

**REVISED TEXT OF THE BOARD OF DIRECTORS'**  
**REGULATIONS**

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

**APPROVED BY THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO  
TEXTIL, S.A. ON 11 DECEMBER 2007**

**(SPANISH VERSION PREVAILS)**

*[This text is an in-house translation of an original in Spanish]*

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## CHAPTER I. PRELIMINARY

### **Article 1. Purpose**

1. The purpose of these Regulations is to determine the principles of action of the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter, the “Company”), the basic rules governing its organization and proceedings and the rules of conduct of its members.
2. Under the terms set out below, the rules of conduct for directors established herein shall apply, insofar as these rules are compatible with their specific nature, to the senior management of the Company other than directors. Specifically, the following articles shall apply to them, subject to adjustment: article 30 (duty of confidentiality of directors); 32 (conflicts of interest), with regard to the duty to inform the Company; 33 (use of corporate assets); 34 (non-public information); 35 (business opportunities), and; 36 (prohibition to make undue influence of the office)

### **Article 2. Construction**

1. These Regulations shall be construed according to the applicable legal and statutory rules and to the principles and recommendations on corporate governance of listed companies from time to time in force passed and fostered by the Spanish authorities and by those of its surrounding countries.
2. It is incumbent upon the Board of Directors to resolve any doubts arising from the application of these Regulations according to the general criteria of construction of legal rules.

### **Article 3. Amendment**

1. These Regulations may only be amended at the behest of the Chairman, of three directors or of the Audit and Control Committee.
2. The modification proposals must be accompanied by a report in support of the amendment, and a report by the Audit and Control Committee.
3. The text of the proposal, the supporting report and, where appropriate, the Audit and Control Committee’s report must be attached to the notice of the meeting of the Board which has to debate that matter.

Notice of the meeting must be given at least ten days in advance.

4. In order for the modification of the Regulations to be valid, a resolution passed by a majority of two-thirds of the directors present shall be required.
5. The Board of Directors will inform of the amendments to these Regulations that it might resolve to the first General Meeting to be held following said amendments.

Likewise, the amendments to these Regulations shall be subject to the dissemination system provided in article 4.

#### **Article 4. Dissemination**

1. Directors and senior managers, and these latter under the terms set out in article 1.2 above, have the obligation to know, comply with and enforce these Regulations. To this end, the Secretary of the Board shall provide all of them with a copy of the same, whenever they accept their respective appointments or their contracts enter into effect, as the case may be.
2. The Board of Directors shall inform the General Meeting of these Regulations, and shall take the appropriate steps so that the Regulations are disclosed to the shareholders and the investors in general. In particular, the text currently in force of the Regulations may be consulted at the Company's web page in compliance with article 40.
3. These Regulations and the subsequent amendments thereof shall be filed with the *Comisión Nacional del Mercado de Valores* (Spanish Stock Exchange and Securities Commission) (hereinafter "CNMV"), enclosing a copy of the document where they are drawn up. Upon their filing, they shall be recorded in the Companies Register.

### **CHAPTER II. MISSION OF THE BOARD**

#### **Article 5. Mission of the Board**

1. Except in the matters reserved for the competence of the General Meeting, the Board of Directors is the most senior decision-making body of the Company.
2. It is the Board of Directors' policy to delegate the management of the day-to day business of the Company to the executive bodies and to the management team, and to concentrate its efforts on the general supervisory function, which includes directing the policy of the Company; monitoring the management; evaluating the performance of officers; adopting the most relevant decisions for the Company, and acting as a link with the shareholders.
3. Those powers that are reserved by the Law or by the Articles of Association to the direct knowledge of the Board may not be delegated, nor may those others that are necessary for the responsible exercise of the general supervisory role.

For the above purposes, the Board of Directors shall, acting at its own behest or at the suggestion of the corresponding intern body, directly exercise at least the following powers:

(a) To approve the general strategies and policies of the Company, and specifically:

- i) the strategic or business plan, management targets and annual and budgets;
- ii) the investment and financing policy;
- iii) the design of the structure of the corporate group;
- iv) the corporate social responsibility policy;
- v) the remuneration and evaluation of senior officers policy;
- vi) the risks control and management policy, and the periodic monitoring of the internal information and control systems;
- vii) the dividend and treasury stock policy and namely, the limits thereof.

(b) The following decisions:

- i) Upon proposal of the Company's chief executive, the appointment and removal of senior managers, and their compensation clauses.
- ii) The remuneration of directors and in the case of executive directors, the additional consideration for their management duties and other contract conditions.
- iii) The financial information that the Company, being a listed company, must periodically disclose.
- iv) The investments and operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Meeting.
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

(c) Evaluate on a yearly basis:

- (i) The quality and efficiency of the Board's operation.
- (ii) The performance of his/her duties by the chief executive of the company.
- (iii) The performance of its Committees on the basis of the reports furnished by the same.

(d) The remaining competences reserved by these Regulations.

4. The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company's value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other "stakeholders" of the Company: employees, clients, suppliers and the civil society in general. The Board shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed.
5. The Board of Directors shall ensure that the Company discharges its ethical and social duties and its duty of acting in good faith in its relations with its employees and with third parties, meeting the principles of Corporate Social Responsibility that the company would have undertaken.
6. Likewise, the Board of Directors shall ensure that no individual or small group of persons has a decision-making power within the Company that is not subject to counterweights and checks and that no shareholder is treated in a more privileged manner in relation to the others.

### **CHAPTER III. COMPOSITION OF THE BOARD**

#### **Article 6. Size.**

1. The Board of Directors shall be made up of a number of members being no less than five nor greater than twelve, which shall be determined by the General Meeting.
2. The Board shall propose to the General Meeting a number that, in accordance with the changing circumstances of the Company, is more suitable in order to ensure that the body is duly representative and works efficiently.

#### **Article 7. Qualitative composition.**

1. The Board of Directors shall be made up of directors from the three categories given below:
  - (a) Executive directors, understanding as such the CEO and those who under whatever other title have management responsibilities within the Company.
  - (b) Proprietary directors, understanding as such any shareholder or proxy holder owning significant stable stakes of the Company's share capital, f whether these stakes entitle or not to a position on the Board of Directors, when it is the Board who has considered them significant.

- (c) Independent directors, understanding as such those professionals of repute who are not linked to the managerial team or to the significant shareholders and who fulfil those conditions that guarantee their impartiality and objectivity of criteria. In any case, those conditions do not concur when directors:
  - (i) maintain or have maintained during the last two years previous to their appointment a working, commercial or contractual relationship, direct or indirect, and of a relevant nature, with the Company or companies of the group (in accordance with section 4 of the Spanish 24/1998 Act, passed on 28 July – The “Stock Exchange Act”), its executive directors and officers the proprietary directors, the shareholders of the Company holding a stake equal to or greater than five (5) percent or more or the entities of its group (including, in this sense, the holding of the post of director in the case of legal persons), those credit entities lending more than one-third of the long term debt of the consolidated balance sheet of the Company and its group, or organisations that receive significant grants from the Company.
  - (ii) is linked by blood relation in direct line until the third level or collateral until the sixth level to the executive directors, the proprietary directors or the members of the high management of the Company or its group
- 2. The Board of Directors, in the exercise of its powers to submit proposals to the General Meeting and to co-opt in order to cover vacancies, shall endeavour for the ratio of independent directors within the Board to be at least equal to the ratio of floating capital of the Company.

#### **CHAPTER IV. STRUCTURE OF THE BOARD OF DIRECTORS**

##### **Article 8. The Chairman of the Board.**

- 1. The Chairman of the Board of Directors shall be elected from among those members who meet the requirements laid down for this purpose in the Bylaws of the Company.
- 2. The ordinary power to call the Board of Directors, to establish the agenda for its meetings and to direct the debates falls to the Chairman. The Chairman, however, must call the Board and include on the agenda the matters to be discussed when this is requested by at least one-third of its members or by the independent director who is in charge of coordination as provided under art 18.2 hereof. Likewise, the Chairman will organize and coordinate with the chairmen of the Committees the periodic evaluation of the Board and, where appropriate, of the CEO or the chief executive.
- 3. In the case of an equality of votes, the Chairman shall have the casting vote.

**Article 9. The Deputy Chairman.**

1. The Board shall designate out of necessity a Deputy Chairman, who shall substitute the Chairman should this latter find it impossible to perform his duties or be absent, or when the Chairman himself should so decide.
2. The Board may also appoint more than one Deputy Chairman. In this event, the position defined in the previous paragraph shall fall upon the First Deputy Chairman, who shall, in turn, be substituted in case of necessity by the Second Deputy Chairman and so on.

**Article 10. The Secretary of the Board.**

1. The Secretary needs not be a director in order to be appointed Secretary of the Board of Directors.
2. The Board of Directors, in plenary session, shall approve the appointment and dismissal of the Secretary, after report of the Nomination and Remuneration Committee.
3. The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board by taking particular care to provide directors with the necessary advice and information, keep the documents of the Company, enter the proceedings in the minutes books and certify the Board's resolutions. When directors or the Secretary himself/herself should express concern about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved by the Board, they will be acknowledged in the minutes at the request of the person expressing them.
4. The Secretary, who must be a lawyer, shall devote particular attention to the formal and material legality of the Board's actions and ensure that the corporate governance principles and the Company's internal rules and regulations, are observed.

**Article 11. The Vice-Secretary of the Board**

1. The Board of Directors may appoint a Vice-Secretary, who need not be a director, to assist the Secretary of the Board of Directors or substitute the same in the performance of his/her duties in the event that the Secretary were absent or it were impossible for him/her to perform those duties.
2. The appointment and dismissal of the Vice-Secretary must be approved by the Board of Directors in plenary session, after report of the Nomination and Remuneration Committee
3. The Vice-Secretary may attend the meetings of the Board of Directors in order to substitute the Secretary or to support him/her when the Chairman so decides.

## **Article 12. Delegated bodies of the Board of Directors.**

1. Without prejudice to the delegation of powers granted individually to any director or to the power allowing the establishment of an Executive Committee with general decision-making powers, delegated bodies for specific areas of activity or other bodies of an advisory nature, the Board of Directors shall in any event establish an Audit and Control Committee and a Nomination and Remuneration Committee, who shall assume the minimum tasks provided by Law and in these Regulations.
2. The Nomination and Remuneration Committee shall assess the profile of the most suitable persons for becoming members of the different Committees and shall submit the relevant proposals to the Board, considering, as regards the members of the Audit and Control Committee and especially, the Chairman thereof, their education and expertise in the matter of accounting, audit or risk management
3. The Committees may regulate their own proceedings, shall appoint a Chairman out of their number as well as a Secretary, who need not be a member of said Committees, in which case he/she will have the right to attend meetings and speak but no voting rights and they shall meet when a meeting is called by the Chairman. The Executive Committee is exempt from the above, as its composition and rules of proceedings, where these are created, shall be determined by the Board of Directors. The Committees shall annually draw up a calendar of their ordinary meetings that they will present to the Board. In that which has not been especially provided, the rules of proceedings established by these Regulations in relation to the Board shall apply, as long as they are compatible with the nature and function of the Committee.

## **Article 13. The Executive Committee**

1. The Executive Committee, should it exist, shall be made up of a number of directors being no less than three and no greater than seven , and the Board of Directors shall endeavour that the composition of the Executive Committee would show a number of directors, as regards their nature, similar to that of the Board itself.
2. The resolutions on the appointment of the members of the Executive Committee shall require, in order to be passed, that at least two-thirds of the members of the Board of Directors would vote in favour of such resolution.
3. The Chairman of the Board of Directors shall act as the Chairman of the Executive Committee and the Secretary of the Board shall act as Secretary, who may be assisted by the Vice-Secretary.
4. The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote in favour and may include, at the Board's choice, all or a part of the powers of the Board itself. In any case, those powers that are legally or statutorily not subject to delegation may not be delegated to the Executive Committee and nor may those

others that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board.

5. The Executive Committee will hold its meetings when the Chairman calls it.
6. The Executive Committee has to inform the Board about the matters discussed and the decisions taken at its meetings.

#### **Article 14. The Audit and Control Committee**

1. The Audit and Control Committee shall be made up of a number of directors being no less than three and no greater than five, who shall necessarily be independent directors. The Chairman of the Committee shall be elected for a maximum period of four years. He may be re-elected a year after expiry of said maximum period
2. Without prejudice to other tasks it is assigned by the Board, the Audit and Control Committee shall have the following basic responsibilities, which are:
  - a) To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.
  - b) To propose to the Board of Directors, in order to be submitted to the General Shareholders' Meeting, the appointment of the auditors. Furthermore, to propose to the Board of Directors their contractual conditions, the scope of their professional mandate and, where appropriate, the rescission or non—renewal of their appointment;
  - c) To liaise with the external auditors in order to receive information on those matters that could put at risk their independence and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards.
  - d) To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor's report to be drawn up in a clear and precise manner and to evaluate the results of each audit process;
  - e) To supervise the terms and the observance of the contracts entered into with the external auditors of the Company for the performance of assignments or tasks other than those included in the audit contract.
  - f) To supervise the Internal Audit Department of the Company and its Group, approving the budget of the Department, the Plan of Internal Audit and the Annual Activities Report, and supervising the material and human resources, whether internal or external, of the Internal Audit Department for the performance of their work. To report on the appointment of the Internal Audit Department Director prior to the corresponding report from the Nomination and Remuneration Committee.

- g) To supervise the process of financial information and the internal control systems of the Company, and to check the suitability and integrity of the same.
  - h) To periodically review the risk control and management policy, which may contain, at least, the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks and the systems of information and internal control.
  - i) To review the Company's annual accounts and the periodic financial information that the Board must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.
  - j) To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.
  - k) To examine compliance with the Internal Regulations of Conduct Regarding Transactions in Securities, with these Regulations, with the Code of Conduct and, in general, with the rules of governance of the Company and to make the necessary proposals for their improvement.
  - l) To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management team of the Company.
  - m) To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Code of Conduct and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with the Code.
  - n) To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.
  - o) To draw up an annual report on the activities carried out by the Audit and Control Committee itself.
  - p) To supervise the functioning of the Company's web page regarding the provision of information on corporate governance as referred to under article 40.
  - q) To report to the Board of Directors about the creation or, as the case may be, acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature.
3. The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock

authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions

4. The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of its meetings by the Auditors of the Accounts.
5. For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts, to which purpose the provisions of article 27 of these Regulations shall apply.
6. The Audit and Control Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal.

#### **Article 15. The Nomination and Remuneration Committee.**

1. The Nomination and Remuneration Committee shall be made up of a number of directors being no less than three nor greater than five, and shall be made up necessarily of independent directors. Its Chairman shall be chosen among its members.
2. Without prejudice to other tasks that are assigned to it by the Board and to the remaining duties reserved to it by these Regulations, the Nomination and Remuneration Committee shall have the following basic responsibilities, which are:
  - a) To draw up and check the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates;
  - b) To advise on the proposals for nominations of directors and, in case of independent directors, to submit said proposals to the Board of Directors for approval, prior to the nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors for the co-optation procedure;
  - c) To advise on the nomination of the internal offices of (Chairman, Deputy Chairman, CEO, Secretary and Vice-Secretary) of the Board of Directors;
  - d) To propose to the Board the members that must form part of each one of the Committees;
  - e) To advise on the appointment and dismissal of senior managers as proposed by the chief executive to the Board of Directors.

- f) To annually advise the Board on the evaluation of the performance of the chief executive of the Company, and also of the Nomination and Remuneration Committee itself.
  - g) To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company.
  - h) To report to the Board, before it holds its meeting, on those contracts of the personnel that include golden-parachute clauses, for those cases that imply dismissal or changes in control.
  - i) To advise in relation to the transactions that involve or may involve conflicts of interest, the transactions with related persons or those transactions that imply the use of corporate assets and, in general, about the matters included in Chapter IX of these Regulations.
  - j) To draw up and keep up to date a contingency plan to fill in the vacancies of key positions within the Company and its Group.
  - k) To ensure that when filling up any new vacancies and when appointing new Directors the recruitment process should conform to the prohibition of any manner of discrimination.
  - l) To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements
3. Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, the members of the Board, management or the shareholders of the Company.
4. The Nomination and Remuneration Committee shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors' remuneration that the Board has to approve and to include in its annual public documentation.
5. The Nomination and Remuneration Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal.

## **Article 16. The Social Advisory Board**

The Social Advisory Board of the Company, dependent on the Board of Directors, is the consulting body of the Company regarding social corporate responsibility. Its principle of conduct, basic rules of organization and functioning as well as the rules of conduct of its members are established under its By-laws, which are passed by the Board of Directors.

## **CHAPTER V. PROCEEDINGS OF THE BOARD**

### **Article 17. Meetings of the Board of Directors**

1. The Board of Directors shall ordinarily meet quarterly and, at the behest of the Chairman, whenever the same should consider it appropriate for the good running of the Company. The Board of Directors must also meet when a meeting is requested by at least one-third of its members, in which case it shall be called by the Chairman to meet within the fifteen days following the request.
2. Notice of the ordinary sessions shall be carried out by letter, fax, telegram or electronic mail, and shall be authorized with the signature of the Chairman or that of the Secretary or the Vice-Secretary by order of the Chairman. The notice shall be issued at least three days in advance.

The notice of the meeting shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

3. The Chairman of the Board of Directors may call extraordinary meetings of the Board when in his opinion the circumstances so justify it, without the period of advance notice and the other requirements indicated in the previous section applying in such cases. Furthermore, the Board shall be considered validly constituted without the need for notice if, all its members being present or represented, these unanimously agree to the meeting taking place.
4. The Board may equally pass resolutions in writing without the need for a meeting, in accordance with the provisions of the Spanish Corporation Act.

Furthermore, the Board may hold a meeting via videoconference or conference call; these means shall allow one or more directors to attend the meeting. For this purpose, the notice for the meeting of the Board, shall state not only the place of calling, where the General Secretary shall be present, but also the possibility that the meeting may be attended via conference call, videoconference or equivalent system and the precise technical devices provided for this end, which shall allow the instant and direct communication between the members in attendance. The Secretary of the Board shall register in the minutes of the meetings held by these means, not only the members of the Board physically present or represented by

other director, but also the members attending the meeting via multiconference call, videoconference or similar system.

5. The Board shall draw up an annual calendar of its ordinary meetings.

#### **Article 18. Meeting of the Independent Directors**

1. Independent directors can hold meetings amongst them independently of the other members of the Board, prior to the Board of Directors meetings or at any other time. Said meetings shall be called and chaired by a coordinator of their number (hereinafter, "the coordinator") and shall be governed by the provisions set forth for the sessions of the Board of Directors, except where this would prove to be incompatible with their capacity as independent directors; where there is a Vice-Chairman who is an external independent director, it shall be incumbent on him/her to perform the duties of coordinator, and should there be more than one, the role of coordinator shall fall on the most senior of them.
2. Where the Chairman of the Board is also the chief executive of the Company, the coordinator shall have the following additional powers: i) to call the meeting of the Board and the addition of new items on the agenda, being the Chairman bound to comply with these requests and ii) to coordinate and to echo the concerns of external directors.

#### **Article 19. Conduct of the meetings.**

1. The Board shall be validly held when at least half of its members plus one attend either in person or by proxy. In the event of an uneven number of Directors, the Board shall be validly held when a number of Directors immediately higher than half of it concur.

Directors shall do their best to attend the Board meetings and, when they cannot do so in person, they shall 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.

2. The Chairman shall be responsible for organising the debate and fostering the participation of the directors in the Board's deliberations.
3. Except in those cases where the bylaws establish other voting quorums, resolutions shall be passed when a majority of those attending the meeting vote in favour.

### **CHAPTER VI. APPOINTMENT AND REMOVAL OF DIRECTORS**

#### **Article 20. Election of directors**

1. Directors shall be appointed by the General Meeting or by the Board of Directors in accordance with the provisions of the Spanish Corporation Act.

2. The proposals for the nomination of directors that the Board of Directors submits to be considered by the General Meeting and the nomination decisions that said body adopts in virtue of those powers to co-opt legally attributed to it must be preceded by the corresponding report from the Nomination and Remuneration Committee, and as regards independent directors, by the relevant proposal submitted by said Committee.

When the Board departs from the Nomination and Remuneration Committee's suggestions, it must state the motives for its actions and place its motives on the record.

3. The Board shall explain to the Annual General Meeting in charge of appointing or ratifying the appointment of directors the nature thereof, and said nature shall be confirmed or, where appropriate, reviewed in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee.

#### **Article 21. Appointment of directors**

1. The Board of Directors and the Nomination and Remuneration Committee, within the scope of their competences, shall endeavour for the choice of candidates to fall on persons of well-known ability, competence and experience, and must maximize their rigour in relation to those provisions regarding the covering of the positions of independent directors foreseen in article 7 of these Regulations.
2. The Board of Directors may not propose or appoint any persons to fill up a vacancy on the Board who already perform the duties of Directors at the same time, in more than four listed companies other than the Company. Should the vacancy to be filled be that of an independent director, the Board of Directors may not propose or appoint those persons who do not satisfy the criteria of independence established in section 1(c) of article 7 of the present Regulations.

#### **Article 22. Re-election of directors**

The proposals for re-election of directors that the Board of Directors decides to submit to the General Meeting must be subject to a formal process of preparation, which shall include, necessarily, a report issued by the Nomination and Remuneration Committee in which the quality of work and the dedication to office by the proposed directors during the previous mandate shall be evaluated and as regards independent directors, the relevant proposal by the Nomination and Remuneration Committee regarding their re-election.

#### **Article 23. Term of office**

1. Directors shall hold their office for a term established by the Articles of Association, which shall not exceed six years at the end of which they may be re-elected for the same maximum terms periods.
2. Directors appointed by co-option shall hold their office until the date that the first General Meeting is held.

3. The director who ends his/her mandate or for any other cause should cease to hold his/her office may not render service in another entity having a corporate purpose that is similar to that of the company for a period of two years.

The Board of Directors, should it think it appropriate, may exempt the outgoing director from this obligation or shorten the length of the period.

#### **Article 24. Removal of the directors**

1. The directors shall cease to hold the office when the period for which they were appointed has expired or when the General Meeting so decides, making use of the powers it has been granted by law or in the company bylaws.
2. Directors must place their office at the disposal of the Board of Directors and formalise, if this latter should consider it advisable, the corresponding resignation in the following cases:
  - a) When they reach the age of 68. Notwithstanding this, the directors who hold 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 founding Chairman of the Company, Mr. Amancio Ortega Gaona.
  - b) When they cease to hold the executive positions to which their appointment as director was associated.
  - c) When they are involved in any of the incompatibility or prohibition cases foreseen in the Law, the By-laws or the present Regulations. In particular, independent directors shall place their office at the disposal of the Board of Directors and shall formalise, where appropriate, their resignation in the event that they are under any of the incompatibilities or prohibitions provided by article 7.1. (c) of the present Regulations or in the event that they are holding the post of administrator in more than three quoted companies other than the Company.
  - d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors.
3. Directors shall inform the Board of Directors and, if appropriate, place their office at the disposal of the Board and formalize the relevant resignation, if said body deems it convenient, when circumstances that may harm the name and reputation of the company concur in them or, in any other way, put into risk the company's interests, as well as when the reasons for their appointment disappear.

4. Proprietary directors should resign 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.
5. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board; the Company will report said reason in the Annual Corporate Governance Report. Furthermore, as regards independent directors, the Nomination and Remuneration Committee shall give a report on the proposal of their early dismissal.

#### **Article 25. Objectivity and secrecy of the voting**

1. In accordance with the provisions of article 32 of these Regulations, directors affected by proposals for nomination, re-election or removal shall leave the meeting during the deliberations and voting referring thereto.
2. Voting by the Board of Directors dealing with the nomination, re-election or removal of directors shall be by ballot.

### **CHAPTER VII. INFORMATION TO DIRECTORS**

#### **Article 26. Powers regarding information and inspection**

1. Directors are vested with the widest powers to learn about any aspect of the Company, to examine the books, records, documents and other records of the company's operations and to examine all its facilities. This right to information extends to the subsidiaries.
2. In order not to perturb the ordinary course of Company business, the exercise of the powers regarding 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 receive the request and directly provide the information, facilitate contacts with the appropriate interlocutors at the appropriate level in the organisation or establish such measures so as to enable them to conduct the desired examinations *in situ*.

#### **Article 27. Experts assistance.**

1. In order to facilitate the work of directors, the non-executive directors may request that legal, accounting, financial or other experts are engaged at the company's expense.

The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

2. The decision to engage external experts must be notified to the Chairman of the Company and may be open to veto by the Board of Directors if it proves that:
  - a) It is not necessary for the proper performance of the duties entrusted to the non-executive directors; or
  - b) The cost is not reasonable in view of the importance of the problem and of the assets and income of the Company;
  - c) The technical assistance obtained may be properly provided by in-house experts and technicians, or has already been entrusted to other experts.
  - d) The confidential nature of the information to be provided to the expert may be jeopardized.

**Article 27 bis.- Information to Directors**

The Company shall design induction courses to provide new directors with a quick glance on the company and on its corporate governance regulations. Likewise, when circumstances so advise, refresher programs shall be offered.

**CHAPTER VIII. DIRECTOR'S REMUNERATION**

**Article 28. Director's remuneration.**

1. Directors shall be entitled to receive the remuneration fixed by the General Meeting of Shareholders in accordance with provisions of the corporate bylaws and of these Regulations and in accordance with the instructions of the Nomination and Remuneration Committee.
2. The Board shall endeavour for the remuneration of directors to be reasonable according to market demands. Likewise, the Board shall ensure that the remuneration of external directors is such so as to offer incentives to dedication by the directors, while not compromising their independence.
3. A report on the remuneration policy shall be approved every year by the Board, on the proposal of the Nomination and Remuneration Committee, and it shall cover at least the issues of fixed and variable remuneration, as well as the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors. The report shall focus on the remuneration policy approved by the Board for the year in course, and, where appropriate, on the one expected for years to come, especially pointing out the most significant changes of said policy as regards the one for the previous year.
4. The report referred in item 3 above will be published on the corporate web page and shall be made available to all shareholders upon holding the Annual General Meeting, but any issue which might entail the disclosure of sensitive business information shall be eliminated thereof.

## CHAPTER IX. DUTIES OF DIRECTORS

### **Article 29. General duties of Directors**

1. Directors must perform the duties imposed by Law and the Articles of association, with loyalty to the corporate interest, which is to be understood as the interest of the Company itself, pursuant to the provisions of article 5 paragraph 4.
2. Directors shall discharge their duties with the diligence of orderly businessmen and loyal representatives, being bound, in particular, to:
  - a) Be informed diligently on the course of business of the Company, and prepare appropriately the meetings of the Board and of the sub-committees to which they belong;
  - b) Attend meetings and participate actively in debates, so that their opinion makes an effective contribution to the decision-making process.

In the event that, for a justified reason, they are unable to attend the meeting to which they have been called, they must give instructions to the director who has to represent them.

- c) Undertake any specific task assigned to them by the Board of Directors or any of the sub-committees and/or consultative bodies falling within their commitment of dedication.
- d) Investigate any irregularity in the management of the Company that may come to their attention, and monitor any situations of risk.
- e) Urge those persons with the capacity to call meetings to call an extraordinary meeting of the Board or to include on the agenda of the first to be held those items they may deem fit.
- f) Oppose to those resolutions that are contrary to the Law, the Articles of Association or the Company's interest, request that their opposition be recorded and seek to challenge said resolutions.
- g) Expressly oppose to any proposed resolution which in their view is detrimental to the interest of the company. Should directors choose to tender their resignation where the Board would pass significant or repeated resolutions to which said director would have serious reserves, he/she will explain the reasons for their resignation in the letter referred to under article 24.5 hereof. This shall also apply to the Secretary of the Board, even if he/ she were not a director.

### **Article 30. Duty of confidentiality of directors**

Directors shall keep secret the confidential information even after leaving office, with the obligation to keep reserved the information, data, reports or background they get to know as a result of their office, and same can not be disclosed to any third persons or disseminated whenever this could harm the interest of the company. With regard to directors who are legal entities, the secrecy duty shall lay with their representative, notwithstanding the duty he may have to inform said legal entity, who shall also be bound by this confidentiality duty. This secrecy duty shall not apply to the cases included in the Corporation Law.

### **Article 31. Obligation of non-competition**

Directors may not render professional services in competitor entities. Notwithstanding the above, persons who hold office in companies that carry on business in any of those sectors where the Company or its group operate may become members of the Board of Directors, as external directors (proprietary or independent directors) but never as executive directors, provided that prior to their incorporation a favourable report has been issued by the Nomination and Remuneration Committee which, after evaluating the concurrent circumstances, considers such incorporation duly justified in view of their personal characteristics and to their knowledge of the sectors of activity in which the Company is present and considers the legitimate company interests sufficiently safeguarded. In any event, those offices that may be held by directors of the Company in companies of the group are exempt from the above.

### **Article 32. Conflicts of interest**

1. It shall be understood that a conflict of interest exist 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 they hold the office of director or senior manager or in which they hold a significant participation, understanding as such, for the case of companies listed on any official Spanish or foreign secondary market, those referred to in section 53 of the Spanish 24/1998 Act, passed on 28 July –

“The Stock Exchange Act”, and its regulations, and for the case of unlisted national or foreign companies, any direct or indirect participation 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 article 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange.
- b) Those companies that are part of the same corporate group, as defined in article 4 of the 24/1988 Act, of 28 July, governing the Stock Exchange, and their partners.
- c) The representative, who is a natural person, the administrators de iure or de facto, the liquidators and the attorneys-in fact of the director, who is a legal entity.
- e) Those persons who are understood, with regard to the director who is a legal entity, as being related persons in accordance with the above-referred provisions regarding directors who are natural persons.

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

- a) Information: directors must inform the Board of Directors, through the Chairman or the Secretary thereof, of any situation of conflict in which they are.
- b) Abstention: directors must abstain from attending and taking part in the discussions and voting of those matters regarding which they are in conflict of interest. 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
- c) Transparency: in the Corporate Governance Report, the Company must inform of any situation of conflict of interest 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.

### **Article 33. Use of corporate assets**

1. Directors may not make use of the assets of the Company nor may take advantage of their position in the company in order to obtain patrimonial advantages unless it is in exchange for good consideration.
2. As an exception, directors may be exempted from the obligation of giving e consideration, but in this case, the patrimonial advantage shall be considered as indirect remuneration and must be authorized by the Board, after a report by the Nomination and Remuneration Committee.

If the advantage is received due to their status as shareholders, it shall only be appropriate if the principle of equal treatment of the shareholders is respected.

**Article 34. Non-public information.**

1. Directors may not make use of Company non-public information for private purposes unless the following conditions are met:
  - a) That the said information is not applied in connection with operations of acquisition or sale of shares in the Company;
  - b) That its use is in no way detrimental to the company, and
  - c) That the Company does not hold an exclusive right or a legal position of analogous meaning over the information whose use is desired.
2. In addition to the condition foreseen in item a) above, the director has to observe the rules of conduct established in the stock market legislation and, especially, the rules established in the Company and its group's Internal Rules of Conduct with Regard to Securities Transactions.
3. The condition foreseen in item c) above may be exempted by observing the rules contained in the previous Article.

**Article 35. Business opportunities.**

1. Directors may not take advantage of a business opportunity corresponding to the company for their own benefit or for that of their Related Persons, such as investments or any other transactions linked to the Company's assets that they might have learned of while in office, when said investment or transaction would have been offered to the Company or the Company could have had an interest in them, unless the Company had rejected said investment or transaction and such rejection has not been influenced by the relevant director. 2. For the purposes of the previous paragraph, a business opportunity shall be understood as being any possibility of making an investment or a commercial transaction which arises or has been discovered in connection with the holding of the office of director by the same, or through the use of company means and information, or under such circumstances where it would be reasonable to think that the offering of the third party was really addressed at the Company.

**Article 36. Prohibition to make undue influence of the office.**

Directors shall not use the name of the Company nor their capacity as Directors to carry out transactions for themselves or for any Related Person.

**Article 37. Duties of information of directors**

1. Directors must inform the Company of the shares in the same of which he/she is the direct or indirect holder. Likewise, they must inform about those other shares which are in the possession, directly or indirectly, of their closest relatives, all of

which in accordance with the provisions of the Internal Regulations of Conduct Regarding Transactions in Securities.

2. Directors must also inform the Company of any stake they might hold in the capital of any companies with the same, similar or complementary business range as the one that makes up the corporate purpose, and of the offices and posts they hold in same. They shall also inform of those business conducted for themselves or for somebody else, with the same, similar or complementary business range as the one that makes up the corporate purpose. Said information shall be included on the Annual Report.
3. Directors must also inform the Nomination and Remuneration Committee about all the positions they hold and of the activities that they carry out in other companies or entities, and, in general, about any fact or situation that could be relevant for their acting as a director of the Company.

#### **Article 38. Transactions with directors and significant shareholders**

1. The Board of Directors reserves the right to have knowledge of any transaction between the Company and a director or a significant shareholder.
2. In no event will it approve such a transaction if previously a report has not been issued by the Nomination and Remuneration 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 shall not be required for such transactions which meet simultaneously the following three conditions:
  - (i) they are governed by standard form agreements applied on an across-the board basis to a large number of clients;
  - ii) they go through at such prices or rates generally set by the provider of the good or service in question.
  - iii) their amount is not in excess of 1% of the annual revenue of the Company

## CHAPTER X. BOARD RELATIONS

### **Article 39. Annual Report on Corporate Governance**

1. The Audit and Control Committee shall draw up and put forward to the Board of Directors the annual Corporate Governance Report which shall be subject to the deliberation and approval of the Board prior to the publication of the notice calling to the Annual General Meeting of the Company for the fiscal year in question.
2. The annual Corporate Governance Report shall, at least, advice about the following aspects:
  - (a) the Company's property structure, indicating, as far as the Company knows, the identity and percentage of participation of the main shareholders and of the members of the Board of Directors, the family, commercial, contractual or company relationships between them, the existence of parasocial agreements notified to the Company, filed with the CNMV and, where appropriate, deposited with the Companies Register, and the percentage of treasury stock at the year end.
  - (b) the Company's management structure, including in detail the composition, rules of organization and functioning of the Board of Directors and of its Committees; the identity, career, participation in the share capital and remuneration of its members, in accordance with article 28 of the present Regulations, the function and position of each of the directors inside the Company, the relationships between them and the shareholders referred to, the crossed or connected directors and the selection, removal and re-election procedures. Likewise, those Director who had been appointed to represent holders of significant shares, or whose appointment has been promoted by same shall be stated, as well as the existence and identity of such directors that in turn are, members of the Board of Directors of companies holding significant shares in the group.
  - (c) the related transactions and intra-group transactions of the company with its reference shareholders, administrators and senior management.
  - (d) The risk control systems established in order to evaluate, mitigate and reduce the principal risks of the Company.
  - (e) the functioning rules of the General Meeting of Shareholders and the information channels established by the Company with its shareholders.

- (f) The monitoring of the recommendations regarding good governance matters, or where appropriate, an explanation of the lack of monitoring of said recommendations
- 3. The annual Report on Corporate Governance shall be included in the Company's Annual Report and shall also be accessible in the Company's corporate web page to which article 40 refers to, once the Annual Report is made public.
- 4. Furthermore, the Board of Directors, following the Company's corporate responsibility model and with the advice of the Social Advisory Board, shall ensure the preparation of the annual public documentation on the basis of the Triple financial, social and environmental Report.

#### **Article 40. Corporate Web Page**

- 1. The Company shall provide to the public at its web page ([www.inditex.com](http://www.inditex.com)) all the relevant information concerning its corporate governance. This information, which has to be permanently updated, shall contain at least the following:
  - (a) the Corporate By-laws;
  - (b) The General Meeting of Shareholders Regulations
  - (c) The Board of Directors Regulations
  - (d) The Annual Report and the Internal Regulations of Conduct regarding transactions in securities of the Company and its corporate group
  - (e) The Annual Corporate Governance Report
  - (f) All documents concerning the annual and extraordinary General Meetings, with the information regarding the agenda, the proposals submitted by the Board of Directors, and any other relevant information that the shareholders might require to cast their vote, within the period indicated by the CNMV
  - (g) Information on the proceedings of the General Meetings already held, namely as regards the composition of the General Meeting at the moment it is constituted, resolutions passed with a break-down of the votes cast and expressing whether they are for, against, blanc or abstention as regards each of the proposals included on the agenda, within the period indicated by the CNMV
  - (h) The communication channels existing between the Company and the shareholders, and namely those explanations necessary to exercise the right to vote, stating the postal addresses and e-mail addresses where shareholders can address their queries.
  - (i) The ways and procedures to grant proxy for the General Meeting.

- (j) The ways and procedures to cast votes through remote communication systems, including where appropriate, the forms to justify the attendance and the exercise of the vote through remote means in the General Meeting.
  - (k) The relevant facts filed with the CNMV, under the terms required by the applicable law.
  - (l) The following information regarding directors: i) professional profile and biography; ii) other Board where they sit, whether in listed companies or otherwise (except for the assets-holding companies of the director himself/herself or of their next of kin); iii) their nature, stating in case of proprietary directors, the shareholder whom they represent or to whom they are linked; iv) date when they were first appointed and, where appropriate, date of the subsequent appointments as board member, and v) shares of the Company and options on shares which they hold.
2. As regards the contents above, it is incumbent on the Board of Directors to keep the information of the corporate web page updated, and to coordinate its contents with the results stemming from the documents deposited and registered with the corresponding public registries.

#### **Article 41. Relations with the shareholders**

1. The Board of Directors shall furnish adequate channels in order to know the proposals that may be made by the shareholders with regard to the management of the Company.
2. The Board, through some of its directors and with the collaboration of those members of the senior management that it considers appropriate, may organise informational seminars on the Company and its Group's progress, for those shareholders who reside in the most relevant financial markets in Spain and in other countries.
3. The Board of Directors shall likewise establish adequate mechanisms in order to exchange regular information with the institutional shareholders, which make up part of the shareholders of the company. Under no circumstances shall these mechanisms lead to the giving to these of any information that could give them an advantage with respect to other shareholders of the Company.
4. The Board of Directors shall foster the informed participation of the shareholders in the General Meetings and shall adopt whatever measures are advisable in order to assist the efficient exercise by the General Meeting of Shareholders of the duties that belong to them in accordance with the Law, the Articles of Association and the Regulations of the General Meeting..

#### **Article 42. Relations with the markets**

1. Without prejudice to the provisions of Section 40, the Board of Directors shall inform the public immediately about:
  - a) Relevant information, which is capable of significantly affecting the formation of prices on the stock market.
  - b) Relevant changes in the company's ownership structure, such as variations in significant holdings, syndication pacts and other forms of coalition, of which it has become aware;
  - c) Substantial modifications of the Company's rules of governance;
  - d) The treasury stock policy that, where appropriate, the company proposes carrying out under the authorizations obtained in the General Meeting and its modifications.
2. The Board of Directors shall take the necessary steps to ensure that the half-yearly and quarterly financial information and any other financial information that prudence requires to be put at the disposal of the markets is drafted under the same principles, criteria and professional practices as used for the annual accounts and that they are as reliable as these last. For this last purpose, the Audit and Control Committee shall review said information.

#### **Article 43. Relations with the auditors**

1. The relations of the Board with the external auditors of the company shall be channelled through the Audit and Control Committee.
2. 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 auditing as well as those auditors firm where the fees that it expects to pay them, for all services in all areas, are greater than five percent of the latter's total revenues over the last fiscal year.
3. 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.
4. The Board of Directors shall endeavour to definitively prepare the accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancy.

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