of goods activities. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow and offer a response to the development of its target market or to adjust to the new situations in procurement or distribution countries.

In this respect, geopolitical, demographic and social and economic changes that trigger the country risk in procurement or distribution countries, the emergence of new communication channels and changes in consumption habits or the consumption decline in certain markets are, *inter alia*, factors which may have an impact on the effective achievement of the business objectives of the Group.

2. Regulatory risk

Those are risks to which the Group is exposed arising from the different laws and regulations in force in the different countries where it conducts its business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property regulations, and risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature, regardless of whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office is charged with overseeing and managing the Compliance System of the Inditex Group to prevent any regulatory risks

(including criminal ones) and/or reputational risks, arising from any potential regulatory noncompliance, and to meet the maximum ethical standards and follow-up on best corporate practices.

3. Reputation

Those are the risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks stem from a potentially inappropriate management of the issues regarding corporate social responsibility and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance which might have an impact on the reputation of the Organization.

4. Human Resources

The main risks related to the field of human resources are those arising out of a potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, as well as in keeping an appropriate work environment at all work centres.

5. Operations

The main operational risks the Group addresses stem from a potential difficulty in recognizing and taking in the ongoing changes in fashion trends, and in manufacturing, supplying and putting on the market new models that fulfil customers' expectations.

The risk arising out of business interruption is associated with the potential occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.,) that may significantly affect normal operations.

Given the way the Group operates, the main risks included in this category are to be found at logistics centres and in external operators charged with carriage of the goods. The distribution of apparel, footwear, accessories and homeware for all the concepts is based upon 14 hubs spread throughout Spain. Distribution logistics are also ensured by other smaller distribution centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, related to the search and selection of business premises and their profitability.

6. Financial

In the regular conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to the country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve

using a large number of currencies other than Euro, which gives rise to the foreign exchange risk. The Group has different investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all the companies in the Group are prepared in the functional currency, i.e., Euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the European Monetary Union. The company also addresses the risk resulting from transactions in currencies other than Euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is primarily made on demand, either in cash or with credit card. At any rate, the Group deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

7. Information for the decision making

The risks included in this group are those linked to the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, which report to the Financial Division, are directly responsible for producing and overseeing the quality of such information.

8. Technology and information systems

The risks in this group include those linked to the technological infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and technological IT security are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of key information.

9. Corporate Governance

This category includes the risk associated with the potential existence of an inappropriate management of the Group which might entail noncompliance with Corporate Governance and transparency regulations.

E.4 Identify whether the entity has a risk tolerance level

The Inditex Group relies on standard criteria to identify, assess and prioritize risks, based upon the concept of risk tolerance as key tool.

It is incumbent on Senior Executives to establish strategy and risk tolerance, which must reflect the volume of risks that the company is willing to assume, to reasonably achieve the objectives and interests of the Group. Such tolerance is regularly updated, and at least every time the Group strategy changes.

Once the risk tolerance for strategic and business objectives of the Group has

been defined, it is duly disclosed to the Corporate Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

E.5 State the risks which have materialized during the year

During the year, risks inherent in the business model, the Group's business and the market environment, have materialized as a result of circumstances inherent in the conduct of business and the prevailing economic climate. Although none of them has had a significant impact on the Organization, materialization of foreign exchange risk has had a higher weight.

The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In the course of the year, the depreciation of non-Euro currencies has had a relative negative impact on the growth rate of net sales of the Company, and a negative impact on the cost of sales, particularly during the first half of the year.

The foreign exchange risk is managed pursuant to the guidelines set out by the Management of the Group, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates fluctuation, and other measures aimed at mitigating such risk.

The results of the referendum that took place in the UK on 23 June 2016, regarding the United Kingdom European Union membership, led to an unexpected commotion, and sent the markets into a spin. However, the impact of such vote has not been relevant for the Group during the financial year. The depreciation of the sterling pound resulting from Brexit has not entailed either a material increase of the foreign exchange risk, considering the behaviour of the Group's exchange exposure portfolio, resulting from its high diversification and the foreign exchange management policy.

E.6 Explain the response and supervision plans for the main risks faced by the entity.

The Group relies on response plans that seek to reduce the impact and likelihood of materialization of the critical risks described in section E.3 above, or to improve the level of preparedness versus risks.

The main response plans for each risk category are explained below:

1. Business environment

In order to reduce the risk exposure in this area, the Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the business model of the Group is based not only on managing new openings, but also on improving the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the existing business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and the use of new technologies as a communication and sale option for

our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

2. Regulatory risk

The General Counsel's Office is charged with managing the Model of Compliance System of the Company. Namely, it discharges a triple function: organization, coordination and report.

Organization means that the General Counsel's Office oversees the process of preparing the internal regulations (Policies, Procedures and Instructions) of the Company and, approves them, where appropriate.

The General Counsel's Office is also responsible for coordinating compliance functions of other departments or areas where compliance risks exist, by means of a periodic reporting system.

Special mention should be made of criminal regulatory risks. For the purposes of reducing such risks, the Group relies on a Model of Criminal Risk Prevention, overseen by the Committee of Ethics, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls.

The Internal Audit Department conducts regulatory compliance audits on a regular basis with teams of independent professionals specializing in certain regulations which apply to the company's business.

3. Reputation

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-Assessment audits, based on the external and independent verification of the facilities which are necessary to manufacture the fashion items that it distributes, for the purposes of minimizing any potential risks of damaging the image of the Group on account of improper behaviour by third parties. Said programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers, suppliers and external workshops must comply with. Additional information on this Programme and on other programmes is available in the Annual Report and on the corporate website. Likewise, the Sustainability Department carries out technical and production audits on a regular basis and the Environment Department conducts audits and controls at the facilities where wet processes are carried out.

In such sizable and visible organisations as the Group, some conflicts might arise out of an inappropriate relationship with third parties alien to the proceedings of the Group (e.g., CNVM, media, investors, public authorities, etc.).

The Group sets out, through the Communication and Corporate Affairs Division and the Corporate Social Responsibility Department, the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office and the Capital Markets Department are charged with managing specifically the relationship with CNMV, and the latter is also charged with investors relations.

Additionally, different departments, including the Communication and Corporate Affairs Division, are responsible for tracking the image of the Group in the social

media.

To reduce the risks associated with the description of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards (“Safe to Wear” and “Clear to Wear”), whose enforcement is mandatory throughout the production line for all finished products, footwear and accessories.

The Group relies on a Code of Conduct and Responsible Practices and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics is responsible for the enforcement and construction of both Codes, and the Code Compliance Office runs training on the Code of Conduct and Responsible Practices for employees.

4. Human Resources

To minimize these risks, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel, including hunting processes for key personnel. It has also developed a regular training programme for its staff and has implemented specific systems:

- to combine quality in employees’ performance and the job satisfaction each of them may derive at the workplace;
- to facilitate the exchange of jobs among those employees wishing to broaden their experience in the different areas of the Organisation
- to provide career opportunities to the most talented and diligent persons within the Organization.

On the other hand, the work system implemented within the Organization encourages the transfer of knowledge between employees in the different areas, thus minimizing the risk of depending excessively on the knowledge of key personnel. Additionally, the use of career development, training and compensation policies seeks to retain key employees.

To ensure an appropriate work environment, the Human Resources Department follows a series of action lines which are described in greater detail in the Performance section of the Annual Report.

Meanwhile, a growing demand has arisen lately within the labour market, linked to the corporate social responsibility, which has become a key factor upon selecting a company for the job of choice. Thus, issues such as equal opportunities, remuneration systems other than salary or family and work balance are *inter alia*, factors that the Company takes into account, with policies designed for such purposes.

In this respect, the Inditex Group has implemented equal opportunities plans, with measures that seek to meet different goals, including, without limitation fostering the commitment and effective implementation of the equal opportunities principle between female and male employees, contributing to reduce inequality and imbalance, preventing labour discrimination, fostering the Company’s commitment towards improving life quality, ensuring a healthy work environment and providing actions to promote family and work balance.

5. Operations

The Group reduces exposure to this risk through a production and procurement system that ensures a reasonably flexible response to unexpected changes in the demand from our customers. Stores are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows reducing manufacturing and delivery times as well as the stock volumes, while at the same time, the reaction capacity to introduce new products throughout each season, is kept.

Given the relevance that an efficient logistics management has on the materialization of such risks, the Group conducts a review of all the factors which might have a negative impact on the target of achieving the maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from stoppage of operations, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimized, based upon the volume of each concept or the specific requirements of the geographical area which they service. Namely, part of the above mentioned logistics centres specialize in distribution of goods sold on-line. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure in respect of this type of risks, by keeping high levels of prevention and protection in all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might arise out of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new hubs or extending the existing ones, so as to minimize the risk associated with the logistics planning and sizing.
- Investing towards improving and automating processes in the existing hubs for the purposes of increasing their capacity and efficiency and improving the internal control on goods stored in such centres. In this respect, mention should be made of the progressive application of RFID technology within the supply chain, which allows reaching a very high degree of control on goods.
- The search, approval and monitoring of external logistics operators, in different strategic points, with full integration in the logistics capacity of the company.

With regard to the potential risk of goods detention in the course of carriage, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with the real estate management, regarding the search and selection of business premises and the profitability thereof, by monitoring all the markets where it operates, considering the suitability of premises prior to their opening, and overseeing all new store

openings through the Expansion Committee.

6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy with the main goals of reducing potential economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. Such Policy sets the guidelines to manage all such exposures and provides that exchange management is done at headquarters by the Financial Management department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. At present, the exchange risk insurance (forward contract) is the main hedging instrument. Additionally, other instruments, such as collars and swaps are used, to a lesser extent.

The Payment Management Policy addresses the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. Such policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Management Policy covers the potential exceptions and the procedure to authorize them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the company, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

The Investment Policy of the Group, which seeks to ensure security, integrity and liquidity of financial assets of the company, provides the guidelines which need to be observed by counterparties, and classifies them in panels in accordance with their rating, solvency and relevance profile for the Group. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk.

Such Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

7. Information for the decision making

In order to reduce exposure to this type of risks, the Group regularly reviews the management information disclosed to the different supervisors and invests, *inter alia*, in systems for transmission of information, business monitoring and budgeting.

The IT Security department, reporting to the IT Division, is responsible for ensuring that such information is available to and/or amended, exclusively by the persons authorized to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control System on Financial Reporting (ICFR) aimed at achieving an

ongoing follow-up and assessment of the main risks associated, which permits ensuring reasonably the reliability of the public financial information of the Group. Additional information on this issue is available in Section F of this report.

In addition, the consolidated Financial Statements and those of all relevant companies are subject to review by the independent auditors, who are also in charge of carrying out certain audit works regarding the financial information. Likewise, as regards the most significant companies of the Group, independent auditors are requested to issue recommendations on internal control.

8. Technology and IT

Given the importance of the smooth running of technological systems to achieve the objectives of the Group, the IT Division exercises, through the IT Security area, and with the support of the Committee for Information Security, a permanent control aimed at ensuring streamlining and consistency of such systems, in addition to the security and stability required for business continuity. The Group is aware that its systems will require ongoing improvement and investment to prevent obsolescence and keep the response capacity thereof at the levels required by the Organization.

As a benchmark, aimed at keeping the safety of the information and of the elements which process it, the Group is governed by the Information Security Policy, which is accepted by all users with access to information. Such Policy is available on the INET.

For the specific purpose of keeping a continuous systems operation, the Group relies on technical and procedural contingency systems which would reduce the consequences of any breakdown or stoppage. Among such technical contingency systems, the main data centre, TIER IV certified, the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines may be found.

Additionally, the IT Security area within the IT Division relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow advancing and/or reducing the consequences of risk materialization, together with insurance policies covering loss of profit, expenses stemming from cyber-attack and public liability of the company for damages incurred by third parties. The Company considers, based upon the available information, that these controls have been successful to date.

However, taking into account that every year a large number of hackers attempts to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organization, cannot be ruled out.

9. Corporate Governance

In order to reduce these risks, compliance with the corporate governance system of the Company is required. Such system comprises the Articles of Association, the Board of Directors' Regulations, the Regulations of the General

Meeting of Shareholders, the Audit and Control Committee's Regulations, the Nomination Committee's Regulations and the Remuneration Committee's Regulations, the corporate policies implemented for enterprise risk management, and the internal regulations of the Group (the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct regarding Transactions in Securities", among others).

The Code Compliance Supervisory Board and the Code Compliance Officer are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act *ex officio* or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relationship and with a lawful business or professional interest, by submitting a report in good faith.

With regard to supervision, the Board of Directors and the Audit and Control Committee are the main governing bodies responsible for risks control.

1.- The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and for organising the appropriate internal control and information systems.

2.- The Audit and Control Committee

Included in the duties of the Audit and Control Committee is that of assisting the Board of Directors in its duties to oversee and control the Group, by reviewing the internal control systems. The duties of the Audit and Control Committee are provided in the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

The Audit and Control Committee's Regulations provide that it is incumbent on such body, exclusively comprised of non-executive directors, *inter alia*: to oversee the effectiveness of the internal control of the Company, the internal audit and the risk management systems, including tax ones, and to review with the financial auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to supervise the process for preparing and releasing the regulated financial information.

Additionally, the Audit and Control Committee is responsible for overseeing the Internal Audit Department of the Group, approving its budget and the Internal Audit Plan, the annual report of activities of the Internal Audit department and ensuring that it relies on the appropriate material and human resources, whether internal or external, to discharge its duties, approving the budget of the Internal Audit function, the Internal Audit Plan and the annual activities report, ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group, and gathering periodic information on the proceedings of Internal Audit.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Control Committee, thus ensuring the full independence of its acts.

The mission of the Internal Audit function is defined in the Group's Internal Audit

Charter, and it consists of contributing to the good running of the Group, by assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organization.

Likewise, according to such Charter, the goals of the Internal Audit function are to promote the existence of appropriate internal control and risk management systems; the streamlined and efficient application of the policies and procedures which make up such internal control system; and to serve as communication channel between the Organization and the Audit and Control Committee, with regard to those matters under the remit of the Internal Audit function.

F INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS WITH REGARD TO FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the internal control and risks management systems with regard to financial reporting (ICFR) of your entity

F.1 Entity's control environment

Give information describing the key features of at least:

F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its monitoring.

- Board of Directors.

Except for such issues whose transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and monitoring body of the Company, being ultimately responsible for the existence and update of an appropriate and effective ICFR.

The Board of Directors is entrusted with the management and representation of the Group, delegating in general the management of the day-to-day business of INDITEX to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, assessing officers' management, making the most relevant decisions for the Group and liaising with the shareholders.

- Audit and Control Committee.

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and the Audit and Control Committee's Regulations, and as part of its financial and monitoring duties, it is incumbent on the Audit and Control Committee to oversee the process for preparing and releasing the regulated financial information, and to monitor the effectiveness of the ICFR. In this respect, the Committee discharges, *inter alia*, the following duties:

- Overseeing the effectiveness of the internal control system of the Group, the internal audit, and the risks management system, including tax risks, and discussing with the auditor the significant weaknesses of the internal control system revealed in the course of the audit.
- With regard to the powers regarding the process to prepare the regulated financial information:
 - Overseeing the process of preparation and submission and the integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports, and overseeing the review of the interim financial statements requested from the financial auditor, with the scope and frequency that may be defined, as the case may be.
 - Reviewing compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable.
 - Advising the Board of Directors on any significant change of accounting standard and on the significant risks of the balance sheet and off-balance sheet
- With regard to the Enterprise Risk Management Policy:
 - Overseeing the control and risk management function.
 - Regularly reviewing the enterprise risk management policy, including tax risks.
 - Ensuring that the enterprise risk management policy contains at least:
 - (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Group addresses, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;
 - (ii) The determination of the level of risk that the Group deems acceptable;
 - (iii) The measures planned to reduce the impact of the identified risks, should they materialize; and,
 - (iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks;
- Reviewing the information about the risks that the Group addresses, and about the risk control systems, that must be

included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements, and in any other information instruments of the Group;

- Evaluating any question regarding non-financial risks (including without limitation operational, technological, regulatory, social, environmental, political and reputational) that the enterprise risk management policy and systems must contain;

Most members of the Audit and Control Committee are non-executive independent directors. The Committee meets on a quarterly basis and each time it is called by its Chair. In FY2016, the Audit and Control Committee has met 6 times.

- Financial Division.

The *Dirección General de Finanzas* [Financial Division] is responsible for the design, roll-out and update of an appropriate ICFR, as provided in the Procedure for Enterprise Risk Management in respect of financial information. Such procedure is part of the integral risk management system of the Group and it covers exclusively those risks which affect the financial information.

The Financial Division sets out and circulates the policies, guidelines and procedures, associated with financial information production and is charged with ensuring the appropriate enforcement thereof within the Group.

- Internal Audit

Internal Audit is overseen by the Audit and Control Committee to which it reports. It is charged, *inter alia*, with supporting the Committee in supervising the internal control of financial information systems, by performing specific audits about ICFR, requesting action plans to correct or reduce any weaknesses revealed and following-up on the implementation of the proposed recommendations.

Internal Audit relies on an Internal Audit Chart, approved by the Audit and Control Committee, which regulates the mission, authority and responsibilities of such function pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the “*International Standards for the Professional Practice of Internal Auditing*” by the *Instituto de Auditores Internos*, a member of the IIA (Institute of Internal Auditors).

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

- **Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the company,**

The Board of Directors is responsible for designing and reviewing the organizational structure and the lines of responsibility within the Group. The

departments charged with preparing the financial information are found within such structure.

The Nomination Committee, mostly made up of non-executive independent directors, is charged with providing and reviewing the criteria to be followed in the selection of the senior executives of the Group.

It is incumbent on such Committee, *inter alia*, to issue a report on any motion to appoint and/or remove senior executives of the Group that the chief executive may submit to the Board of Directors pursuant to the provisions of section 16.2. (g) of the Board of Directors' Regulations.

Senior executives and the Human Resources Department (hereinafter, the "DRRHH" (*Spanish acronym*)) define the duties and responsibilities of each area. Additionally, the Compensation area, reporting to the DRRHH, regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of preparing the financial information, the Group has clearly defined lines of authority and responsibility. The main responsibility in preparing financial information falls with the Financial Division.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Division and disclosed by the DRRHH.

To carry out its activity, The FINANCIAL DIVISION is organized in the following departments: Administration, Planning and Management Control, Financial Management, Enterprise Risk Management, Tax, and Processes and Projects.

The Group relies on financial organization structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, among other things, with complying with the procedures set out within ICFR.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The Board of Directors approved in the meeting held on 17 July 2012, following a favorable report of the Audit and Control Committee, the Code of Conduct and Responsible Practices of the Inditex Group (which replaces both the Internal Guidelines for Responsible Practices of the Inditex Group's Personnel and the Code of Conduct) and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Therefore, the Group's internal conduct policies are covered in the following codes:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Internal Regulations of Conduct regarding Transactions in Securities.

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from INDITEX and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.

Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.

Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.

Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."

A Committee of Ethics has been set up to ensure compliance with the Code of Conduct and Responsible Practices. Such Committee of Ethics is composed of:

- The General Counsel and Code Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer
- The Chief Human Resources Officer

The Committee of Ethics may act *ex officio* or at the behest of any of Inditex's employees, manufacturers, suppliers or any third party involved in a direct

relationship and with a lawful commercial or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To supervise compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or Department which may be responsible for processing and issuing a resolution regarding such instrument.
- To monitor and supervise the management and settlement of any case.
- To solve any doubts which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, after report from the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To oversee the Whistle Blowing Channel and compliance with the Procedure.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.
- The thorough review of any information or document that triggered its action.
- The commencement of such proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence.
- The indemnity of any complainant as a result of bringing complaints in good faith to the Committee.

Decisions of the Committee of Ethics shall be binding for the Inditex Group and for its employees.

The Committee of Ethics submits a report to the Audit and Control Committee at least twice a year, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the model of compliance with internal regulations, from time to time in force.

- The Code of Conduct for Manufacturers and Suppliers

The Code of Conduct for Manufacturers and Suppliers defines minimum standards of ethical and responsible behaviour which must be met by the manufacturers and suppliers of the products commercialized by Inditex in the course of its business, in line with the corporate culture of the Inditex Group, firmly based on the respect for human and labour rights

The Code applies to all manufacturers and suppliers involved in the processes for procuring, manufacturing and finishing the products that the Group commercializes and it is based upon the general principles that define Inditex's ethical behavior, i.e.: all Inditex's operations shall be carried out under an ethical and responsible perspective; all persons, individuals or entities, who maintain, directly or indirectly, any kind of employment, economic, social and/or industrial relationship with Inditex, are treated in a fair and honourable manner; all Inditex's activities are carried out in a manner that most respects the environment; all manufacturers and suppliers (production centers that are not the property of Inditex) fully adhere to these commitments and undertake to ensure that the standards which are set forth in the Code of Conduct for Manufacturers and Suppliers are met.

Manufacturers of goods commercialized by Inditex are bound to comply with this Code of Conduct for Manufacturers and Suppliers and with the Code of Conduct and Responsible Practices, inasmuch as they apply to them. Likewise, the remaining suppliers of goods and services of the Group shall enforce both Codes inasmuch as they apply to them.

- IRC

Moreover, the Board of Directors approved on 19 July 2016 the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its corporate group, within the European regulatory framework against market abuse, comprising the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014) and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, which seeks to reinforce market integrity and establish mechanisms for a streamlined implementation and supervision within the different Member States of the European Union.

By approving the IRC, Inditex follows the latest regulatory developments which apply to such persons who, given their position, duties or office, have (or may have) access to Inside Information of the Inditex Group (hereinafter, the "**Affected Persons**") and their Related Persons, as well as to the proceedings of Affected Persons and their Related Persons related to the stock exchanges. All the transactions in Inditex shares carried out by Affected Persons and their Related Persons are subject to the IRC.

All the procedures related to Personal Transactions regarding Affected Securities and Instruments (Inditex shares) are kept in the new IRC. As was previously the case, Affected Persons must:

- Request from the Code Compliance Office (hereinafter, the "**CCO**") prior authorization for any transactions in Inditex shares, where the actual amount thereof is equal to or in excess of €60,000.

- Regardless of the economic value of the transaction, notify such transaction to the CCO within the first 15 days of the month immediately after the one during which it was carried out.
- Request authorization, where appropriate and disclose as provided in the two previous paragraphs, such transactions in Inditex shares carried out by their Related Persons.
- Refrain from carrying out any transaction in Inditex's shares during close periods. As customary, and to help compliance with this obligation, the Code Compliance Office will give Affected Persons written notice of both the beginning and the end of such close periods.

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Whistle Blowing Channel Procedure of the Inditex Group.

In this respect, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be; to civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Code Compliance Supervisory Board which reports directly to the Audit and Control Committee of the Board of Directors. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

The Code Compliance Supervisory Board is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, a Code Compliance Office exists within the Code Compliance Supervisory Board. The General Counsel of the Inditex Group is the Code Compliance Officer. The Code Compliance Office is charged, *inter alia*, with enforcing the conduct policies of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be relevant information, and namely to financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the Code Compliance Supervisory Board and the Code Compliance Office shall ensure that the above referred principles are observed.

With regard to the dissemination of the above referred regulations, it is incumbent on the Human Resources Department of the Group to circulate a copy of the Code of Conduct and Responsible Practices to any new employees upon their joining the organization.

Likewise, an updated version of such regulations is available on the corporate website (www.inditex.com) and on INET; they are subject to the appropriate measures regarding disclosure, training and awareness-raising, so that they may be understood and implemented within the whole organization.

Additionally, the Code of Conduct and Responsible Practices is also available at the stores' TGT in most countries.

With regard to the IRC, the Code Compliance Office keeps a General Documentary Register of all Affected Persons. The Code Compliance Office is bound to inform Affected Persons that they are subject to the provisions of the IRC as well as of any breaches and penalties which may arise, where appropriate, from an inappropriate use of Reserved Information.

Likewise, the Code Compliance Office shall inform the Affected Persons that they have been included in the General Documentary Register and about any other issues addressed by *Ley Orgánica* 15/1999, of 13 December on Personal Data Protection.

- **Whistle blowing channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating where appropriate, whether reports made through this channel are confidential.**

A Whistle Blowing Channel is available to all employees of the Group, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographical or functional location, so that they may report through this Whistle Blowing Channel any breach of the Group's internal conduct and regulatory compliance policies by any employees, manufacturers, suppliers or third parties with whom the Group has any direct employment, business or professional relationship and which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice in respect of any codes may be reported, including those of a financial and accounting nature.

It is incumbent on the Committee of Ethics to oversee the Whistle Blowing Channel as well as the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such Whistle Blowing Channel are implemented in the Whistle Blowing Channel Procedure approved by the Board of Directors on 17 July 2012. Such document is available on the INET.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct and regulatory compliance policies may be sent to the Company by post, for the attention of the Committee of Ethics (to Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain)); by e-mail to: (comitedeetica@inditex.com), or by fax (+34 981186211). The confidentiality of such reports or queries is ensured.

Upon receiving any report, the Committee of Ethics verifies first whether it falls within the remit of the Whistle Blowing Channel. If so, the Committee of Ethics will refer such report to the relevant department so that it would make the appropriate investigations. Otherwise, the Committee of Ethics will order closure of proceedings.

In light of the findings reached following the investigation, the relevant department or department shall, having heard first the interested party,

propose any of the following measures to the Committee of Ethics which will have final say:

- Remedy of the breach, if appropriate,
 - Proposal of penalties or relevant courses of action
 - Closure of proceedings, where no breach has been detected.
- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management**

The Training and Career Development area of the Group, which reports to the DRRHH, is charged with preparing, together with each of the areas reporting to the Financial Division, training and refresher courses for the different staff members involved in the preparation and supervision of the financial information of each and every company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes in the matter of preparation and supervision of financial information.

- General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and of the respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group abroad.

- Specific training

Group employees involved in such process associated with the preparation of financial information regularly receive training and refresher courses that seek to provide knowledge about local and international standards governing financial information, as well as about the existing regulations and best practices in the area of internal control.

Within the financial environment, such training and refresher schemes are arranged by the DRRHH, liaising with each of the areas within the Financial Division.

Training courses are provided on an annual basis for all new supervisors of financial areas in each country, in order to train them in respect of the management model of the INDITEX Group, as well as about the internal control on financial information system implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used in the preparation of financial information.

With regard to specialized training proceedings carried out by employees from the different departments of Financial Division during FY2016, the

following stand out, among others:

- International Cash & Treasury Management
- Accounting regulations on derivatives and hedging
- Corporate Fraud and Cyber Risks
- COSO Framework 21013

F.2. Risks assessment in financial reporting

Give information on at least:

F.2.1. The main features of the risk identification process, including error and fraud risks, with respect to:

- **Whether the process exists and is documented**

The risk identification process has been documented in the Procedure for Risk Management in respect of Financial Information. This procedure seeks to describe the mechanisms to identify and assess, on an annual basis, the risks which may lead to material mistakes in financial reporting.

- **Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations); whether the information is updated and how often.**

The above referred risks management process is based upon five stages:

- Gathering financial information
- Identification of the operation cycles with an impact on financial information
- Assessment of risks by the reporting unit of financial statements
- Prioritization of accounts criticality
- Checking risks versus operational cycles

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of ICFR) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; (v) rights and obligations.

Further to the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

- **The existence of a process to identify the consolidation perimeter taking into account, *inter alia*, the potential existence of complex corporate structures or special purposes vehicles**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for the Incorporation and Financing of Companies.

Recorded in such Master are on the one hand, general information about companies, such as company name, accounting closing date and currency and on the other, legal details such as the date of incorporation, share capital, list of shareholders, shareholding, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they might have an impact on financial statements.**

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks

Potential risks identified through the Scoping Matrix of ICFR are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Division) with the assistance of all the involved areas of the organization. Thus, the Group may consider the impact that the remaining risks classified within the following groups: Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems and Corporate Governance, may have on financial statements.

- **Which governing body of the company is charged with overseeing the process.**

The entire process is overseen and approved on an annual basis by the Audit and Control Committee.

F.3 Control activities

Give information on the main features if at least the following exist:

F.3.1. Procedures to review and authorize financial information and ICFR description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for the different types of transactions which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgment, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, *inter alia*, to review the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, overseeing at all times compliance with the legal requirements and the appropriate use of generally accepted accounting standards upon preparing such information.

Likewise, the above referred Regulations provide that the Audit and Control Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and add to its annual public documentation.

The Group relies on review mechanisms of the financial information. Each of the organizational structures shall be responsible for reviewing the periodic financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate financial level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Division and the external auditors meet, for the purposes of reviewing and assessing the financial information.

The Audit and Control Committee submits this information to the Board of Directors which is responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps duly documented all processes which, in its view, entail a risk of a material impact on the preparation of the financial information, through the relevant procedures.

Such procedures describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives related with reliability and integrity of the financial information so as to prevent, detect, reduce and correct the risk of any potential mistakes way in advance. Such procedures and controls are covered in the SAP GRC Process Control tool.

Additionally, such processes are represented in flow charts and scoping risks and controls matrixes whereby the relevant control activities are identified. Each control activity is overseen by the relevant supervisor and is systematically carried out. Circulation of procedures, flow charts and matrixes to staff members involved in the preparation of the financial information is carried out through the specific Financial Division portal of the Group available on the Group's INET, where they are available to any member of the financial team. Such portal represents an additional work tool.

Each procedure is allocated to a supervisor charged with its review and update. Said updates are duly reviewed and authorized by the management of the area

prior to their disclosure.

With regard to the accounting closing, the Financial Division issues the instructions together with the calendar and contents of the financial reporting for each of the local financial structures to prepare the consolidated financial statements.

This procedure includes a section on “Provisions, Opinions and Estimates” regarding the specific identification of the main consolidated provisions, opinions and estimates, as well as the review and approval thereof by the Financial Division.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information.

The internal control framework of IT systems of the Group seeks to set up controls over the main business processes, which are closely related to Information Technologies (hereinafter, “IT”).

Based upon the relationship between business processes and associated systems, a basic review of risks is carried out, allowing the company to prioritize and focus on such environments which are especially relevant for IT.

The Group has an IT Security area, reporting to the IT Division, which seeks to ensure security of all computer processes by:

- setting and circulating regulations to ensure security, pursuant to the Policy for Information Security (hereinafter, the “PSI” (*Spanish acronym*)).
- carrying out reviews and setting up controls aimed at verifying enforcement of such regulations.

The PSI and its implementing regulations serve as the benchmark which provides guidelines to the staff of the Inditex Group, for the purposes of ensuring information security within all business processes; therefore, they also support the ICFR. Guidelines provided in the PSI address the following issues:

- Assets classification and control
- Security vis-à-vis human deeds
- Physical security and security of the environment
- Accesses control
- Systems, Communications and Transactions Management
- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Additionally, regarding the design and implementation of applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of IT systems in case of lack of availability.

During FY2016, the Committee for Information Security has held quarterly meetings. Such body is charged with ensuring within the organization support to any and all initiatives about information security. Members of the following areas serve on such Committee:

- Administration and Finances
- Internal Audit
- Corporate Development
- International
- Legal
- Corporate Logistics
- Product Diversion Control
- Human Resources
- General Counsel's Office
- Corporate Security
- IT

F.3.3 Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.

During FY2016, a number of activities, such as valuation of fixed assets, valuation of intangible assets, actuarial calculations, HHRR-related services or valuation of derivatives, were outsourced to third parties. They did not have any material impact on financial statements:

Such services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the individuals or companies hired.

F.4. Information and communication

Give information on the main features if at least the following exist:

F.4.1 A specific function in charge of defining and updating accounting policies (accounting policies area or Department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with those in charge of operations within the organization as well as an updated manual on accounting policies disclosed to the units through which the entity operates.

The External Reporting area, within the Planning and Management Control Department, is responsible for drafting, publishing, implementing and updating the Manual of Accounting Policies of the Group. Such area has, among others, the following duties associated with the Group's accounting policies:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.

- Addressing doubts and queries arising from the construction of accounting standards.
- Standardizing the accounting practices of the Group.

Such manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The manual is regularly updated. During such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drafting the financial statements.

The manual and the remaining documentation are available on the INET.

F.4.2 Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning ICFR.

The process for consolidation and preparation of consolidated financial statements is centralized, falling on the External Reporting area which reports to the Planning and Management Control Department.

Preparation of the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is based upon SAP BPC tool.

Financial information reported to CNMV is drafted based upon consolidated financial statements gathered through the above referred tool, and based upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

F.5. Supervision of the system's operation

Give information describing the main features of at least:

F.5.1 ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function charged, inter alia, with supporting the audit committee in the monitoring of the internal system, including ICFR. Likewise, give information on the scope of ICFR assessment carried out during the financial year, and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan providing any potential corrective measures and whether the impact of such measures on the financial information has been considered

Regarding the supervision activities about ICFR, the Audit and Control Committee has carried out during the year, the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with the legal requirements and the appropriate application of the generally accepted accounting standards upon drafting such information.
- As part of its supervision duties regarding the Internal Audit Department, it has approved its annual activities report, as well as its budget and the annual internal audit plan.
- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interests or significant transactions subject to review during the year
- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Control Committee on the degree of enforcement of recommendations resulting from such assignments.
- It has kept regular meetings with other corporate departments of the INDITEX Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organizational structure by means of a direct link to the Board of Directors, which ensures a full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Control Committee.

The area is centrally managed from headquarters and it relies on representatives at such geographical areas where the presence of the Inditex Group justifies such existence. Additionally, it is divided into specialized areas, which allows gathering deeper knowledge on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Control Committee which provides for the human and material resources, both internal and external of the Internal Audit area.

Among the goals of the Internal Audit function are the assessment of risk exposure and the suitability and effectiveness of controls vis-à-vis risks identified and namely, those regarding reliability and integrity of financial and operational information.

Based upon ICFR Scoping Matrix of risks, Internal Audit drafts a pluri-annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Control Committee for approval every year.

Such pluri-annual plan entails reviews of ICFR for the significant processes and elements regarding the financial statements of the Group. Review priority is set in accordance with the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability

of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks.

Namely, the design and effective operation of key transactional controls and general controls on the main software tools involved in the preparation of the financial information, is subject to review, as well as the review of the general control environment.

Additionally, this review is supplemented with the implementation and review of key risk indicators (KRI) defined by Internal Audit in respect of the most critical risks areas; such KRI have been designed to detect and reduce likelihood of risks and mistakes, including those of financial nature and fraud. Such key risk indicators are centrally implemented for the different business units and geographical areas included in the audit plan.

To carry out its activities, Internal Audit relies on different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the effectiveness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Likewise, Internal Audit carries out certain limited procedures of analytical review on consolidated financial statements for the first and third quarter of the year on consolidated information.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Division and the Audit and Control Committee. The implementation of such measures is subsequently followed up by Internal Audit and reported to the Audit and Control Committee.

F.5.2 Whether there is a discussion procedure whereby the auditor, (in accordance with the provisions of the NTA), the internal audit function and other experts may disclose to the senior management and to the audit committee or the directors of the company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted Likewise, give information on whether there is an action plan to try and correct or reduce weaknesses observed

Internal Audit regularly discloses to the Financial Division and the Audit and Control Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, the External Auditors regularly meet with the Financial Division and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

During its meetings, the Audit and Control considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: "*The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the*

Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy.”

To meet the provisions laid down in the above referred section 45.5, any discussion or different view existing is advanced in the meetings held between the Audit and Control Committee and the external auditors. Meanwhile, external auditors report, where appropriate, about the main issues that need to be improved regarding internal control identified as a result of their work. Additionally, the Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

On the other hand, the Audit and Control Committee meets with the auditors of the individual and consolidated statements for the purposes of reviewing on the one hand the financial statements of the Group and on the other, certain half-yearly periodic financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with legal requirements and the appropriate enforcement of generally accepted accounting standards upon preparing such information.

During FY2016, members of the Internal Audit Department have attended all 6 meetings of the Audit and Control Committee, and the External Auditors four meetings.

F.6 Other relevant information

--

F.7. Report of the external auditor

F.7.1 Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should provide the reasons therefor.

The Group's Management has decided to submit the information about ICFR included in section F of the Annual Corporate Governance Report for FY2016 prepared by the Group's Management, to the external auditors for review.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF INDUSTRIA DE DISEÑO TEXTIL, S.A., FOR THE FISCAL YEAR ENDED ON JANUARY 31th, 2017

To the Directors of
Industria de Diseño Textil, S.A.:

As requested by the Board of Directors of Industria de Diseño Textil, S.A. ("the Entity") and in accordance with our proposal-letter of November 22th, 2016, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Industria de Diseño Textil, S.A. for the fiscal year ended on January 31th, 2017, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on January 31th, 2017 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the consolidated Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 7/2015 of December 22nd, 2015.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 7/2015 of December 22nd, 2015 published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.



Germán de la Fuente
Partner
March 15, 2017

G	DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED
----------	---

State the degree of conformance of the company to the recommendations of the Good Governance Code of Listed Companies.

If any recommendation is not complied with or complied in part by the Company, a detailed explanation of the reasons should be included, providing shareholders, investors and the market in general with sufficient information to assess the company's course of action. General explanations will not be acceptable.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

Complies Explain

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

- a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies in part Explain Not applicable

3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual general meeting.
- b) The specific reasons for the company not following a given recommendation of the Good Governance Code and any alternative procedures followed in its stead:

Complies Complies in part Explain

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position. This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies

Complies in part

Explain

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation. When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies

Complies in part

Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committee.

c) Audit committee report on related-party transactions.

d) Report on corporate social responsibility policy.

Complies

Complies in part

Explain

7. The company should broadcast its general meetings live on the corporate website.

Complies

Explain

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content:

Complies

Complies in part

Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies

Complies in part

Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies Complies in part Explain Not applicable

11. Where a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies Complies in part Explain Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies Complies in part Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies Explain

14. The board of directors should approve a director selection policy that:

- a) Is specific and ascertainable.
- b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs 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.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies Complies in part Explain

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies Complies in part Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options on the same.

Complies

Complies in part

Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies

Complies in part

Explain

Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies

Complies in part

Explain

Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies

Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies

Complies in part

Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential

conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies Complies in part Explain Not applicable

- 24. Directors who give up their office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Complies Complies in part Explain Not applicable

- 25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complies Complies in part Explain

- 26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complies Complies in part Explain

The Board of Directors meets according to the schedule of dates and agendas previously set, to which each director may propose the addition of initially unscheduled items. In 2016, the Board of Directors held seven meetings.

- 27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Complies Complies in part Explain

- 28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests. .**

Complies Complies in part Explain Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies Complies in part Explain

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies Complies in part Explain

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies Complies in part Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies Complies in part Explain

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies Complies in part Explain

34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan. .

Complies Complies in part Explain Not applicable

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies

Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report. .

Complies

Complies in part Explain

37 When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies Complies in part Explain Not applicable

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes. .

Complies Complies in part Explain Not applicable

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Complies Complies in part Explain Not applicable

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report

functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies Complies in part Explain Not applicable

41. The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complies Complies in part Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, reelection and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programme, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the

concentration of the auditor's business and other requirements concerning auditor independence.

Complies Complies in part Explain

- 43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer. .**

Complies Complies in part Explain

- 44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Complies Complies in part Explain Not applicable

- 45. Risk control and management policy should identify at least:**

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.**
- b) The determination of the risk level the company sees as acceptable.**
- c) The measures in place to mitigate the impact of identified risk events should they occur.**
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Complies Complies in part Explain

- 46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:**

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.**
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

Complies Complies in part Explain

47. **Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.**

Complies Complies in part Explain

48. **Large cap companies should operate separately constituted nomination and remuneration committees..**

Complies Complies in part Explain

49. **The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.**

When there are vacancies on the board, any Director may approach the Nomination Committee to propose candidates that it might consider suitable.

Complies Complies in part Explain

50. **The remuneration committee should operate independently and have the following functions in addition to those assigned by law:**

- a) **Propose to the board the standard conditions for senior officer contracts.**
- b) **Monitor compliance with the remuneration policy set by the company.**
- c) **Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) **Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- e) **Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement. .**

Complies Complies in part Explain

51. **The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officer. .**

Complies Complies in part Explain

52. **The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the**

preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies Complies in part Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies Complies in part Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies Complies in part Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies Complies in part Explain

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind. In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Complies Complies in part Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies Complies in part Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies Complies in part Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies Complies in part Explain Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies Complies in part Explain Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies Complies in part Explain Not applicable

H OTHER INFORMATION OF INTEREST

- 1. If there is any other relevant aspect as regards corporate governance in the company or in group entities that has not been covered in this Report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly**
- 2. In this section, any other information, clarification or nuance may be included that is related to the previous sections of the report, to the extent that they are relevant and not reiterative.**

In particular, state if the company is subject to different legislation than the Spanish legislation in corporate governance matters and, where appropriate, include the information that the company is obligated to provide which is different to that required in this report.

The professional profile of the following members of the Board of Directors, addressed in section C.1.2 above, should be completed with relevant information revealed after expiry of FY2016:

- On 20 February 2017, Mr Emilio Saracho Rodríguez de Torres was appointed Chairman of the Board of Directors of Banco Popular Español, S.A. by the Extraordinary General Meeting of the bank.

- On 27 February 2017, Mr Rodrigo Echenique Goardillo stepped down as Chairman from the Board of Directors of Merlin Properties Socimi, S.A.

- 3. The company may also state if it has voluntarily signed up to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing.**

With regard to corporate governance matters, the Company is subject to the Spanish legislation.

As previously stated, in the meeting held on 17 July 2012, the Board of Directors of the Company approved, following a favourable report of the Audit and Control Committee, the Code of Conduct and Responsible Practices of the Inditex Group, and amended the Code of Conduct for Manufacturers and Suppliers. The Board of Directors had also approved previously, in July 2000, the Internal Regulations of

Conduct regarding Transactions in Securities of Industria de Diseño Textil and its corporate group.

Health and safety of the product standards willingly undertaken by INDITEX are:

- Clear to Wear. This is the Inditex Group's health of the product standard which is mandatory and general for all its apparel products, footwear, accessories, fabrics and trimmings. It seeks to eliminate or regulate the use of such substances which use is restricted by law.
- Safe to Wear. This is the Inditex Group's safety of the product standard mandatory and general for its entire production. It has been developed in accordance with the most exacting and updated legislation in this area, and has been designed to ensure the security of all items commercialized by Inditex.

Codes and global commitments willingly undertaken by INDITEX are:

- UNI GLOBAL UNION (www.uniglobalunion.org). It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of accession: 2 October 2009.
- The United Nations Global Compact (www.globalcompact.org). A United Nations initiative that encourages social dialogue between companies and the civil society. Date of accession: 31 October 2001.
- Ethical Trading Initiative (ETI) (www.ethicaltrade.org). A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organizations. Date of accession: 17 October 2005.
- Framework Agreement with IndustriALL Global Union (formerly, ITGLWF) (www.industriall-union.org). To promote fundamental human and social rights within Inditex's supply chain, including the definition of mechanisms of joint action within the supply chain to implement the Code of Conduct for Manufacturers and Suppliers. Date of accession: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to define the involvement of trade unions in the reinforcement of the International Framework Agreement within Inditex's supply chain." On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL, that introduces the concept of "union experts" to enforce the Global Framework Agreement.
- Zero Discharge of Hazardous Chemicals in 2020. Commitment towards restriction and elimination of certain chemicals in the process to manufacture goods. Date of execution: 27 November 2012.
- ILO's Better Work Programme (www.betterwork.org). Platform to improve compliance with labour regulations and competitiveness of global supply chains Date of adherence: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.

- The CEO Water Mandate (www.ceowatermandate.org). A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of accession: 30 June 2011.
- Sustainable Apparel Coalition (www.apparelcoalition.org). An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of accession: 20 October 2011.
- Textile Exchange (www.textileexchange.org). A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of accession: 8 September 2010.
- Better Cotton Initiative (www.bettercotton.org). An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of accession: 1 July 2011.
- Code of Good Tax Practices. It encourages a mutually cooperative relationship between the *[Spanish]* Tax Administration Authority and the companies. Date of accession: 21 September 2010.
- Cooperation Agreement between the Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defense and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.
- Cotton Campaign: this is an initiative led by companies and organizations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of accession: 25 October 2012.
- Agreement on Buildings Safety in the Textile Industry in Bangladesh dated 13 May 2013. (www.bangladeshacord.org). This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country.
- Fur Free Alliance (www.infurmentation.com). Inditex is a member of the Fur Free Retailer Program of the Fur Free Alliance. The Fur Free Alliance is an international coalition of animal protection organizations working to bring an end to the exploitation and killing of animals for their fur. Date of accession: 1 January 2014.
- Bangladesh Water PaCT (Partnership for Cleaner Textile): a 4-year initiative that seeks to foster changes within the textile sector in Bangladesh by improving the so-called wet processes (dyeing, washing, printing and other finishes) from an environmental perspective, thus contributing to the competitiveness of the sector in the long run. Date of accession: 20 June 2013.
- ACT (Action Collaboration Transformation): an initiative of international brands & retailers, manufacturers, and trade unions to address the issue of living wages in the textile and garment supply chain. In development

thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of execution: 13 March 2015.

- CanopyStyle Initiative. Date of accession: 2014. Committed to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibers (viscose, modal, lyocell).
 - Organic Cotton Accelerator (OCA Foundation). One of the founding partners of OCA Foundation in 2016 and member of the Investment Committee, being actively committed to contributing to develop a responsible and healthy market of organic cotton for all parties involved.
-

This annual corporate governance report was approved by the Board of Directors of the company at its meeting of 14 March 2017.

State whether any Directors voted against or abstained in connection with the approval of this Report.

Yes

No

Name (person or company) of the director who has not voted for the approval of this Report	Grounds (against, abstention, not in attendance)	Explain the reasons