INDITEX (INDUSTRIA DE DISENO TEXTIL) SA

Triodos Bespoke Service

MEETING DATE	Tue, 16 Jul 2019 12:00	TYPE	AGM	ISSUE DATE	Tue, 02 Jul 2019
MEETING LOCATION	Avenida de la Diputacion, Edificio Inditex, Arteixo, La Coruna, Spain				
CURRENT INDICES	FTSE EuroFirst				
SECTOR	Apparel Retailers				

COMPANY OVERVIEW

Industria de Diseño Textil, S.A. (Inditex) is a Spanish multinational clothing company headquartered in Arteixo, Galicia. It is made up of almost a hundred companies dealing in activities related to textile design, production and distribution.

MEETING SPECIFIC INFORMATION

Should the required quorum not be met on first call, a second call has been scheduled. Should the quorum not be reached on first call, shareholders who have already expressed their vote will not need to re-vote, unless the agenda changed.

In addition to submitting a remuneration policy valid for three years, Spanish companies must submit annually a remuneration report over remuneration practice for the year under review. The vote on the remuneration report is advisory and not binding, however in case the report were not approved by shareholders, the remuneration policy should also be submitted again for approval at a general meeting. This meeting requires a quorum of 25% of the share capital on first call and no quorum is requested on second call. Resolutions under ordinary business are approved by simple majority of the votes cast.
Special resolutions require a quorum of 50% on first call and 25% on second call. Voting majority for special resolutions is two thirds of the share capital present or represented in order to be approved if less than 50% of the share capital is present or represented at the meeting. If 50% or more of the share capital is present or represented they are approved if supported by more than 50% of the share capital present or represented.

	PROPOSALS	CLIENT ADVICE	PIRC ADVICE
1	**Approve Standalone Financial Statements** Disclosure is adequate. The financial statements were made available sufficiently before the meeting and have been audited and certified. No serious governance concerns have been identified.	For	For
2	**Approve Consolidated Financial Statements** Disclosure is adequate. The financial statements were made available sufficiently before the meeting and have been audited and certified. No serious governance concerns have been identified.	For	For
3	**Approve Non-Financial Information Report** Disclosure is adequate. The non-financial statements were made available sufficiently before the meeting and have been audited and certified. The Company's Sustainability programme is considered to be adequate in order to minimize the impact from material non-financial risks and aiming at better performance. Triodos supports this resolution.	For	For

4	**Approve the Dividend** The Board proposes a dividend of EUR 0.88 per share, corresponding to an ordinary dividend of EUR 0.66 per share and a bonus dividend of EUR 0.22 per share, for all outstanding shares per share. The dividend is covered by earnings. Acceptable proposal.	**For**	**For**
5	**Set the Number of Board Directors** The Company proposes to set the number of directors to be elected to the Board to 11 directors. Acceptable proposal, in line with market practice.	**For**	**For**
6.a	**Reelect Pablo Isla Alvarez de Tejera as Director** Executive Chair. Although the position of chair and CEO are becoming separate, the current chair will retain executive tasks. It is considered that, in terms of good practice, the Chair of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this. Triodos opposes this resolution.	**Oppose**	**Oppose**
6.b	**Reelect Amancio Ortega Gaona as Director** Non-Executive Director. Not considered to be independent as he is the Founder of the Company and was the Executive Chair until January 2011. Mr Amancio Ortega Gaona is the indirect holder of Inditex shares through two significant shareholders: Pontegadea Inversiones S.L. and Partler 2006, S.L. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**	**Oppose**
6.c	**Elect Carlos Crespo Gonzalez as Director** Newly appointed Chief Executive.	**For**	**For**
6.d	**Reelect Emilio Saracho Rodriguez de Torres as Director** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Triodos opposes this resolution.	**Oppose**	**Oppose**
6.e	**Reelect Jose Luis Duran Schulz as Director** Independent Non-Executive Director. He is chair of the Audit Committee which is not fully independent which Triodos does not support.	**Oppose**	**For**
7.a*	**Amend Articles re: General Meetings** This first group of amendments of the Articles of Association seeks to adapt the wording of the Articles of Association to the legal reform introduced by Act 11/2018, of 28 December, amending the Spanish Code of Commerce, the Companies Act and Act 22/2015, of 20 July, on Statutory Audit, with respect to non-financial information and diversity. In addition, the Company shall ensure the right of seniors and people with disabilities to obtain information prior to the General Meeting and shall provide them with any necessary supports and means to facilitate the exercise of their voting right. The company provided full disclosure of the changes and a comparative version of the articles. Triodos supports this resolution.	**For**	**For**

7.b*	**Amend Articles Re: Board Committees** It is proposed to expressly provide for the formation of a Sustainability Committee and its main features, which shall be developed in the Board of Directors' Regulations and/or the Committee's own set of rules. A Sustainability Committee shall be formed within the Board of Directors, made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors. A majority of independent directors shall sit on such Committee. The Chair of the Sustainability Committee shall be appointed by the Board of Directors out of its independent members. On the other hand,the opportunity brought by the above-referred amendments was taken to rename the Audit and Control Committee as Audit and Compliance Committee and to adapt several provisions to the Technical Guide 1/2019 of Comisión Nacional del Mercado de Valores (CNMV, the Spanish Securities and Exchange Commission), on appointments and remunerations committees. A provision is inserted so that the Nomination and Remuneration Committees shall meet at least three times a year. The company provided full disclosure of the changes and a comparative version of the articles. Triodos supports this resolution.	**For**	**For**
7.c*	**Amend Articles Re: Annual Accounts and Allocation of Income** The Board proposes to amend the Articles to include a provision regarding allocation of income. The dividend shall be fully paid within a maximum term of twelve months of the date when the resolution on dividend declaration was passed by the Annual General Meeting. The proposed amendments do not have any adverse effect on shareholder rights and it is in line with applicable regulation. Triodos supports this resolution.	**For**	**For**
8	**Appoint the Auditors** Deloitte proposed. Non-audit fees represented 1.54% of audit fees during the year under review and 2.29% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. PIRC issue: The current auditor has been in place for more than five years and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.	**For**	**Abstain**

9 Approve Restricted Stock Plan **Oppose Oppose**

The Board proposes the approval of a new executive incentive plan. The Plan consists of the combination of a pluri-annual bonus in cash and the promise to deliver free shares which, once a specific period of time has elapsed and the achievement of some specific objectives has been verified, shall be paid to the beneficiaries of the Plan, either in full or in the relevant applicable percentage. Executive directors will receive, if appropriate, an incentive to be implemented as follows: 60% in shares and 40% in cash. The remaining members of management and employees who are beneficiaries of the Plan will receive, if appropriate, an incentive to be implemented as follows: 60% in shares and 40% in cash; 50% in shares and 50% in cash; 40% in shares and 60% in cash; or, 25% in shares and 75% in cash, based upon the system assigned to each beneficiary.The achievement of the objectives shall be assessed through identifiable and quantifiable parameters called metrics. The incentive to be paid to each beneficiary will depend upon the following metrics, each with a 1/3 weigh: PBT (Profit Before Taxes) growth: defined as the growth of profit before taxes in a certain period of time, expressed in percentage terms; Same-store Sales growth (MMTT): defined as the growth of sales in comparable physical and online stores, according to the information released by the Company, expressed in percentage terms; Relative Total Shareholder Return (TSR), defined as the comparison of the evolution of an investment in Inditex's shares with the evolution of an investment in shares of any of the companies included in the Benchmark Group of companies (as defined below), determined by the ratio (expressed as a percentage) between the final value of an hypothetical investment in shares (reinvesting the dividends from time to time) and the initial value of that same hypothetical investment. In case of over-achievement, the maximum incentive granted might be exceeded, capped at 125%. The Plan has a total duration of 4 years and is divided into two separate and independent time cycles. The first cycle of the Plan runs from 1 February 2019 through 31 January 2022. The second cycle of the Plan extends from 1 February 2020 through 31 January 2023. Performance targets have not been fully quantified at this time, which makes an informed assessment impossible and may lead to (partial) payment against (partial) failure.

LTIP based schemes are inherently flawed. There is the risk that they are rewarding volatility rather than the performance of the Company (creating capital and - lawful - dividends). They act as a complex and opaque hedge against absolute Company underperformance and long-term share price falls. They are also a significant factor in reward for failure.

Triodos opposes this resolution.

10 Authorise Share Repurchase **Oppose Oppose**

It is proposed to authorise the Board to purchase Company's shares for 10% and five years.Though the duration of the authority is in line with the European Shareholder Rights Directive, it is considered best practice that such authorities should have a maximum duration of 26 months.

Triodos opposes this resolution.

PIRC issue: This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. The Company has stated that this resolution may authorise the Board of Directors to allocate all or part of its repurchased shares to remuneration schemes. However, this is not considered to be sufficient, as it includes only part of the requested authority.

11	**Approve Remuneration Policy** It is proposed to amend the remuneration policy for directors for financial years 2019, 2020 and 2021, in order to add the annual fixed remuneration of Mr Carlos Crespo González. The annual fixed remuneration of the new executive director, Mr Carlos Crespo González, will amount to EUR 1.5 million. The remaining provisions of the remuneration policy are unchanged. It is proposed to approve the remuneration policy. Variable remuneration appears to be consistently capped, and the payout is in line with best practice. There are claw back clauses in place over the entirety of the variable remuneration, which is welcomed. However, the Company has not disclosed quantified targets or performance criteria for its variable remuneration component, which may lead to overpayment against underperformance. Triodos abstains this resolution.	**Abstain**	**Abstain**
12	**Approve the Remuneration Report** It is proposed to approve the annual report on remuneration of Executive and Non-Executive Directors with an advisory vote. The Company discloses all elements of remuneration for Executives and Non-Executives. The payout is in line with best practice, being under 200% of the fixed salary. There are claw back clauses in place over the entirety of the variable remuneration, which is welcomed. However, the Company has not fully disclosed quantified targets against which the achievements and the corresponding variable remuneration has been calculated. Although a common practice in this market as this is deemed to be sensitive information, it prevents an accurate assessment and may lead to overpayment against underperformance. Triodos abstains this resolution.	**Abstain**	**Abstain**
13	**Authorize Board to Ratify and Execute Approved Resolutions** Standard resolution.	**For**	**For**
14	**Receive Amendments to Board of Directors Regulations** Disclosure is considered adequate and the report was made available sufficiently before the meeting. A vote in favour is recommended.	**For**	**For**
	**** = Special resolution***		

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 6.c - Elect Carlos Crespo Gonzalez as Director

Should the motion to appoint Mr Crespo as new executive director be approved, another vacancy needs to be filled in. The Nomination Committee has launched a selection process to find a new independent director, subject to the provisions of the Board of Directors' Regulations, the Nomination Committee's Regulations, the Director Selection Policy and Technical Guide1/2019. According to the board of directors' report for this meeting, the new candidate shall target the search of highly qualified and honourable candidates with personal strength, that contribute to ensure diversity of knowledge, experience, background and gender within the Board of Directors, also meeting the required ability and eligibility conditions. Namely, as determined by the Nomination Committee, the new independent should continue reinforcing: (i) experience and knowledge in the digital and new technologies sector, as well as in sustainability; and,(ii) the presence of female directors, still the least represented gender on the board.

COMPANY ENGAGEMENT

A draft copy of this report was sent to the Company.
The Company did not respond to engagement.

PREVIOUS AGM'S RECOMMENDATIONS & VOTING RESULTS - Tue, 17 Jul 2018

RESOLUTION	**PROPOSAL**	CLIENT VOTE	% OPPOSE	% ABSTAIN
1	Approve Financial Statements	For	0.05	0.26
2	Approve Consolidated Financial Statements	For	0.2	0.46
3	Approve the Dividend	For	0.03	0.08
4.A	Re-elect Rodrigo Echenique Gordillo	Oppose	0.47	0.2
4.B	Elect Pilar Lopez Alvarez	For	0.0	0.07
5	Approve Remuneration Policy	Abstain	0.62	0.62
6	Appoint the Auditors	For	0.33	0.1
8	Approve the Remuneration Report	Abstain	0.58	0.58
9	Granting of powers to implement resolutions	For	0.01	0.01

Note: % Oppose is the combined vote results for oppose/withhold.

CORPORATE GOVERNANCE HIGHLIGHTS

BOARD AND OTHER GOVERNANCE INFORMATION	AFTER MEETING
Size of Board	10
Average Disclosed Age of Directors	64
Average Tenure of All Directors	8.9
Number of Independent Directors	4
Board Independence Level	40.0%
Diversity On the Board 40% or More Among Non-Executive Directors	No
Directors' Aggregated Voting Rights	<0.1%
Annual Election of Directors	**No**
Separate Chair and CEO	Yes
The Company Has a Senior Independent Director	Yes
No Executive is On the Remuneration Committee	Yes
No Executive is On the Nomination Committee	Yes
No Executive is On the Audit Committee	Yes
The Company Maintains a Corporate Jet	n/d
Number of Resolutions With a Significant Proportion of Votes Against (10%)	0
There is a Controlling Shareholder	Yes

BOARD AND COMMITTEE COMPOSITION (post-Meeting)

BOARD CHANGES

Carlos Crespo Gonzalez will be appointed at the meeting, as new executive director.

DIRECTOR	GENDER	INDEPENDENT BY PIRC	INDEPENDENT BY COMPANY	BOARD	AC	RC	NC	SC	TENURE
Pablo Isla Alvarez de Tejera	M	**No**	No	ExCh	-	-	-	-	**14**
Amancio Ortega Gaona	M	**No**	No	NED	-	-	-	-	**34**
José Arnau Sierra	M	**No**	No	VCh	M	M	M	-	7
Flora Pérez Marcote	F	**No**	No	NED	-	-	-	-	**14**
Denise Patricia Kingsmill	F	Yes	Yes	NED	M	M	M	-	2
Pilar Lopez Alvarez	F	Yes	Yes	NED	M	M	M	-	**<1**
Emilio Saracho Rodríguez de Torres	M	**No**	Yes	NED	M	M	C	-	**9**
Jose Luis Duran Schulz	M	Yes	Yes	NED	C	M	M	-	4
Rodrigo Echenique Gordillo	M	Yes	Yes	SID	M	C	M	-	5
Carlos Crespo Gonzalez	M	**No**	No	CEO	-	-	-	-	**<1**
Number of Meetings				5	5	5	3	n/a	

PIRC assesses a non-executive director's independence according to PIRC's shareholder guidelines. Comments represent PIRC's analysis based on information in the report and accounts. AC = Audit Committee, RC = Remuneration Committee, NC = Nomination Committee, SC = Sustainability Committee, C = Chair of Committee, M = Member of Committee.

ANALYSIS: BOARD AND COMMITTEE COMPOSITION

External verification of the activity of the board takes place every three years.

BOARD OF DIRECTORS (post-Meeting)

PABLO ISLA ALVAREZ DE TEJERA					CHAIR (EXECUTIVE)
AGE	55	**TENURE**	14 Years	**COMMITTEES**	None
OTHER POSITION	ex-Altadis Group [Ch]; ex-Banco Popular [Exec]; ex-Nestlé, S.A. [NED]				
INDEPENDENT BY PIRC	N		**INDEPENDENT BY COMPANY**		N
COMMENT	Chair and CEO from 2011 until the 2019 AGM.				

AMANCIO ORTEGA GAONA					NON-EXECUTIVE DIRECTOR
AGE	83	**TENURE**	34 Years	**COMMITTEES**	None
OTHER POSITION	Partler 2006 [Ch]; Pontegadea Inversiones, S.L. [Ch]; ex-Confecciones Goa, S.A. [Fnd]				
INDEPENDENT BY PIRC	N		**INDEPENDENT BY COMPANY**		N
COMMENT	Not considered to be independent as he is the Founder of the Company and was the Executive Chair until January 2011. Mr Amancio Ortega Gaona is the indirect holder of Inditex shares through two significant shareholders: Pontegadea Inversiones S.L. and Partler 2006, S.L.				

JOSÉ ARNAU SIERRA					VICE CHAIR (NON EXECUTIVE)
AGE	63	**TENURE**	7 Years	**COMMITTEES**	A,R,N
OTHER POSITION	Amancio Ortega Gaona Foundation [Trustee]; Grupo Pontegadea [Exec]; Partler 2006, S.L. [VCh]; Pontegadea Inversiones, S.L. [VCh]; ex-Banco Gallego, S.A. [NED]; ex-Banco Pastor S.A. [NED]				
INDEPENDENT BY PIRC	N		**INDEPENDENT BY COMPANY**		N
COMMENT	Not considered to be independent as he is a physical representative and Vice-Chairman of Pontegadea Inversiones, S.L., the majority shareholder. There are concerns over the director's potential aggregate time commitments.				

FLORA PÉREZ MARCOTE					NON-EXECUTIVE DIRECTOR
AGE	n/d	**TENURE**	14 Years	**COMMITTEES**	None
OTHER POSITION	Fundacion Amancio Ortega Gaona [VCh]; Pontegadea Inversiones, S.L. [VCh]; ex-Grilse, S.L. [Ch]; ex-Pontegadea Biotecnologica, S.L. [NED]; ex-Pontegadea Inmobiliaria, S.L. [VCh]				
INDEPENDENT BY PIRC	N		**INDEPENDENT BY COMPANY**		N
COMMENT	Not considered to be independent as she is representative of Pontegadea Inversiones, S.L., the majority shareholder. Until 9 December 2015 Ms. Marcote was the representative of Gartler, S.L. on the Board, company which merged with Pontegadea Inversiones, S.L.				

DENISE PATRICIA KINGSMILL					NON-EXECUTIVE DIRECTOR
AGE	n/d	**TENURE**	2 Years	**COMMITTEES**	A,R,N
OTHER POSITION	IESE Business School [Adv]; ex-APR Energy [VCh]; ex-British Airways [NED]; ex-EON [NED]; ex-International Consolidated Airlines Group, S.A. (IAG) [NED]; ex-Monzo Bank [Ch]; ex-Telecom Italia [NED]				
INDEPENDENT BY PIRC	Y		**INDEPENDENT BY COMPANY**		Y

PILAR LOPEZ ALVAREZ					NON-EXECUTIVE DIRECTOR
AGE	n/d	**TENURE**	<1 Years	**COMMITTEES**	A,R,N
OTHER POSITION	Microsoft Spain [Ch]; ex-Ferguson Plc [NED]; ex-J.P. Morgan [Exec]; ex-Telefónica, S.A. [Exec]				
INDEPENDENT BY PIRC	Y		**INDEPENDENT BY COMPANY**		Y

EMILIO SARACHO RODRÍGUEZ DE TORRES					NON-EXECUTIVE DIRECTOR
AGE	64	**TENURE**	9 Years	**COMMITTEES**	A,R,N*
OTHER POSITION	Altamar Capital Partners [SAdv]; International Consolidated Airlines Group [NED]; ex-Grupo Santander [NED]; ex-J.P. Morgan [Exec]; ex-JPMorgan Chase & Co. [VCh]; ex-Santander Investment [Exec]; ex-Santander de Leasing [Exec]				
INDEPENDENT BY PIRC	N		**INDEPENDENT BY COMPANY**		Y
COMMENT	Not considered independent owing to a tenure of over nine years.				

JOSE LUIS DURAN SCHULZ					NON-EXECUTIVE DIRECTOR
AGE	55	**TENURE**	4 Years	**COMMITTEES**	A*,R,N
OTHER POSITION	Value Retail Management [CEO]; ex-Aigle, S.A. [Ch]; ex-Arthur Anderson [Auditor]; ex-Carrefour Group [CEO]; ex-Gant AB [Ch]; ex-Lacoste [CEO]; ex-Orange [NED]; ex-Unibail Rodamco [NED]				
INDEPENDENT BY PIRC	Y		**INDEPENDENT BY COMPANY**		Y

RODRIGO ECHENIQUE GORDILLO					SENIOR INDEPENDENT DIRECTOR
AGE	73	**TENURE**	5 Years	**COMMITTEES**	A,R*,N
OTHER POSITION	Banco Santander [Exec]; ex-Accenture, S.A. [Adv]; ex-Allfunds Bank [VCh]; ex-Banco Banif [VCh]; ex-Banco Exterior de Espana [Deputy GM]; ex-Banco Santander International [NED]; ex-Banco Santander [CEO]; ex-Ebro Azúcares y Alcoholes, S.A. [NED]; ex-Industrias Agrícolas, S.A. [NED]; ex-Lar, S.A. [NED]; ex-Lucent Technologies [Adv]; ex-Metrovacesa, S.A. [Ch]; ex-Quercus y Agrolimen, S.A. [Adv]; ex-SABA, S.A. [NED]; ex-SPREA [Ch]; ex-Santander Investment [NED]; ex-Vallehermoso, S.A. [Ch]				
INDEPENDENT BY PIRC	Y		**INDEPENDENT BY COMPANY**		Y

CARLOS CRESPO GONZALEZ					CHIEF EXECUTIVE
AGE	n/d	**TENURE**	<1 Years	**COMMITTEES**	None
OTHER POSITION					
INDEPENDENT BY PIRC	N		**INDEPENDENT BY COMPANY**		N
COMMENT	In 1996, he joined Arthur Andersen (currently Deloitte) where he held different positions, including that of External Audit Team Leader of the Inditex Group, taking an active part in the review of the IPO in 2001. In 2001, he joined the Inditex Group.				

BOARD COMPOSITION

BOARD COMPOSITION FOLLOWING THE AGM

			FTSE EUROFIRST MEAN	
	Number	% of Board	Number	% of Board
Executive Director	2	20.0	1.5	11.8
Independent NEDs	4	40.0	5.0	40.1
Connected NEDs	4	40.0	4.2	33.5
Other	0	0.0	1.8	14.3

BOARD COMMITTEES FOLLOWING THE AGM

					FTSE EUROFIRST MEAN	
	Number of Members	% Women	% Independent by PIRC	% Independent by Company	Number of Members	% Independent by PIRC
Whole Board	10	30.0	40.0	50.0	12.4	42.4
Audit	6	33.33	66.67	83.33	4.0	57.7
Remuneration	6	33.33	66.67	83.33	3.6	52.4
Nomination	6	33.33	66.67	83.33	4.1	51.3

WORK FORCE GENDER BALANCE

	NUMBER	PERCENTAGE
Female Board Members	3	30.0
Female Senior Management	n/d	79
Female Work Force	n/d	75

BOARD AND COMMITTEE COMPOSITION CONCERNS

1. The nomination committee is not fully independent, excluding employee representatives, as per PIRC independence criteria.
2. The remuneration committee is not fully independent, excluding employee representatives, as per PIRC independence criteria.
3. All directors do not face annual elections.
4. Individual director's attendance at board and committee meetings is not disclosed.
5. Board evaluation is self-assessed

TOTAL HIGHEST PAID DIRECTOR REMUNERATION - EUR

	2019	% CHANGE	2018	% CHANGE	2017
HIGHEST PAID DIRECTOR	Pablo Isla Álvarez de Tej		Pablo Isla Álvarez de Tej		Pablo Isla Álvarez de Tej
Awarded	8,041,000	-24.78	10,690,000	3.07	10,372,000
Paid	7,685,000	16.97	6,570,000	-5.83	6,977,000

HIGHEST PAID DIRECTOR REMUNERATION BREAKDOWN - EUR

	2019	% CHANGE	2018	% CHANGE	2017
Cash/Deferred					
Salary	3,250,000	-2.99	3,350,000	0.0	3,350,000
Annual Bonus Cash/Deferred	3,087,000	-4.13	3,220,000	-11.22	3,627,000
Other Bonus	0	-	0	-	0
Benefits	0	-	0	-	0
Dividends on LTIPs	0	-	0	-	0
Total	6,337,000	-3.55	6,570,000	-5.83	6,977,000
Pension Payments					
Defined Benefit	0	-	0	-	0
Defined Contribution	0	-	0	-	0
Pension Other	0	-	0	-	0
Share Incentives					
Options Awarded	0	-	0	-	0
Options Paid	0	-	0	-	0
LTIP Awarded	1,704,000	-58.64	4,120,000	21.35	3,395,000
LTIP Paid	1,348,000	-	0	-	0

	REMUNERATION BEST PRACTICE PRINCIPLES	ANALYSIS
A.	**Fixed Remuneration**	
	The Company does not use adjusted metrics for its variable remuneration.	Yes
1.	Pay elsewhere in the Company is used in determining directors pay?	**No**
2.	Company consults employees when setting executive pay?	**No**
2.1	The Company has disclosed the review process of the remuneration policy.	Yes
2.2	The Company received significant opposition at the last AGM to its remuneration policy and has disclosed following steps to review.	n/a
3.	There is information on the composition of NEDs' remuneration and how it is determined?	Yes
B.	**Variable Pay**	
4.	Maximum potential awards under annual bonuses are stated?	Yes
5.	Maximum potential awards for long term incentive schemes disclosed?	Yes
6.	Does clawback operate on the bonus?	Yes
7.	Does clawback operate on the LTIP?	Yes
8.	Performance period for the LTIP is 5 years or more?	**No**
9.	If performance period is 4 years or less there is an additional holding period applied?	Yes
10.	Are executive share schemes' long term performance measures appropriately linked to non-financial KPIs?	Yes
C.	**Excessiveness and Other Remuneration Practices**	
11.	Pay policy aims are fully explained in terms of the Company's objectives?	**No**
12.	Total potential awards under all incentive schemes are not excessive?	Yes
13.	Schemes are available to enable all employees to benefit from business success without subscription?	Yes
14.	Directors are required to build up an adequate shareholding?	Yes
15.	The intended balance of the pay package is fully described?	Yes
D.	**Contracts**	
16.	No pre-determined compensation in excess of one year?	**No**
17.	Are termination provisions not excessive?	**No**
18.	Mitigation statement has been made?	Yes
19.	Duration of contracts and company liabilities on termination are given?	Yes

In a scenario of achievement of objectives on target, the percentage of variable or at risk remuneration would be around 60% of aggregate compensation for the Executive Chairman (understanding as such fixed remuneration, annual variable remuneration and annualized long-term incentive). In a scenario of maximum achievement of objectives, the percentage of risk remuneration would represent approximately 70% of aggregate compensation for the Executive Chairman. The remuneration mix of the different remuneration scenarios based upon achievement of objectives, ensures that the fixed remuneration represents a significant part of aggregate compensation, for the purposes of preventing taking any unnecessary risks. Variable remuneration items to compensate the performance of the Executive Chairman, tied to the achievement of the Group's objectives, are flexible enough to allow their shaping, to the extent that it is possible that no amount is paid in terms of variable remuneration; in such case, fixed remuneration would represent 100% of aggregate compensation. Long-term variable remuneration plans are part of a pluri-annual framework to ensure that the assessment process is based upon long-term results and that the underlying economic cycle of the Company is considered therein. Part of this remuneration is allocated and paid in shares, based upon value creation, so that the interests of the Executive Chairman and the officers are aligned with those of the shareholders. Namely, in a scenario of overachievement, more than 25% of the aggregate variable remuneration of the Executive Chairman would consist of delivery of shares. The Executive Chairman must retain a number of shares equivalent to the incentive received in shares, net of any applicable taxes, for the 2 years following delivery thereof. Additionally, the Executive Chairman has committed to the Company to maintain in his own assets, while he remains in office, a number of shares equivalent to at least 2 years of fixed remuneration. Such measures contribute to ensure that the interests of the Executive Chairman are aligned with those of the shareholders.

Board of Directors resolved on 12 March 2019, on the proposal of the Remuneration Committee that the annual variable remuneration for financial year 2019 will be determined in accordance with the following criteria: -70% based upon the net sales and the contribution margin, in equal proportion, with the same criteria as those established for senior executives according to the budget of the Company;-15% based upon the following criteria: the personal performance of the Executive Chairman and the strategic development of the Company, in terms of the boost of store and online integration, through the development and implementation of new processes and tools allowing to provide a differentiated customer experience, pursuant to the Groups' objectives; -And the remaining 15% based upon the following criteria: the progress in environmental and social sustainability policies, in terms of the number of new stores which meet eco-efficiency parameters and the number of audits and control of discharges at dyeing facilities (wet processes), in the framework of the Commitment to Zero Discharge of Hazardous Chemicals (ZDHC) Programme; the progress in corporate governance, in terms of the degree of compliance with the recommendations of the Good Governance Code of Listed Companies and the alignment with international best practices, and the progress in implementing compliance and diversity programmes, in terms of approval of internal regulations and the degree of international roll-out.

Annual variable remuneration be paid both in cash and in shares. Variable executive remuneration at target corresponds to 100% of fixed salary (for the bonus) and 100% (for LTIPs). However, targets may be exceeded in case of over performance up to 120% of the fixed salary for the bonus and 200% for LTIPs, which it is considered excessive.
During the year, variable executive remuneration did not exceed 200% of salary, which is broadly in line with best practice. However, targets and quantified criteria have not been previously made available, which raises serious concerns over the effective link between pay and performance in the Company's remuneration structure. Annual variable remuneration may be paid in cash and/or by means of the delivery of shares or share-based financial instruments. The Company does not disclose quantified performance targets for the annual bonus, at this time. Quantitative objectives represent, at least 50% of the aggregate incentive. They consist of metrics which ensure an appropriate balance between financial and operational elements of the management of the Company. Qualitative objectives represent at least 30% of the aggregate incentive.

The 2016-2020 Long-term Incentive Plan approved by the Board of Directors has remained into effect through the year, although will be progressively replaced by the new plan proposed at the meeting. The Plan consists of the combination of a pluri-annual bonus in cash and the promise to deliver free shares which, once a specific period of time has elapsed and the achievement of some specific objectives have been verified, shall be paid to the beneficiaries of the Plan, either in full or in the relevant applicable percentage.
The total duration of the Plan is four years. It is structured in two independent three-year performance cycles, which it is not considered sufficiently long term. LTIPs are cash-based (40%) and share-based (60%). The Company does not disclose quantified targets for LTIPs, which raises concerns over the transparency of long term incentives. Performance Shares and Cash Bonus are granted on the basis of PBT Growth (defined as the growth of profit before taxes in a certain period of time, 33%), Same-store sales Growth - MMTT (33%) and Relative Total Shareholder Return (33%). Additionally, objectives linked to sustainability, the environment or good corporate governance can be added to the new remuneration policy, and they will represent a maximum 15% of the aggregate incentive.

Notice for executives shall be given at least three months in advance.
Executives are entitled to a severance package up to 24 months of salary, which is against best practice. It is believed that severance agreements should not exceed 12 months and comprise exclusively fixed salary.
Executives are bound by a non-compete agreement of 24 months.
With regard to the 2016-2020 Long-term Incentive Plan and the 2019-2023 Long-term Incentive Plan, as well as any outstanding variable remuneration while the Remuneration Policy is in effect, the Company may cancel before payment and/or claim refund of the incentive paid, in full or in part, (claw-back) in the event that any of the following circumstances would occur during (i) the period immediately before consolidation, or (ii) the 2 years following settlement of the incentive for the proceedings of each cycle, as the case may be: (i) losses in the Group (negative EBIT) in the 2 years after the expiry of each cycle, attributable to management decisions made in the performance period of each cycle; (ii) material restatement of the Group's financial statements, when so considered by the external auditors and when this is to the detriment of the Company, except where this is appropriate pursuant to a change in accounting standards; (iii) serious breach of the internal regulations on the part of the Executive Chairman, as supported by the Committee of Ethics.

AUDIT

Audit Firm	Deloitte
Date Appointed	2012-07-17
Tenure	6 Years

AUDITOR REMUNERATION - EURm	2019 Deloitte	2018 Deloitte	2017 Deloitte
Statutory audit fee	6.5	6.33	6.1
Acceptable non-audit work undertaken by the auditors			
Audit-related, mandatory regulatory	0.5	0.43	0.48
Tax compliance	0.0	0.0	0.0
Subtotal Authorised	0.5	0.43	0.48
Unacceptable non-audit work undertaken by the auditors			
Other tax services	0.0	0.03	0.12
Acquisition-related	0.0	0.0	0.0
Other services	0.1	0.13	0.07
Total non-audit fees	0.1	0.15	0.18
Company percentage of non-audit fees versus audit fees	**1.54**	**2.42**	**2.97**
Total Company three year percentage of unacceptable non-audit fees versus audit fees	**2.0**		
Index average percentage of non-audit fees	24.7		
Index three year average percentage of non-audit fees	25.7		

AUDIT CONCERNS

1. The audit firm is not subject to five year term rotation.
2. The audit committee is either not fully independent or composed of fewer than three members.
3. Non-audit fees have not been broken down adequately.

FINANCIALS

	2019 EUR	2018 EUR	2017 EUR
Year End	31 January	31 January	31 January
Earnings Per Share (c)	1.106	1.082	1.014
Dividend Per Ordinary Share (c)	0.68	0.75	0.68

BEST PRACTICE PRINCIPLES: ESG

Policy Comments:
Based upon due diligence processes, priority areas have been identified to establish programmes that start with the basic premise that workers should be at the centre ('Workers at the Centre' strategy). Regarding living wages, the Company is part of 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. (Annual Report, page 67 and following)

Disclosure Comments:
The Group has subscribed this year the Fashion Industry Charter for Climate Action, under the auspices of UN Climate Change. Aligned with the goals of the Paris, the Charter contains the vision to achieve net-zero emissions by 2050.

BEST PRACTICE PRINCIPLE AND CRITERIA		ANALYSIS
A.	**Policy**	
1.	The Company has an adequate policy regarding Environment and Climate Change	Yes
2.	The Company has an adequate policy regarding Human Rights and Community	Yes
3.	The Company has an adequate policy regarding Employment (including equal employment opportunities), Diversity and Health and Safety	Yes
4.	The Company has an adequate pay policy that covers Living Wage	Yes
5.	The Company has an adequate policy regarding Bribery and Anti-corruption	Yes
B.	**Governance**	
6.	The entire board, a dedicated committee or a specific board member is in charge of ESG issues	**No**
7.	There is a member of Senior Management in charge of ESG	Yes
8.	There is at least one member of the Board or Senior Management with significant ESG experience within the sector of the Company.	**No**
9.	There is evidence of adequate stakeholder engagement	Yes
10.	The Company discloses the process in place to identify and assess material non-traditional financial risks and opportunities	Yes
11.	There is evidence that the company adequately integrates an analysis of its impact on non-traditional financial risks and opportunities into decision-making	Yes
12.	There is a separate statement of an external audit of ESG data	**No**
C.	**Disclosure**	
13.	The Company discloses data and measures on anti-bribery and/or anti-corruption during the year	Yes
14.	The Company discloses absolute or relative targets for the issues covered by its ESG policy	Yes
15.	The Company adequately quantifies carbon emission in its annual report (or equivalent)	Yes
16.	Scope 1 Emissions (in metric tons)	20994
	Scope 2 Emissions (in metric tons)	479349
	Scope 3 Emissions (in metric tons)	
17.	The Company reports on climate risk in the strategic report (or equivalent)	Yes
18.	The Company discloses gender balance at level of Board, Senior Management and Staff levels	Yes
19.	The Company measures and discloses gender pay gap	**No**
20.	If applicable, the Company discloses the gender pay gap as a percentage	

SHARE CAPITAL AND SHAREHOLDER RELATIONS

DISCLOSED ORDINARY VOTING RIGHTS

	PERCENTAGE
Pontegadea Inversiones, S.L.	50.01
Partler 2006, S.L.	9.284
ROSP Corunna Participaciones Empresariales, S.L.	5.053

CAPITAL STEWARDSHIP

Shareholder equity is the total of capital that has been invested in a company by its shareholders and the retained gains of that company attributable to shareholders. Net assets given by a company's financial statements balance with its shareholder equity and reflect how the shareholder equity has been invested or lost by the company. A comparison of a company's net assets to its market capitalisation provides information on the market's view of the company's ability to provide sufficient return on shareholder funds invested and to realise the values attributed to its assets.

Goodwill is written off when it becomes apparent that an acquisition is worth less than the company paid for it. A high level of goodwill written off by a company indicates a pattern of shareholder funds being lost through overpaying for acquisitions.

	ISSUED	AUTHORISED	TREASURY SHARES	CURRENCY
Number of Shares (m)	3,113.7		2.950143	EUR

Shareholder Equity Per Share	4.71
Share Price at The Year End	24.35
Shareholder Equity Written Off as Goodwill	0.0
Shareholder Equity Per Share Including Goodwill Written Off	4.71
Tangible Shareholder Equity Per Share	4.36

	PERCENTAGE
Premium of Share Price to Shareholder Equity Per Share	417.43
Premium of Share Price to Shareholder Equity Per Share Inclusive of Goodwill Previously Written Off	417.43
Premium of Share Price to Shareholder Equity Per Share Less Goodwill and Intangibles	457.94
Acquisition Losses - Goodwill Written Off as a Proportion of Share Price	0.0

NET ASSETS	EUR(m)	GOODWILL AND INTANGIBLES	EUR(m)
Total Gross Net Assets (Total Equity)	14,683	Other Intangible Assets	858
Minority Interest	30	Goodwill Carried	206
Other Interests	0	Goodwill Written Off	0
Shareholder Equity	14,653		
Tangible Shareholder Equity	13,589		

ANALYSIS: CAPITAL STEWARDSHIP

Shareholders' funds are mainly invested in property, plant and equipment (EUR 8,339.0m), with intangible assets accounting for a relatively low proportion of assets overall. There was no impairment loss of goodwill recognised in the year. At the year end, the shares were trading at a premium of 417.43% to the Company's Net Assets, indicative of investors' confidence in the realisable value of the balance sheet assets or in the Company's ability to achieve the market required rate of return on these assets.

ANALYSIS: SHAREHOLDER RIGHTS

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.

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