INDITEX

2019 ANNUAL REPORT

Remuneration of Directors of Industria de Diseño Textil, S.A.

ISSUER IDENTIFICATION

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Company name: Industria de Diseño Textil, S.A.

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About this Report

This Report (the “Report” or the “Annual Report on Remuneration of Directors”) provides information on remuneration of directors for the period running from 1 February 2019 through 31 January 2020 (financial year 2019) and offers detailed information about the Remuneration Policy for Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (“Inditex”, the “Company” or the “Group”, indistinctly) for 2020.

This Report has been prepared by the Remuneration Committee (the “Remuneration Committee” or “the Committee”) pursuant to the provisions of section 541 of the Spanish Companies Act (“LSC” [*Spanish acronym*] or the “Companies Act”); Order EEC/461/2013 of 20 March, whereby the contents and structure of the annual corporate governance report, the annual report on remuneration, and of other information instruments of listed companies, savings banks and other entities which issue securities admitted to trading on official securities markets, are determined, as amended by Order EEC/2515/2013 of 26 December; Circular 2/2018 of 12 June of the Comisión Nacional del Mercado de Valores [*Spanish SEC*] (“CNMV” [*Spanish acronym*]) amending Circular 4/2013 of 12 June, that establishes the template of the Annual Report on Remuneration of Directors of listed companies, section 30 of the Board of Directors’ Regulations and section 6 of the Remuneration Committee’s Regulations.

This Report is filed in a free format, in accordance with the provisions of CNMV’s Circular 2/2018, of 12 June, above referred; however, its contents comply with the minimum requirements established in applicable laws and regulations, and it is accompanied by the standardised statistical Appendix.

The Annual Report on Remuneration of Directors for 2019 was approved by Inditex’s Board of Directors on 17 March 2020, on the proposal of the Remuneration Committee. This Annual Report is expected to be submitted to the advisory say-on-pay vote of the next Annual General Meeting as a separate item on the agenda.

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT YEAR

A.1. Current director remuneration policy for the current year

Inditex' Remuneration Policy for Directors (the "Remuneration Policy for Directors" or the "Remuneration Policy") for 2020 was approved by the Annual General Meeting held on 17 July 2018 (with 99.38% of votes for), and amended in part further to a resolution passed by the Annual General Meeting held on 16 July 2019 (with 99.54% of votes for) pursuant to the provisions of section 529*novodecies* LSC.

Such partial amendment consisted of the addition of the following wording as new paragraph 2 in section 5 of the Remuneration Policy: "*The annual fixed remuneration of the new executive director, Mr Carlos Crespo González, will amount to €1,500k.*" The remaining provisions of the Remuneration Policy have remained unchanged.

The current Remuneration Policy will be effective for financial years 2019, 2020 and 2021.

It should be noted that since the approval in 2015 of the remuneration policy for directors previously in force, the criteria therein laid down have been taken into account and described in detail in the Annual Reports on Remuneration of Directors for financial years 2016, 2017, 2018 and 2019, which have been largely supported by the shareholders in the relevant advisory-say-on-pay votes, and received positive recommendations from proxy advisors.

To establish the specific amounts and parameters of the Remuneration **Policy** applicable in **2020**, the Remuneration Committee considered the following issues:

- Group's **results** and **strategic challenges**.
- The **overarching principles and grounds** of the Remuneration **Policy**.
- **Internal equity**: the relationship between the Remuneration Policy for Directors and the remuneration terms for the employees of the Company.
- The **guidelines** provided by **institutional investors and proxy advisors** and their feedback in the course of the periodic consultations made by the Company.
- The data on remuneration and remuneration practices of **comparable companies**.
- The provisions of the Articles of Association, the Board of Directors' Regulations, and the Remuneration Committee's Regulations.
- The applicable **regulations**.

Inditex has always shown a strong commitment to sustainability, as evidenced by the sustainable approach of its business model. For such reason, the Company makes sure that all the concerns in the field of sustainability of its stakeholders, including institutional investors and proxy advisors, are duly taken into account.

In this regard, Inditex has extended its environmental strategy, in place since 2002 through different pluri-annual Environmental Strategic Plans, to its corporate strategy. Additionally, the company's remuneration scheme has been increasingly encompassing criteria relating to the environment, social issues, health and safety of the product and corporate governance issues. This is evidenced by the fact that the Remuneration Policy for Directors ties both annual variable remuneration and long-term variable remuneration to long-term objectives of such nature. In particular, to determine the motion on the individual remuneration of executive directors, the Remuneration Committee has considered **the alignment** of the Remuneration Policy with **Inditex's sustainable strategy.**

A.1.1 Procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions

The procedures and company bodies involved in determining and approving the Remuneration Policy and its terms and conditions are described below:

1. **General Meeting of Shareholders**. Pursuant to section 529*septdecies* & *novodecies* LSC, the General Meeting of Shareholders shall be responsible for:

    - Approving the remuneration policy for directors, at least every 3 years.

    - Determining the maximum amount of the annual remuneration to be paid to all directors in their status as such.

2. **Board of Directors**. Pursuant to sections 249 and 249*bis* LSC, the Board of Directors shall have the following powers which are non-delegable:

    - Decisions relating to remuneration of directors within the scope of the Articles of Association and of the remuneration policy approved by the General Meeting of Shareholders.

    - The approval of the contracts entered into with the executive directors including, without limitation, the remuneration items they may be entitled to for the performance of executive functions, including the potential severance pay as a result of early termination, and the amounts to be paid by the Company as insurance premiums or contributions to savings systems.

3. **Remuneration Committee**. It plays the main role regarding the determination, enforcement and review of the Remuneration Policy.

    Pursuant to the provisions of the Board of Directors' Regulations and the Remuneration Committee's Regulations, below is a summary of the duties the Committee is entrusted with regarding determination, enforcement, review and transparency of the Remuneration Policy.

    a) <u>Determination of the remuneration policy</u>

    - To propose to the Board of Directors the remuneration policy for Directors as well as the regular review and update thereof.

    - To propose to the Board of Directors the system and amount of the annual remuneration of directors, to be submitted to the Annual General Meeting.

- To propose to the Board of Directors for approval, the individual remuneration of executive directors and the remaining basic terms and conditions of their contracts, including any potential severance pay or indemnity which may be payable in the event of termination of the contract by unilateral decision of the Company and the amounts to be paid by the Company as insurance premiums or contributions to savings schemes, pursuant to the provisions of the internal regulations of the Company and of the remuneration policy for directors from time to time in force.

b) Enforcement of the remuneration policy

- To approve at the beginning of each year the objectives to which the annual variable remuneration is tied, and evaluate the achievement thereof at the end of the year. Further to such evaluation, the Remuneration Committee drafts a proposal on annual variable remuneration that is submitted to the Board of Directors for approval.

- To approve the objectives of each cycle of long-term variable remuneration. The Remuneration Committee carries out an annual evaluation and a global evaluation upon expiry of each cycle, of the level of achievement reached for each objective, considering the information provided by the Company, and proposes to the Board of Directors for approval, the levels of incentive associated to achievement, based upon the performance scales set, and extraordinary factors, as the case may be, which may have occurred during the measurement period of the objectives of the plan in question.

  The evaluation of objectives and the level of achievement thereof to which long-term annual variable remuneration is tied, is based upon the results provided by different areas and departments of the company, pursuant to the terms of section A.1.10 below. Considering the foregoing, the Remuneration Committee drafts a proposal on annual variable remuneration which is submitted to the Board of Directors for approval. In the proposal on variable remuneration, the Remuneration Committee also takes into account, the quality of results in the long- term as well as any risk associated thereto.

- To propose to the Board of Directors the cancellation of payment or, where appropriate, the refund (clawback) of the variable items of the remuneration of directors based on results, when these items have been paid on the basis of information clearly shown later to be inaccurate, as well as, where appropriate, filing claims or any other applicable measures.

c) Review of the remuneration policy

- To regularly review the remuneration policy for directors, including share based remuneration systems and the application thereof, verifying that it is consistent with the specific circumstances of the Company, and aligned with its strategy, in the short, mid and long-term, and with market conditions, considering whether it contributes to building sustainable value, and to ensuring an appropriate risk control and management.

d) Transparency of the remuneration policy

- To prepare and submit to the Board of Directors, for approval, the Annual Report on Remuneration of Directors, and to verify the information on the remuneration of directors provided in the corporate documents, the notes to the annual accounts and in the interim financial statements of the Company.

The Remuneration Committee meets at least 3 times a year and whenever it is deemed appropriate for its smooth operations, and at any rate, each time the Board of Directors or its Chairman requests the issuing of a report or the passing of motions within its remit.

The Board of Directors or its Chairman will request information from the Remuneration Committee. Likewise the Committee shall take into account the suggestions made by the Executive Chairman, board members, officers or shareholders of the Company. Moreover, the Remuneration Committee shall hold a regular meeting every year to prepare the information on the remuneration of directors, which the Board of Directors has to approve and include as part of its annual public documentation.

The Remuneration Committee shall report to the Board of Directors on the business transacted and the decisions made, accounting for its proceedings and work done in the meeting that the Board of Directors holds immediately after each meeting of the Remuneration Committee. Additionally, a copy of all the minutes taken at the Committee’s meetings shall be made available to all directors.

In accordance with the 2020 schedule of dates and agenda of business to be transacted, the Remuneration Committee is expected to hold at least 4 meetings.

A.1.2. Consideration of comparable companies in order to establish the Company's Remuneration Policy

The Remuneration Committee deems essential for the Remuneration Policy for Directors to be regularly reviewed, in line with best practices on corporate governance endorsed by institutional investors and the recommendations of the main proxy advisors.

In this regard, as part of such review process, the Remuneration Committee carries out **a benchmarking analysis** with the support of an independent consultant in the field of compensation of directors, for the purposes of proposing each year appropriate levels of compensation for the Executive Chairman and the CEO.

In the last analysis carried out, in line with those of previous years, different benchmarking groups have been considered, selected on the basis of business sector, size and geographic scope criteria, in line with the benchmarking carried out in the previous years. **Benchmarking groups** considered are:

- Dow Jones Retail Titans 30 Index, made up of the 30 leading companies of the retail sector. Such companies are selected by Dow Jones based upon ranking by market capitalization, revenue and net profit.
- STOXX All Europe 100, comprising the 100 companies with the largest market capitalization in Europe.
- The top 20 companies included in the list of the Best Performing CEOs published by Harvard Business Review (excluding Asian companies and companies with small market capitalization).

A.1.3 Information on external advisors

To better discharge its duties, the Remuneration Committee may request the Board of Directors to engage legal, accounting, financial or other experts at the expenses of the Company.

In this regard, in the current year to this date, the Remuneration Committee has been advised by Willis Towers Watson, an independent consultant in the field of compensation of directors and senior managers upon preparing this Report.

A.1.4 Remuneration mix. Criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between fixed and variable remuneration items

Remuneration of **directors in their status as such** is fully comprised of **fixed remuneration items**.

The compensation package of **executive directors** is made up of a **fixed** element, a short-term or **annual variable** element and a **long-term** or pluri-annual variable element, in cash and in shares.

In a scenario of achievement of objectives on target, the **weight** of **variable** or at risk remuneration for executive directors is above **60%** of aggregate compensation (understanding as such fixed remuneration, annual variable remuneration and annualized long-term incentive). In a scenario of maximum achievement of objectives, at risk remuneration would represent approximately 70% of aggregate compensation.

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 remuneratio**n items** to compensate executive directors, tied to the achievement of 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 under certain circumstances; in such case, fixed remuneration would represent 100% of aggregate compensation. **Under no circumstances** is **variable remuneration guaranteed**.

A.1.5 Actions adopted to adapt the Remuneration Policy to the long-term objectives, values and interests of the Company, and measures to guarantee that the long-term results of the company are taken into account in the Remuneration Policy

The design of the remuneration scheme shows an efficient balance between fixed and variable items, as indicated above. Namely, the **long-term** or pluri-annual **variable** remuneration of executive directors in a scenario of achievement of objectives on target has a **weight,** in annualized terms, **above 20%** of aggregate compensation (considering for such purposes fixed, short-term variable and long-term variable remuneration in annualized terms. In a scenario of overachievement, such weight would be in excess of 30%.

Long-term variable remuneration plans are part of a **pluri-annual framework** (4 years) to ensure that the evaluation process is based upon long-term results and that the underlying economic cycle of the Company and the achievement of strategic objectives is considered therein.

Part of this long-term variable remuneration is allocated and paid in **shares**, based upon value creation, so that the interests of the executive directors and officers are aligned with those of the shareholders. Namely, in a scenario of overachievement, approximately 30% of the aggregate variable remuneration of the executive directors would consist of delivery of shares.

Executive directors 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 and the CEO are aligned with those of the shareholders.

Payment of **variable remuneration** at Inditex, both annual and pluri-annual, is tied to the achievement of **sustainability objectives** (environmental, social and corporate governance-related). These objectives are aligned with the Group's sustainable strategy, wherein all stakeholders are considered, and allows rewarding its implementation. Namely, in 2020 the **weight** of sustainability objectives on aggregate variable remuneration is **15%**.

A.1.6 Actions adopted relating to the remuneration system to reduce exposure to excessive risks and avoid conflicts of interest and if any clause exists reducing the deferred remuneration or that obliges the director to return remuneration received.

(i) Measures taken by the Company to reduce exposure to excessive risks

The measures taken by the Company to **reduce exposure to excessive risks** are:

- Aggregate remuneration of executive directors comprises different remuneration items, mainly consisting of: (i) a fixed remuneration, (ii) a short-term variable remuneration (annual), and (iii) a long-term (pluri-annual) variable remuneration. The **remuneration mix** in 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.

- **No guaranteed variable remunerations** exist. Variable remuneration items are flexible enough to allow their shaping, to the extent that it is likely that no amount is paid in terms of variable remuneration.

(ii) Measures taken in respect of those categories of staff whose professional activities have a material impact on the Company's risk profile

The measures taken in respect of those **categories of staff** whose professional activities **have a material impact on the Company's risk profile** are:

- The Remuneration Committee is responsible for considering and reviewing the Remuneration Policy for Directors and senior managers and for enforcing it. Those professionals whose activity may have a material impact on the Company's risk profile are included in this group.

- All **members of the Remuneration Committee** also **sit on the Audit and Compliance Committee**. Therefore, the Chair of the Remuneration Committee is a member of the Audit and Compliance Committee and in turn, the Chair of the Audit and Compliance Committee sits on the Remuneration Committee. The Audit and Compliance Committee is responsible for overseeing management and control systems in respect of financial and non-financial risks. The presence of the same directors on both committees and the reporting to the Board of Directors by both Chairs, on the main business transacted in their respective meetings, ensures that risks associated to remuneration are considered in the course of the debates of the Remuneration Committee and of the Audit and Compliance Committee and in the motions they submit to the Board of Directors, regarding both the determination and the evaluation of annual and pluri-annual incentives.

  Likewise, 3 **ordinary members** of the **Remuneration Committee** also **sit on the Sustainability Committee**. In particular, the Chair of the Sustainability Committee is a member of the Remuneration Committee. The Sustainability Committee is responsible for overseeing and monitoring motions in the field of sustainability, on social and environmental issues, of health and safety of the products that the Company places on the market, and the relations with the different stakeholders, and with following up on the sustainable strategy, evaluating the level of compliance thereof and, as the case may be, proposing recommendations to improve the Group's positioning in the field.

Thus, the fact that the same directors sit on the above referred board committees allows ensuring that alignment with the Group's priorities in the field of sustainability and with those of its stakeholders is considered upon establishing and enforcing the Remuneration Policy.

(iii) Measures taken by the Company to avoid potential conflicts of interest

With regard to the **measures** set to detect, determine and resolve any potential **conflicts of interest**, conflict of interest scenarios are defined in section 34 of the Board of Directors' Regulations, which also provides the rules which govern such conflicts. Sections 33 and 35 to 37 thereof cover the obligation of non-competition, the use of corporate assets, the use of non-public information for private purposes and the taking advantage of business opportunities corresponding to the Company. Meanwhile, section 39 covers such specific issues that Directors must report to the Company.

Additionally, section 1 of the Board of Directors' Regulations provides that the rules of conduct for directors shall apply, insofar as they are compatible with their specific nature, to senior managers of the Company, namely, the following sections: 32 (duty of confidentiality); 34 (conflicts of interest), with regard to the duty to inform the Company; 35 (use of corporate assets); 36 (non-public information); 35 (business opportunities), and 38 (prohibition to make undue use of the office.

Moreover, with regard to significant shareholders, section 40 of the Board of Directors' Regulations provides the rules governing "Transactions with Directors and significant shareholders". One of the duties assigned to the Audit and Compliance Committee consists of reporting on related-party transactions. In light of such report, it falls on the Board of Directors to approve such transaction, if appropriate.

Meanwhile, section 4.8 of the Code of Conduct and Responsible Practices of the Group addresses how Inditex's employees must act when faced with a conflict of interest between their personal interests and those of the Company, as well as the situations which need to be reported to the Committee of Ethics.

(iv) Measures taken by the Company regarding the clauses on reduction or return of variable remuneration

With regard to the **clauses on reduction of** the deferred remuneration or that forces directors to **return** remuneration received when such remuneration has been based on certain figures that have clearly been shown to be inaccurate:

- The **Remuneration Committee may propose** to the Board of Directors the **cancellation** of payment or, where appropriate, **the clawback** of the variable items of the remuneration of directors based on results, when these items have been paid on the basis of information clearly shown later to be inaccurate. In such cases, the Committee may also propose the termination of the relationship with the relevant supervisor and the filing of the relevant claims, all the foregoing pursuant to the terms of section 6 of the Remuneration Committee's Regulations.

  In this regard, should (i) any event or circumstance occur that would result in the negative change or variation, in final terms, of the financial statements, results, economic data, performance data or otherwise, upon which the accrual and payment to the executive directors of any amount in terms of variable remuneration would have been based, and, (ii) should such change or variation determine that, if they had become known at the date of accrual or payment, the executive directors would not have received any amount, or, would have received a lesser amount than the one initially paid, the Remuneration Committee may propose to the Board of Directors that the Company claims the clawback of the full sum or of any excess paid.

- 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, (clawback) in the event that any of the following unforeseen circumstances would occur during (i) the period immediately before consolidation, or (ii) the 2 years following settlement of the incentive, 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 directors, as accredited by the Committee of Ethics.

A.1.7 Amount and nature of fixed components that are due to be accrued during the year by directors in their status as such.

Pursuant to section 529*septdecies* LSC, the maximum amount of the annual remuneration to be paid to all the directors in their status as such must be necessarily included in the Remuneration Policy for Directors. It is incumbent on the Board of Directors to determine the remuneration of each director.

According to article 31 of the Articles of Association, the remuneration of directors shall consist of an **annual fixed remuneration** for each director, the amount of which shall be decided by the Annual General Meeting for each year, or which shall be valid for the number of years that the General Meeting would establish. This system: (i) means that the General Meeting of Shareholders is acknowledged as the supreme and sovereign body of expression of the will of the Company, namely in the field of remuneration; (ii) and ensures the maximum transparency of such remuneration. This entails that, while the Remuneration Policy for Directors is in effect, any increase in the remuneration of directors as such shall be resolved by the Annual General Meeting.

At the present time, the following amounts remain valid. They were fixed (i) further to a resolution passed by the Annual General Meeting on 19 July 2011, approved with 99.59% of votes for, and subsequently (ii) in the Remuneration Policy for Directors, and its partial amendment, approved by the Annual General Meeting in the meetings held on 17 July 2018 and 19 July 2019, respectively, with 99.38% and 99.54% votes for, respectively:

- Each director will receive an annual fixed remuneration in the amount of €100k for their directorship;

- The Deputy Chairman or Deputy Chairmen of the Board of Directors will receive an additional fixed remuneration of €80k;

- The Chairs of the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee, will receive an additional fixed remuneration of €50k; and

- Directors who in turn sit on the Audit and Compliance Committee, the Nomination Committee the Remuneration Committee and/or the Sustainability (including the Chair of each Committee) will receive an additional fixed remuneration of €50k.

Such amounts are fully independent and compatible.

Except for the remuneration of the Executive Chairman and the CEO for the performance of senior management functions, the amounts shown above represent the only remuneration paid to directors of the Company for membership on the Board of Directors of Inditex or of any Group company. No per diem allowances, benefits or variable remuneration are paid, without prejudice to the refund to the directors of any traveling and accommodation fees incurred upon attending the meetings of the Board of Directors or of the Committees where they sit.

A.1.8 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors

Without prejudice to the remuneration directors are entitled to in their status as such as indicated above, the fixed remuneration that the executive directors can be paid for the performance of senior management functions is determined based upon the following **criteria:**

- The experience and personal contribution to the office.

- The consistency with the responsibility and leadership within the organisation and in line with the remuneration paid in the market by comparable companies.

This fixed remuneration must represent a sufficient part of their compensation package for the sake of achieving an appropriate balance between fixed and variable remuneration items.

Namely, the Board of Directors resolved on 17 March 2020, on the proposal of the Remuneration Committee, that fixed remuneration of executive directors for 2020 be established in the following annual amounts:

- **Executive Chairman**: €3,250k a year, to be paid in 14 instalments. This sum has **remained unchanged** since 2013 and, pursuant to the Remuneration Policy it will remain the same for the 3 years in which the Policy is valid (that is, until 2021).
- **CEO**: €1,500k a year, to be paid in 14 instalments. This sum has **remained unchanged** since the date he was appointed as CEO and will, pursuant to the Remuneration Policy, remain the same for the 3 years in which the Policy is valid (that is, until 2021).

A.1.9 Amount and nature of any component of remuneration in kind that will accrue during the year

No remunerations in kind exist other than the delivery of shares referred to in the following section regarding variable components of remuneration.

A.1.10- Amount and nature of variable components, differentiating between those established in the short and long term. Parameters and the way they are related to performance, both of the director and of the company, together with their risk profile, and the methodology to determine the degree of compliance with such parameters

Monetary terms, of the different variable components according to the degree of compliance with the objectives and parameters established and maximum monetary amounts in absolute terms

With regard to directors in their status as such, the fixed remuneration items referred to above are the only remuneration paid to them for membership on the Board of Directors of Inditex. There is no remuneration under a profit-sharing scheme, nor any remuneration systems or schemes covering a variable remuneration.

As regards executive directors, the variable items of their remuneration for the performance of senior management functions are the following:

- Short-term or annual variable remuneration.
- Long-term or pluri-annual variable remuneration.

Below is a description of each of such variable items for executive directors:

- **Short-term or annual variable remuneration**

  Annual variable remuneration is tied to the achievement of annual quantitative and qualitative objectives, specific, pre-established and quantifiable, in line with the interest of the Company and consistent with the medium to long-term strategy.

  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.

  A performance scale is associated, where reasonably possible, to quantitative and qualitative objectives. Such scale, fixed at the beginning of each financial year, includes a minimum threshold below which no incentive is paid, a level of achievement on target, which corresponds to the standard level of achievement of objectives, and a maximum level of achievement, above which the incentive is not increased. Each metric is associated a specific performance, determined and calibrated in accordance with the variability of each of them and the target’s level of requirement. In this regard, scales may have different slopes (i.e. relationship between level of achievement and level of payment). Additionally, different levels of reward between minimum and on target level, and between on target and maximum level of achievement, may be included in the scale regarding the same objective.

  The Remuneration Committee is responsible for approving the objectives at the beginning of each financial year, and evaluating the achievement thereof at year end. This evaluation is done based upon the data and the results provided by the Financial Division, the General Counsel’s Office – Office of the Chief Compliance Officer and the Sustainability Department, all of which are first reviewed by the Audit and Compliance Committee and the Sustainability Committee, as the case may be, as well as upon the level of achievement of the relevant objectives.

  Further to such review, the Remuneration Committee draws up a motion on annual variable remuneration which is submitted to the Board of Directors for approval. With regard to such motion, the Remuneration Committee also takes into account the quality of results in the long-term, as well as any associated risk.

  For the purposes of ensuring that the annual variable remuneration is effectively aligned with the performance of the Executive Chairman and the CEO, any positive or negative economic effects arising from any extraordinary events which might introduce distortions into the results of the evaluation, may be removed upon determining the level of achievement of the quantitative objectives.

  According to the Remuneration Policy for Directors, the **target amount** of the **annual variable remuneration** of executive directors, i.e., the one which corresponds to a level of achievement of the objectives on target, shall be tantamount to **100% of the fixed remuneration** for the performance of senior management functions. In case of **overachievement** of the pre-established objectives, annual variable remuneration might reach up to **120% of fixed remuneration** for the performance of senior management functions.

The terms of the annual variable remuneration system for executive directors, including the structure, maximum levels of remuneration, objectives established and the weight of each of them, are reviewed every year by the Remuneration Committee, considering the Company's strategy, its needs and the business status, and the recommendations and best practices in the market in the field of remuneration. Such terms are submitted to the Board of Directors for approval.

Namely, the Board of Directors has resolved on 17 March 2020, on the proposal of the Remuneration Committee that the annual variable remuneration for financial year 2020 for both executive directors will be determined in accordance with the following criteria:

Weighting	Objective	Measurement criteria
70%	Net sales (35%) and contribution margin (35%)	The same criteria as those established for Senior managers according to the budget of the Company are used.
15%	Personal performance	Assessment by the Board of Directors, on the proposal of the Nomination Committee.
	Strategic development of the Company	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
15%	Progress in implementation of the strategy towards global sustainability, measured in accordance with the following indicators, especially taking into account the goals for 2020 announced at the Annual General Meeting held on 16 July 2019	(i) Increase in the number of sustainable items, measured in accordance with the following terms: a. Sustainable raw materials: organic cotton and linen, recycled polyester and sustainable cellulose fibres, in furtherance of the commitment to responsible viscose (*Changing Markets RoadMap*). b. Garments featuring the Join Life environmental excellence label. c. Certified forest friendly garments, within the framework of the *Canopy* commitment, ensuring that man-made fibres are cellulose-free. (ii) Percentage of plastic bags reduction in all the brands in 2020 and progress in elimination of single-use plastics from customer sales. (iii) Number of stores of Group brands that meet eco-efficiency parameters; (iv) Number of audits and control of discharges at dyeing facilities where wet processing is carried out in the framework of Inditex's commitment to the *Zero Discharge of Hazardous Chemicals* (ZDHC) Programme; (v) Percentage of waste reduction in respect of waste generated at Inditex facilities (HQ, logistics centres and own stores) (*Zero Waste*); (vi) Percentage of packaging material collected to be recycled or reused in the supply chain (*Green to Pack*); (vii) Percentage of internal consumption of renewable energy at Inditex facilities (HQ, logistics centres and own stores); (viii) Number of stores with containers for used garments; and (ix) Percentage of designers trained specialising in circularity within the framework of our commitment to *Global Fashion Agenda*.
	Progress in corporate goverance	Degree of compliance with the recommendations of the Good Governance Code of Listed Companies and alignment with international best practices
	Progress in implementing diversity and compliance programmes (Compliance)	Approval of internal regulations and degree of international roll-out

As indicated above, pursuant to the current Remuneration Policy for Directors, in a scenario of achievement of objectives on target, the annual variable remuneration of executive directors for 2020 would amount to 100% of the fixed remuneration for the performance of senior management functions, i.e., €3,250k for the Executive Chairman and €1,500k for the CEO. In the event of overachievement, annual variable remuneration might reach up to 120% of fixed remuneration for the performance of senior management functions, i.e. €3,900k for the Executive Chairman and €1,800k for the CEO.

The short-term variable remuneration on account of results achieved in 2020 will be paid in 2021 either in cash or through the delivery of shares, as the case may be.

- **Pluri-annual or long-term variable remuneration**

The Annual General Meeting held on 16 July 2019 approved the 2019-2023 Long-term Incentive Plan (the "Plan"). This Plan continues with the same approach as the previous 2016-2020 Long-term Incentive Plan and embraces certain developments which improve the level of alignment with the recommendations of institutional investors and proxy advisors.

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 the specific objectives has been verified, shall be paid to the beneficiaries of the Plan, either in full or in the relevant applicable percentage, as the case may be. Executive directors are included among the beneficiaries of such Plan.

The total duration of the Plan **is 4 years**. It is structured in **2** independent **cycles**. The first cycle of the Plan began on 1 February 2019 and it will run through 31 January 2022. The second cycle began on 1 February 2020 and will expire on 31 January 2023.

The Plan is tied to critical business, shareholder value creation and sustainability objectives. Upon expiry of the measurement period for each cycle, the Remuneration Committee shall evaluate the level of achievement reached in respect of each objective, a well as in the entire cycle, considering the information disclosed by the Company and audited, and it shall propose to the Board of Directors for approval the levels of incentive associated to achievement, based upon the performance scales set, and certain extraordinary factors which, if any, may have occurred during the measurement period of the Plan's objectives.

Under such Plan, executive directors will receive, if appropriate, an incentive which will materialize as follows: **60% in shares and 40% in cash**.

The aggregate **amount** of the **incentive** assigned to the **Executive Chairman** for a scenario of achievement of objectives on **target** for the 2 cycles of the Plan would be €6,800k, equivalent in **annualized** terms to €1,700k (**52% of the annual fixed remuneration** for the performance of senior management functions). In a scenario of **overachievement**, the incentive would be equivalent to **185% of the** above referred **target incentive** (equivalent, in annualized terms, to 97% of annual fixed remuneration for the performance of senior management functions).

Meanwhile, the aggregate **amount** of the **incentive** assigned to the **CEO** for a scenario of achievement of objectives on **target** for the 2cycles of the Plan would be €4,500k, equivalent in **annualized** terms to €1,125k (**75% of the annual fixed remuneration** for the performance of senior management functions). In a scenario of **overachievement**, the incentive would be equivalent to **185% of the** above referred **target incentive** (equivalent, in annualized terms, to 139% of annual fixed remuneration for the performance of senior management functions).

With regard to 60% of the incentive which would, if appropriate, materialize in shares, the number of shares to be delivered will be determined based upon the average weighted closing share price on the 30 trading days immediately prior to the commencement date of each cycle. Upon expiry of each cycle, the Remuneration Committee will evaluate the level of achievement of objectives and propose the number of shares to be delivered.

Executive directors 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.

Likewise, the Company may **cancel** before payment **and/or claim refund** of the long-term incentive paid, in full or in part, (clawback) should certain unforeseen circumstances occur during the 2 years following the delivery of the incentive for the proceedings of each cycle. Such specific circumstances have been addressed in section A.1.7 above.

The description of the first and the second cycles of the Plan is as follows:

- The first cycle of the Plan runs from 1 February 2019 through 31 January 2022. In turn, the second cycle begins on 1 February 2020 and expires on 31 January 2023.

- The aggregate amount of the incentive assigned to the Executive Chairman would amount to:

Cycle	Target Incentive	=	Cash	+	Shares
First cycle	105% of annual fixed remuneration		€1,360k		87,291 shares
Second cycle	105% of annual fixed remuneration		€1,360k		65,010 shares

  For both cycles, in a scenario of overachievement, the incentive would be equivalent to 185% of the above referred target incentive (equivalent to 193% of the annual fixed remuneration for the performance of senior management functions).

- The aggregate amount of the incentive assigned to the CEO would amount to:

Cycle	Target Incentive	=	Cash	+	Shares
First cycle	150% of annual fixed remuneration		€900k		57,766 shares
Second cycle	150% of annual fixed remuneration		€900k		43,021 shares

  For both cycles, in a scenario of overachievement, the incentive would be equivalent to 185% of the above referred target incentive (equivalent to 139% of the annual fixed remuneration for the performance of senior management functions).

- Upon expiry of each cycle, the Remuneration Committee will evaluate the level of achievement of objectives and propose the cash amount and the number of shares to be delivered. Achievement of the objectives will be measured through identifiable and quantifiable parameters known as metrics. The incentive for each cycle will vary depending upon the following **metrics**, with the following weight:

Weighting	Objetive	Measurement criteria
30%	Earnings before Taxes ("EBT") Growth	EBT growth in a certain period of time, expressed in percentage terms.
30%	Same-store Sales (MMTT) Growth	Growth of sales in comparable physical and online stores, according to the information released by the Company, expressed in percentage terms.

30%	Relative Total Shareholder Return ("TSR")	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.
10%	Sustainability index (comprising 4 indicators)	(i) Percentage of factories within Inditex's supply chain where wet processing (such as washing, dyeing and printing) is carried out, that use *The List, by Inditex* standard as a reference to select the chemical products used in their processes. This percentage will be verified by means of the relevant audits. It is measured at the end of each cycle. (ii) Percentage of waste reduction (in terms of waste similar to urban waste and hazardous waste) internally generated at Inditex headquarters, and at all own factories and logistics centres, that are appropriately recycled, evaluated and managed to be recovered, preventing their discharge to a landfill. It is measured at the end of each cycle. (iii) Greenhouse Gas direct emissions reduction ratio in own operations in respect of total net sales of the Group. It is measured at the end of each cycle. (iv) Percentage of Inditex's suppliers of goods ranked A and B following their social audit. The average of the three years of each cycle is measured.

- In order to calculate the incentive achieved for each level of achievement of objectives, a Maximum Incentive level and a **performance scale** have been determined for each metric, as provided below:

— Regarding EBT and MMTT Growth:

Level of achievement	Level of achievement of objectives	Level of Incentive (% of Maximum Incentive)
Below minimum	< 50%	0%
Minimum	50%	50%
Target	75%	75%
Maximum	100%	100%
Overachievement	>125%	125%

Intermediate figures are calculated by linear interpolation.

— Regarding the evolution of relative TSR:

- The Benchmark Group is made up of the companies included in the Dow Jones Retail Titans 30 index as at 1 February 2019 for the first cycle, and as at 1 February 2020 for the second cycle (the "Benchmark Group").

- For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, initial value shall be understood as the average weighted closing share price of each company on the 30 trading days immediately prior to 1 February 2019 (excluded), for the first cycle, and 1 February 2020 (excluded) for he second cycle (the "Initial Value").

- For the purposes of Inditex's TSR and the TSR of each of the companies included in the Benchmark Group, final value shall be understood as the average weighted closing share price of each company on the 30 trading days immediately prior to 31 January 2022 (included) for the first cycle and 31 January 2023 (included) for the second cycle (the "Final Value").

– To this end, for calculating such Final Value, the dividends or other similar amounts received by shareholders on said investment during the respective period of time will be considered, as if the gross amount thereof (before taxes) would have been reinvested in more shares of the same class on the first date on which the dividend or any similar amount is payable to shareholders and at the closing share price on that date.

– At the end of the cycle, Inditex's TSR and the TSR of each company included in the Benchmark Group will be calculated. The companies within such Benchmark Group will be ranked in descending order, based upon the highest or lowest TSR of each of them. A payout coefficient ranging from 0% to 125% of Maximum Incentive is assigned to each position in the ranking, in accordance with the following scale:

Level of achievement	Place in ranking	Level of Incentive (% of maximum incentive)
Below minimum	< 15th (median)	0%
Minimum	= 15th (median)	30%
Maximum	5th to 8th (75th percentile but below 90th percentile)	100%
Overachievement	1st to 4th (ranked at or above 90th percentile)	125%

For intermediate positions between median and 75th percentile within the Benchmark Group, the payout percentage will be calculated by linear interpolation.

– Afterwards, Inditex's TSR will be compared with the TSR of the companies within the Benchmark Group to identify between which positions Inditex is ranked. Subsequently, the portion of the incentive to be delivered shall be calculated, interpolating between the payout coefficients of such positions, according to the difference between the values of TSR.

– Regarding the Sustainability index: the Remuneration Committee will jointly evaluate the 4 indicators above referred based upon the results achieved, disclosed by the Company's Sustainability Department, in accordance with the following performance scales defined for each of them:

- Indicator no. 1: ensuring the use of the *The List by Inditex* standard for chemical products used in the textile industry:

Percentage of factories where wet processing is carried out across Inditex's supply chain that use ***The List*** as a reference standard	Level of achievement of objective
< 45%	0%
45%	50%
48%	75%
51%	100%
>55%	125%

- Indicator no. 2: Improvement of own waste management:

Percentage of waste similar to urban waste	Percentage of hazardous waste appropriately managed to be recovered	Level of achievement of objective
< 85%	< 80%	0%
85%	80%	50%
88%	82%	75%
91%	85%	100%
> 95%	> 88%	125%

- Indicator no.3: GHG emissions reduction:

Percentage of reduction of GHG emissions upon expiry of each cycle of the 2019-2023 Plan	Level of achievement of objective
< 4%	0%
4%	50%
5%	75%
6%	100%
> 8%	125%

- Indicator no. 4: concentrating production in suppliers ranked A and B following their social audits:

Percentage of concentration of production in suppliers ranked A and/or B following their social audit upon expiry of each cycle of the 2019-2023 Plan	Level of achievement of objective
< 90%	0%
90%	50%
92%	75%
93,5%	100%
> 95%	125%

- With regard to the first cycle, the incentive will be delivered within the calendar month following the publication of the 2021 annual accounts, and with regard to the second cycle, within the calendar month following the publication of the 2022 annual accounts.

  In order to be eligible to receive the relevant incentive for each cycle, as a general rule beneficiaries must remain in the Company until expiry of the accrual period.

  The maximum number of shares under the 2019-2023 Plan amounts to 9,800,000 ordinary shares, which represent 0.3% of the share capital, out of which a maximum number of 390,000 shares are addressed to the Executive Chairman and a maximum number of 260,000 shares are addressed to the CEO.

A.1.11. Main characteristics of long-term savings systems.

Except for the Executive Chairman, directors are not beneficiaries of any long-term saving system, including retirement or any other survivor benefit, partly or wholly funded by the Company.

From 2011 through 31 January 2015, the Executive Chairman was the beneficiary of a defined Money Purchase Pension Scheme Plan, implemented through a Group Life insurance policy taken out by Inditex with a carrier of repute in Spain (hereinafter, the “Policy”).

Contributions to such Money Purchase Pension Scheme Plan were made by Inditex in the month of September of each of the years referred to in the paragraph above. The amount of the annual contributions each year was equivalent to 50% of the fixed salary paid by Inditex each year to the Executive Chairman.

In 2019, no contributions have been made to the Money Purchase Pension Scheme for the Executive Chairman, without prejudice to the fact that new contributions may be made throughout 2020, further to a resolution of the Board of Directors.

In case of termination at Inditex before the retirement age, the Executive Chairman will keep 100% of the entitlement to the accumulated funds under the Policy. However, this being a pension commitment, the Executive Chairman or his successors, as the case may be, shall not materialize such rights until any of the contingencies covered by the Policy would occur. General contingencies covered are retirement (regular or early), permanent disability while in performance of professional duties (ranked as Total/Absolute and Severe Disability) and death while in performance of professional duties. As an exception, acute illness and long-term unemployment will also be considered.

Pursuant to the provisions of *Real Decreto* 681/2014 of 1 August 2014, whereby the Regulations on Pension Plans and Funds approved by *Real Decreto* 304/2004 of 20 February were amended, the Policy also covers the possibility of receiving retirement benefit upon attaining 65 years where the National Social Security retirement benefit is not available, as well as receiving the retirement benefit in advance on account of termination of the employment agreement and joining the ranks of unemployed following the loss by the company of its legal personality, collective dismissal, dismissal on objective grounds and insolvency proceedings. These benefits are separate from any other to which the Executive Chairman may be entitled on other grounds

A.1.12 Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, in the terms provided, between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, permanence or loyalty, which entitle the director to any type of remuneration

No severance pays have been agreed in case of termination of duties as director, except for that provided in subparagraphs iii) and iv) of the next section regarding executive directors for the performance of senior management functions.

A.1.13 State the conditions that contracts should respect for those exercising senior management functions as executive directors.

Pursuant to the provisions of sections 249 and 529*octodecies* LSC and section 30.3 of the Board of Directors’ Regulations, the relevant terms of the contracts entered into with executive directors are detailed below:

(i) Term

The contracts executed with the Executive Chairman and the CEO are for an indefinite period.

(ii) Notice period

Both in case of termination of the contract on account of certain grounds attributable to Inditex, and on account of voluntary resignation of the executive directors, notice shall be given at least 3 months in advance. Such notice may be replaced with an amount equivalent to the fixed remuneration of the non-observed term of notice.

(iii) Severance or golden parachute clause

Executive directors will be entitled to severance pay in a gross amount equivalent to the **remuneration of 2 years** calculated based upon their **fixed remuneration** respectively, established for the current year, where the relevant contract is terminated by unilateral decision of the Company, as well as in case of resignation tendered by the Executive Chairman or the CEO under certain premises (including the succession in the company or a change in control in the Company that affects more than 50% of the share capital or 50% of the voting rights, provided that a significant refreshment of the governing bodies of the Company or a change in the contents or purpose of the main activity of the Company takes place at the same time, if such request for termination is made within 6 months of the occurrence of such succession or change. For such purposes, no succession or change in control shall be deemed to have taken place in the event of direct or indirect family succession in the ownership of the Company).

(iv) Agreement on exclusivity and post-contractual non-competition

For as long as their contractual relationship with Inditex remains in force, executive directors shall perform senior management functions exclusively for the Company and the Inditex Group, and they shall refrain from working either directly or indirectly for any third parties, or for their own account, even where the activities they may carry out would not compete with those of the Inditex Group. This provision does not apply to the office of non-executive director on the board of other companies which do not compete with Inditex, subject to the restrictions set out in the Board of Directors' Regulations.

With regard to the terms and conditions of their respective contracts, and in respect of the entitlement to compensation for termination of their respective contracts, above referred, compensation equal to the remuneration for (1) year shall be deemed to be for the purposes of compensating this obligation of non-competition.

With regard to the post-employment non-competition agreement and as regards all members of the Board of Directors, regardless of their classification as director, section 24.3 of the Board of Directors' Regulations provides that "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.

(v) Clawback provision

Pursuant to the provisions of section A.1 above, should (i) any event or circumstance occur that would result in the negative change or variation, in final terms, of the financial statements, results, economic data, performance data or otherwise, upon which the accrual and payment to the executive directors of any amount in terms of variable remuneration would have been based, and, (ii) should such change or variation determine that, if they had become known at the date of accrual or payment, the executive directors would have received a lesser amount than the one initially paid, the Company shall be entitled to claim from him clawback of any excess paid.

Additionally, as explained in section A.1 above referred, the Company may cancel and/or claim the clawback of the long-term incentive paid to the executive director, in full or in part, in the event of occurrence of certain unforeseen circumstances during the 2 years following the delivery of the incentive.

A.1.14 The nature and estimated amount of any other supplementary remuneration accrued by directors in the current year in consideration for any services rendered outside of their post.

Directors will not receive in the current year any remuneration other than that accrued for the services rendered in their post.

A.1.15 Other remunerative items or by-products, as the case may be, of the company granting the director advance payments, loans, guarantees or any other remuneration

The granting of advanced payments, loans or guarantees to directors is not covered in the Remuneration Policy.

As at the date of this Report, no advanced payment, loans or guarantees have been granted to any director.

A.1.16 The nature and estimated amount of any other planned supplementary remuneration not included in the previous sections.

No supplementary remuneration other than the one explained above is provided in the Remuneration Policy.

As at the date of this Report, no supplementary remuneration has been accrued to directors in consideration for services rendered outside of their post, nor any additional remuneration item other than those addressed in the sections above.

A.2 Significant changes in the Remuneration Policy applicable in the current year resulting from:

The current Remuneration Policy for Directors for 2020 was approved by the Annual General Meeting held on 17 July 2018 and amended in part by the Annual General Meeting held on 16 July 2019.

The Policy will be effective for financial years 2019, 2020 and 2021. Therefore, it will expire on 31 January 2022.

As detailed in the sections above, the remuneration policy for 2020 has not been subject to any changes compared to the one applied in 2019.

A.3 Direct link to the document where the current company remuneration policy is posted, which must be available on the web page of the company

Below is the link to the current company remuneration policy effective in 2020:

https://www.inditex.com/documents/10279/626319/15.+Politica+Remuneraciones+Consejeros+e+Informe+CR+vfinalTrad.pdf/7c8d105d-3af4-38d4-7fa0-82017384b187

A.4 Consideration on the voting by the Annual General Meeting on the annual report on remuneration for the previous year

The current Remuneration Policy for Directors for 2020 was approved by the Annual General Meeting held on 17 July 2018 (with 99.38% of votes for) and amended in part further to a resolution of the Annual General Meeting held on 16 July 2019 passed with 99.54% of votes for pursuant to the provisions of section 529*novodecies* of the Companies Act.

The overarching principles and general parameters which guided the former remuneration policy for directors for financial years 2016, 2017 and 2018 have been taken into account and adhered to upon designing and drawing up the Remuneration Policy for Directors. It should also be noted that since the approval of the former remuneration policy for directors above mentioned, the Annual Reports on Remuneration of Directors for financial years 2016, 2017 and 2018 were largely supported by the shareholders in the advisory say-on-pay vote, as well as by institutional investors and proxy advisors. This reflects the Company's efforts in its attempt to be aligned with the interests of its stakeholders.

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

B.1 Process followed to enforce the Remuneration Policy and determine the individual remuneration contained in the Statistical Appendix. Role of the Remuneration Committee, decisions made by the Board of Directors and role played by external advisors.

B.1.1 Composition of the Remuneration Committee

As provided in article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and section 7 of the Remuneration Committee's Regulations, the Remuneration Committee shall be made up of a number of at least 3 and at most 7 non-executive directors, a majority of whom must be independent directors.

Members of the Remuneration Committee are appointed by the Board of Directors following a report of the Nomination Committee. The Chair of the Remuneration Committee is also appointed by the Board of Directors, out of the independent members of such Committee.

As at 31 January 2020 and as at the date of this Report, **all members** sitting on the Remuneration Committee are **non-executive**. Its composition is as follows:

Mr Rodrigo Echenique Gordillo
(Chair, Independent Director)

Mr José Arnau Sierra
(Ordinary member, Proprietary Director)

Mr Emilio Saracho Rodríguez de Torres
(Ordinary member, Independent Director)

Bns. Denise Patricia Kingsmill
(Ordinary member, Independent Director)

Mr José Luis Durán Schulz
(Ordinary member, Independent Director)

Mr Antonio Abril Abadín has acted as Secretary non-member of the Remuneration Committee.

The Remuneration Committee meets whenever it is deemed appropriate for its smooth operations, and at any rate, each time the Board of Directors or its Chairman requests the issuing of a report or the passing of motions within its remit. Moreover, the Remuneration Committee shall hold a regular meeting every year to prepare the information on the remuneration of directors, which the Board of Directors has to approve and include as part of its annual public documentation.

During the meeting that the Board of Directors holds immediately after each meeting of the Remuneration Committee, the Chair of the latter informs Board members of the business transacted in the course of such meeting.

B.1.2 Process followed to enforce the Remuneration Policy and determine individual remunerations.

The duties of the Remuneration Committee are covered in article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and sections 5 and 6 of the Remuneration Committee's Regulations.

The Remuneration Committee met 5 times in 2019, with the attendance of all its members (either in person or by proxy). This represents a 100% attendance ratio. In the current year to the date of release of this Report, it has met 1 time.

In the course of the above referred meetings, the Remuneration Committee has transacted a number of business, and has resolved to submit them to the Board of Directors for approval.

- In the meeting held on 11 March 2019:

    - The evaluation of the level of achievement of the objectives tied to the annual variable remuneration of the Executive Chairman for 2018. The Board of Directors assessed the achievement of such objectives in the meeting held on 12 March 2019.

    - The evaluation of the level of achievement of the objectives set for the different metrics to which the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan is tied. The Board of Directors approved the achievement of such objectives in the meeting held on 12 March 2019.

    - The terms and conditions of the new 2019-2023 Long-term Incentive Plan, approved by the Board of Directors in the meeting held on 12 March 2019.

      Further to the approval of the Plan by the Board of Directors, it was submitted to the Annual General Meeting held on 16 July 2019 for approval, as a separate item on the agenda (item no. 9) and approved with **99.56**% of votes for

    - The motion submitted to the Board of Directors on the remuneration of the Executive Chairman for the performance of senior management functions in 2019, with regard to the amount and the remaining terms thereof. Such motion was approved by the Board of Directors on 12 March 2019.

    - The proposed Annual Report on Remuneration of Directors for 2018. Further to the approval thereof by the Board of Directors in the meeting held on 12 March 2019, said Annual Report was tabled to the Annual General Meeting held on 16 July 2019 for approval, as a separate item on the Agenda (item 12), and approved with **99.36**% of votes for.

- In the meeting held on 10 June 2019:

    - The amendment in part of the Remuneration Policy for Directors for financial years 2019, 2020 and 2021 for the sole purposes of adding the annual fixed remuneration of the CEO for the performance of executive functions. Further to the approval of such amendment by the Board of Directors in the meeting held on 11 June 2019, it was submitted to the Annual General Meeting held on 16 July 2019 for approval, as a separate item on the agenda (item no.11) and approved with **99.54**% of votes for.

      The partial amendment and the explanatory report issued by the Remuneration Committee have been made available to shareholders on the corporate website at the time that the notice calling the 2019 Annual General Meeting has been posted.

- In the meeting held on 16 July 2019:

    - The motion submitted to the Board of Directors on the remuneration of the CEO for the performance of senior management functions in 2019, with regard to the amount and the remaining terms thereof.
    - The motion on the contracts entered into with the Executive Chairman and the CEO.

The Board of Directors approved the motions on (i) on the remuneration of the CEO for the performance of senior management functions in 2019, and (ii) the contracts entered into with executive directors in the meetings it held on that same day.

- In the meeting held on 9 September 2019:
    - The acknowledgement of the list of beneficiaries of the first cycle (2019-2022) of the 2019-2023 Long-term Incentive Plan.
- In the meeting held on 9 December 2019:
    - The report on the performance of the Remuneration Committee and its members, that such Committee tabled to the Board of Directors to carry out the annual evaluation.
- In the meeting held on 16 March 2020:
    - The evaluation of the level of achievement of the objectives tied to the annual variable remuneration of the Executive Chairman and the CEO for 2019. The Board of Directors assessed the achievement of such objectives in the meeting held on 17 March 2020.
    - The evaluation of the level of achievement of objectives for the different metrics to which the second cycle (2017-2020) of the 2016-2020 Plan is tied. The Board of Directors approved the achievement of such objectives in the meeting held on 17 March 2020.
    - The motion submitted to the Board of Directors on the remuneration of the Executive Chairman and the CEO for the performance of senior management functions in 2020, with regard to the amount and the remaining terms thereof. Such motion was approved by the Board of Directors on 17 March 2020.
    - The proposed Annual Report on Remuneration of Directors for 2019 to be submitted to the Board of Directors for approval, and be subsequently put to the advisory say-on-pay vote of the 2020 Annual General Meeting. The Board of Directors approved such Report on 17 March 2020.

The information on the remaining proceedings of the Remuneration Committee in 2019 will be included in the Annual Corporate Governance Report and in the Annual Activities Report of the Remuneration Committee, which will be published in July as part of the 2019 Annual Report.

B.1.3 Identity and role of external advisors

To better perform its functions, the Remuneration Committee may request the Board of Directors to engage legal, accounting, financial or other experts at the expenses of the Company.

In this regard, the Remuneration Committee has been advised in 2019 by Willis Towers Watson, an independent consultant in the field of compensation of directors and senior managers, regarding; (i) the benchmarking analysis in respect of the compensation package of the Executive Chairman and the CEO; (ii) the design and drafting of the 2019-2023 Long-Term Incentive Plan; and (iii) the preparation of the Annual Report on Remuneration of Directors.

Likewise, with regard to decision-making in respect of the remuneration of the new CEO, the Remuneration Committee has considered, without limitation, a benchmarking analysis on the relativity of the remuneration of the position of CEO in respect of the position of executive chairman, in Ibex-35 companies in which both positions coexist.

B.2. Action taken to align the remuneration system with the long-term objectives, values and interests of the Company, and measures to guarantee that the long-term results of the Company have been taken into consideration in the remuneration accrued. Action taken regarding the remuneration system to reduce exposure to excessive risks and measures to avoid conflicts of interest.

B.2.1 Action taken to align the remuneration system with the long-term objectives, values and interests of the Company, and measures to guarantee that the long-term results of the Company have been taken into consideration in the remuneration accrued.

The measures taken in 2019 to ensure that **long-term results** of the Company **are considered** in the Remuneration **Policy** are described below:

- The compensation package of executive directors comprises different remuneration elements, mainly consisting of: (i) a fixed remuneration, (ii) a short-term variable remuneration (annual), and (iii) a long-term variable remuneration (pluri-annual).

- In 2019, this long-term element has represented more than 20% of aggregate compensation (fixed + short-term variable + long - term variable remuneration) for executive directors in a scenario of achievement of objectives on target, and 30% in a scenario of overachievement.

- Long-term variable remuneration plans are part of a pluri-annual framework to ensure that the evaluation 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 shareholder value creation, so that the interests of executive directors and officers are aligned with shareholders' interests.

- Executive directors shall 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. These courses of action result in a better alignment of the interests of executive directors with those of the shareholders.

The Remuneration Policy in effect in 2019 stroke an a**ppropriate balance between fixed and variable items** of the remuneration as described below:

- The design of the remuneration scheme shows an efficient balance between fixed and variable items, as described in section A.1.4 above.

- Variable remuneration items were flexible enough to allow their shaping, to the extent that it was possible that no amount was paid on in terms of variable remuneration, whether annual or pluri-annual; in such case, fixed remuneration would have represented 100% of aggregate compensation.

- Variable remuneration is not guaranteed.

B.2.2 Action taken regarding the remuneration system to reduce exposure to excessive risks and measures to avoid conflicts of interest.

The **measures** taken in 2019 with regard to **those members of staff** whose professional activity may have a **material impact on the risks profile** of the Company were:

- The Remuneration Committee was responsible for considering and reviewing the Remuneration Policy for Directors and senior managers and for enforcing it. Those professionals whose activity may have a material impact on the risks' profile of the Company are included among them. In the course of its duties, the Committee has taken into account the exceptional situation due to the global Covid-19 pandemic.

- Members of the Remuneration Committee also sit on the Audit and Compliance Committee. Therefore, the Chair of the Remuneration Committee is a member of the Audit and Compliance Committee and in turn, the Chair of the Audit and Compliance Committee sits on the Remuneration Committee. This ensures that risks associated to remuneration are considered in the course of the debates of the Remuneration Committee and of the Audit and Compliance Committee and in motions submitted by both Committees to the Board of Directors, on both the determination and the process to assess annual and pluri-annual incentives.

- Likewise, 3 ordinary members of the Remuneration Committee also sit on the Sustainability Committee. In particular, the Chair of the Sustainability Committee is a member of the Remuneration Committee. The Sustainability Committee is responsible for overseeing and monitoring motions in the field of sustainability, on social and environmental issues, of health and safety of the products that the Company places on the market, and the relations with the different stakeholders in the field of sustainability. Thus, the fact that the same directors sit on different committees allows ensuring that alignment with the Group's priorities in the field of sustainability for all its stakeholders is considered upon establishing and enforcing the Remuneration Policy.

With regard to **clawback** provisions in order to be entitled to claim the refund of variable items of the remuneration that are based on results, when such items have been paid on the basis of information clearly shown later to be inaccurate:

- A clawback provision is included in the contract executed with executive directors in respect of variable items of their remuneration in such cases. Additionally, the Company may cancel and/or claim the refund of the long-term incentive paid in full or in part, upon occurrence of certain unforeseen circumstances, as described in section A.1 above.

- The Remuneration Committee may propose to the Board of Directors the cancellation of payment or, where appropriate, the refund of the variable items of the remuneration of directors based on results, when they have been paid on the basis of information clearly shown to be inaccurate, as well as the termination of the relationship with the relevant supervisor and the filing of the relevant claims, pursuant to the terms of section 6 of the Remuneration Committee's Regulations.

The measures taken to detect, determine and resolve potential **conflicts of interest** have been addressed in section A.1.6. above.

B.3. How the remuneration accrued over the year meets the provisions contained in the current remuneration policy. Relationship between the remuneration accrued by the directors and the results or other performance measures of the company in the short and long term.

The Remuneration Policy for Directors for 2019 was approved by the Annual General Meeting on 17 July 2018 and amended in part further to a resolution passed by the Annual General Meeting held on 16 July 2019.

The amounts set out in section A.1 above are the only remuneration paid in 2019 to directors in their status as such for membership on the Board of Directors of Inditex, or of any Group companies, except for the remuneration of executive directors for the performance of senior management functions. Directors have not received any other remuneration under a profit-sharing scheme or bonus, nor any remuneration systems or schemes covering a variable remuneration or based on results or other indicators of performance of the Company.

As regards executive directors, certain items of their remuneration for the performance of senior management functions are tied to results and other indicators of performance of the Company. In particular, in 2019:

- **Short-term or annual variable remuneration**

As explained below, the Board of Directors resolved, on the proposal of the Remuneration Committee, that the annual variable remuneration for 2019 should be determined in accordance with the following criteria:

- **Executive Chairman**:

	Weighting	Objective	Measurement criteria
Executive Chairman	70%	Net sales (35%) and contribution margin (35%)	The same criteria as those established for Senior managers according to the budget of the Company are used
	15%	Personal performance	Assessment by the Board of Directors, on the proposal of the Nomination Committee.
		Strategic development of the Company	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
	15%	Progress in corporate social and environmental sustainability policies	Addition of new stores which meet eco-efficiency parameters and the number of audits and control of discharges at dyeing facilities where wet processing is carried out in the framework of Inditex's commitment to the *Zero Discharge of Hazardous Chemicals* (ZDHC) Programme.
		Progress in corporate goverance	Degree of compliance with the recommendations of the Good Governance Code of Listed Companies and alignment with international best practices
		Progress in implementing diversity and compliance programmes (Compliance)	Approval of internal regulations and degree of international roll-out

- **CEO**: for the period running from the date of his appointment on 16 July 2019 through 31 January 2020:

	Weighting	Objective	Measurement criteria
CEO	70%	Net sales (35%) and contribution margin (35%)	The same criteria as those established for senior managers according to the budget of the Company are used
	15%	Personal performance	Assessment by the Board of Directors, on the proposal of the Nomination Committee.
		Strategic development of the Company	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
	15%	Progress in corporate social and environmental sustainability policies	Addition of new stores which meet eco-efficiency parameters and the number of audits and control of discharges at dyeing facilities where wet processing is carried out in the framework of Inditex's commitment to the *Zero Discharge of Hazardous Chemicals* (ZDHC) Programme.

		Progress in corporate goverance	Degree of compliance with the recommendations of the Good Governance Code of Listed Companies and alignment with international best practices
		Progress in implementing diversity and compliance programmes (Compliance)	Approval of internal regulations and degree of international roll-out

In order to assess the criteria above for the purposes of determining the annual variable remuneration of executive directors for 2019, the Remuneration Committee has taken into account the levels of achievement of objectives, and the performance scales associated with each objective, with their relevant slopes (i.e. relationship between level of achievement and level of payment):

- Inditex Group's net sales reached €28.29bn in 2019, which represents a 105 % level of payment regarding this objective.
- The contribution margin has reached €4.78bn in 2019, with represents a 63% level of payment regarding this objective.
- With regard to the remaining objectives, the Remuneration Committee has considered that the level of achievement and the level of payment for such objectives stands at 100%. In this regard the Remuneration Committee has considered the following:

- The findings of the evaluation of the performance of the Executive Chairman and the CEO carried out by the Board of Directors in the meeting held on 10 December 2019 following a report of the Nomination Committee. Both were qualified as "excellent", in line with the evolution of the Company.

  Additionally, special mention should be made of the very positive findings of the evaluation of the appointment of the new CEO. In this regard, directors have considered that the appointment of the new CEO has contributed to reinforcing the executive business management in the field of new technologies and sustainability.

- Progress in strategic development. Further progress has been made by the Company upon rolling out its flexible and fully integrated store and online business strategy. RFID technology has been progressively implemented in all the brands of the Group, and it has been completed in Zara. This has permitted the development of the integrated "**stock**" (SINT) project for both store and online sale, which is expected to be fully implemented in the year. The system is based upon traceability of all garments through RFID and it allows directly serving an order from the closest store where stock can be found without having to use a warehouse or a logistics centre. Likewise, the integration of customer service technology tools at stores has been extended, for the purposes of providing the best customer experience, both regarding collection of online orders at store, and optimising search and payment processes. Examples of such initiatives are the Zara stores in Dubai Mall (Dubai) and Paseo de Gracia (Barcelona). In addition to its wide network of stores, the global Zara store is available on 202 markets. The company has set the target that all its 8 brands will be selling online worldwide in 2020.
- With regard to observance of the expansion plans. Total retail floor area has increased by 125,000m², having reached upwards of 5 million m². The Company's global expansion process has continued with 307 net openings in 43 markets in 2019. Contemporaneously, an active policy has been implemented to optimise the retail floor area, mainly focused on prime locations and materialized in the absorption of 328 stores and the conduct of 182 refurbishments and extensions of existing business premises. At year-end, the aggregate number of stores was 7,469.

- Progress in social sustainability policies. As of 2019 the “2019-2022 Workers at the Centre” strategy replaces the “2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain”. This new strategy is implemented in 3 spheres: work environment, well-being and industry. This means that policies, schemes and activities will focus on impacting any of these 3 spheres associated with workers. In addition, priority impact areas are identified, which allows adding value and delving into creating sustainable production environment. Implementation of the identification, assessment, optimisation and sustainability methodologies, tools and activities included in the 2014-2018 Plan continues, and they are supplemented by the 2019-2022 Strategy, for the purposes of ensuring respect for fundamental Human and Labour Rights and promoting sustainability across the supply chain. In this regard, 2,789 pre-assessment audits and 6,411 social audits were conducted in 2019 Additionally, 1,619 special audits were carried out, with inspection visits to follow-up on the corrective action plans and specific health and safety evaluations. Progress has continued in terms of traceability of the supply chain, and throughout the year 1,396 traceability audits were performed to verify that production for the Group’s brands was being carried out in correctly declared and authorised factories.

  Alliances and partnerships continue playing a major role. Mention should be made of Inditex’s participation in the ACT (Action, Collaboration, Transformation) initiative and in the Business Learning Program of SHIFT, a non-profit organisation with expertise in Human Rights. Close collaboration with the International Labour Organization (ILO) has continued, as Inditex is a participant in different ILO programme, such as Better Work or SCORE. Likewise, the Global Framework Agreement executed in 2007 with IndustriALL was renewed on 13 November 2019, with both parties agreeing to set up a Global Union Committee on which worker representatives from Inditex's production line will sit.

  As for the proceedings regarding the “Ready to Manufacture” (RtM) manufacturing standard, and the commitment to elimination of APEOs and PFCs, 1,373 audits were conducted in the year at 1,169 facilities where wet processing is carried out, with a global 76% improvement on their prior initial and/or follow-up audit. In 2019, the RtM programme has been made a part of the Green to Wear (GTW) environmental standard for the purposes of reinforcing the sustainable management of chemicals in the supply chain and underpinning the Company’s commitment within the 2020-2025 Strategic Environmental Plan. The scope of production control in the chemical industry has been extended to 24 suppliers who put on the market some 27,756 chemical products, which represents a 7% increase versus the previous edition. In 2019, 31 new requests were received to be included in *The List by Inditex* programme, and for the launching of its 4th edition, as 19 audits and 17,641 analysis were conducted. The 4th edition of *The List by Inditex* was published, covering some 23,373 chemical products classified and sold by 24 manufacturers. Regarding proceedings carried out in respect of creation and update of health and safety of the product standards, the *Clear to Wear* standard has been reviewed and updated and this new version will be effective as of 2020. As for the *Safe to Wear* standard, progress has been made by encompassing the main regulatory changes which affect the different types of goods that the Group places on the market. In 2019, the i+Cosmetic and i+FCM standards have been updated and the new developments will be effective as of 2020. Finally the standards applicable to home fragrances and candles (I + Home Fragrance & Candles) and childcare furniture and articles (I + Childcare Furniture) have been designed. Regarding corporate community investment: more than 2.4 million people have directly benefited from the social initiatives we have participated in, which represents a 1% increase versus the previous year. The scope of social programmes has extended, through proceedings implemented in partnership with strategic partners in the field of humanitarian relief, including without limitation Doctors without Borders (MSF [*French acronym*]), Water.org, Cáritas, Entreculturas, *Every Mother Counts*, *Tsinghua University Education Foundation*, *China Youth Development Foundation* or the Red Cross.

As for Inditex's contribution to the United Nations Sustainable Development Goals (SDGs) set out in the 2030 Agenda, in 2019 our community investment proceedings have focused, in line with the company's business, on SDG 8 Decent Work and Economic Growth, SDG 10 Reduction of Inequality and SDG12 Responsible Production and Consumption. Additionally, Inditex has made significant efforts on Health and Well-being (SDG 3), Quality Education (SGD 4) and Gender Equality (SDG 5). In particular, upwards of 86% of our community investment targets social programmes or initiatives mainly focusing on one of the above referred SDGs.

- Main progress in environmental policies: the 2016-2020 Environmental Strategic Plan continues to be implemented in 2019. The Group is a member of the UN *Fashion Industry Charter for Climate Action* (UNFCCC) and is also a signatory of the *Fashion Pact*, a global coalition of leading companies in the fashion industry committed to setting specific key targets (SBT) for the purposes of stopping climate change, protecting the oceans and restoring biodiversity.All the brands of the Group have continued working in the year under the *Join Life* labeling programme, a standard that identifies collections made using the most sustainable raw materials as well as the best technologies at the service of production. In 2019 the Company has offered on the market 19% of items featuring the *Join Life* label. Inditex has continued supporting projects in BC cotton farming communities, taking part in 5 projects launched by *Organic Cotton Accelerator* (OCA), in direct collaboration with upwards of 6,000 farmers, to promote production of organic cotton. In furtherance of the Forest Product Policy, the Company works closely with Canopy Planet in the CanopyStyle initiative. Inditex and other brands of the textile sector promote the adoption among the leading suppliers of forest raw materials in the world, of positions aligned with the philosophy to protect primary and HCV forests. Work has continued towards the implementation of the *Green to Wear* programme (www.wateractionplan.com). Since the programme was launched, Inditex has carried out 1,776 environmental audits and control of discharges at dyeing facilities that carry out wet processing in the framework of Inditex's commitment to achieving Zero Discharge of Hazardous Chemicals (ZDHC). Inditex also works with the Chinese Institute of Public and Environmental Affairs (IPE), to improve the environmental management of its supply chain, teaming up with our suppliers to help them share the results of their wastewater analysis. With regard to the Perfluorocarbons-free Policy (PFC), Inditex remains the global leader in the Detox Catwalk 2016 ranking. To improve the effectiveness of its logistics operations, the *Green to* Pack programme has been further developed Such programme sets packing quality standards, prioritising the use of recycled materials, extending the useful life of its packaging and improving their subsequent recycling. 5,891 stores of the Group meet the eco-efficiency requirements in 2019 and 40 own stores have been certified under LEED and Breeam sustainable construction standards: 29 of them with LEED Gold, 10 with LEED Platinum, and 1 with Breeam. In 2019, 2 new flagship stores have been certified under such standards Oysho – Place du Molard Geneva and Zara – Brickell City Center Miami).Containers to collect used garments, footwear and accessories have been installed at logistics centres and headquarters, as well as in 2,299 stores in 47 markets, thus meeting a year ahead of schedule the commitment undertaken with Global Fashion Agenda. The programme is active in 1,206 Zara stores across 47 markets worldwide. Regarding e-commerce, the programme to manufacture boxes for Zara online orders from recycled boxes and the service of free pick-up of used clothes at home for online customers remains in place. This repair and reuse programme is also available to Zara's online customers in Paris, London and New York, in addition to the already existing scheme in Spain and China (exclusively in Beijing and Shanghai). Inditex teams up with a number of academic institutions, including the Massachusetts Institute of Technology (MIT) through its MISTI

(*International Science and Technology Initiatives)* initiative, as well as with a number of Spanish universities and with Austrian company Lenzing, to make progress in textile recycling processes and technologies that contribute to circular economy.

- Progress in corporate governance. Important developments have been made in this field in 2019, aimed at improving Inditex's governance structure. In particular: (i) the number of board members has increased – from 9 to 11 – so that the size of the Board of Directors is in line with the dimensions and complexity of the Group and its business, and on a par with that of comparable companies; (ii) a new CEO has been appointed, and his election has contributed to reinforcing the executive business management in the field of new technologies and sustainability, and consequently, the appropriate implementation of the corporate strategy;; (iii) a new independent female director has been appointed, thus reinforcing the balanced composition of the Board with a majority of independent directors, and an appropriate ratio of female representation; and (iv) the expertise and background of directors in the digital and new technologies sector, as well as in sustainability has been reinforced, in line with the corporate strategic objectives marked as a priority. Additionally, the organisation and proceedings of the board and its committees have significantly improved. Special mention should be made of the formation of a new board committee, the Sustainability Committee, as its existence and proceedings will contribute to achieving: (i) a higher degree of specialisation and advice in the field; (ii) a better design of objectives and the relevant policies in the field, and of follow up and monitoring of compliance thereof; and (iii) focusing on the decision-making process within the board regarding sustainable management and accountability to stakeholders. Other measures taken are also noteworthy: (i) the approval of an annual schedule of dates and agenda of business to be transacted in 2020 by the Nomination and the Remuneration Committees; and (ii) the meeting of independent directors exclusively, led by the Lead Independent Director.

  Inditex's internal regulations (the Articles of Association, the Board of Directors' Regulations, and the specific sets of rules of board committees) were reviewed and amended in 2019, to bring them into line with the new corporate structure, and in particular, to encompass the criteria and best practices introduced by CNMV's Technical Guide 3/2017, on audit and control committees at public-interest entities, and Technical Guide 1/2019, on nomination and remuneration committees. Along those same lines, (i) the Audit and Compliance Committee's Regulations have been amended to reinforce the powers of such Committee in the field of Compliance and corporate governance; and, (ii) the Procedure for the Selection of the Statutory Auditor has been approved, for the purposes of meeting Recommendation 60 of Technical Guide 3/2017. The yardsticks and proceedings to be considered upon selecting or replacing statutory auditors are defined in such Procedure.

  Considering all the foregoing, the Audit and Compliance Committee has reviewed the appropriateness of the Corporate Governance system, with a positive outcome, as it has found that the Company fully complies with the regulatory requirements laid down in the applicable laws and regulations, and meets almost all the recommendations of the Good Governance Code of Listed Companies, approved by CNMV in February 2015, as provided in section G "Extent of compliance with corporate governance recommendations" of the Annual Corporate Governance Report for 2019.

- Progress in the roll-out of the diversity and Compliance programmes:

  With regard to the progress made in the roll-out of global diversity programmes, in 2019 Inditex has signed the "Open to All" pledge in the USA, an effort to raise awareness and increase visibility around the importance of ending discrimination and protecting people while on public retail spaces. More than 50 fashion companies in the world have joined this campaign. Additionally, Inditex subsidiaries in France, Germany, Croatia, Romania and Slovenia have signed their respective Diversity Charters, under the initiative of the European Commission, whereby they commit to implement diversity and inclusion policies by promoting the fundamental principles of equal opportunities and non-discrimination in the workplace. Likewise, certain employees have been appointed as "Diversity Champions" at different European subsidiaries and also in a number of stores in the USA. At year-end, the number of Diversity Champions was 120. The INCLUDING project has been launched in Brazil, to recruit disabled people and set in train inclusive actions aimed at promoting their integration through a number of awareness-raising and training measures addressed to managers and employees. The first *for&from* store outside Spain opened in 2019, as part of the network of social franchisees within different brands of the Group managed by non-profit organisations and mainly staffed with people with disabilities.

Upon implementing the Model of Compliance, in 2019 the Scoping Matrix of Criminal Risks and Controls has been updated through the review of the potential risks inherent in the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes to the organisational structure and to certain processes of the Company. Work has continued in the year to implement specific contents, and in particular, regarding methodologies and systematization of training in the field of Criminal Compliance. As a result of such work, the new Training Plan on Criminal Compliance for 2020 was approved. The Board of Directors approved in the year the following corporate global policies, intended to bring the company's internal regulations into line with certain regulatory developments existing in the different markets, international standards and best practices, as well as recommendations on Corporate Compliance: (i) the Conflicts of Interest Policy that sets out the principles and criteria to prevent, detect, disclose and communicate such conflicts of interest which may affect Inditex employees in the performance of their job, jeopardising the necessary objectivity and professionalism at the workplace; and (ii) the Due Diligence Policy that seeks to bring Inditex's relations with is business partners, suppliers and large customers, into line with the processes described in international standard ISO 37011 on Anti-bribery Management Systems within Organisations, and with the most exacting regulations and standards in the field of anti-corruption. The third parties Due Diligence procedure covered in the Policy has been implemented in the year. Such Procedure covers the organisational measures implemented by the Company to duly monitor the third parties with which it is engaged in a relation, from the perspective of corruption, fraud, international sanctions lists and/or any other such risks. On the other hand, the Ethics Line Procedure has been amended to align certain of its provisions with regulatory requirements and international best practices in the field of Human Rights, expounding and reinforcing the guarantees and protective measures for the parties involved.

Significant progress is also noted regarding the international roll-out of the Corporate Compliance Model. New local Compliance Delegates have been appointed in Ukraine, Hungary and ITX Trading Switzerland. The current number of local Compliance Delegates stands at 33 in 58 markets in America, Asia and Europe. The Annual Compliance Report for 2018 was prepared with the assistance of local Compliance Delegates and reported to the Audit and Compliance Committee on 11 March 2019. On the other hand, progress has been made in Ireland, ITX Re, Mexico and United Kingdom regarding the implementation of a new specific anti-corruption model, to comply with the statutory requirements in such countries. Meanwhile, monitoring of the anti-corruption model implemented in France has been completed and progress has been made in the review and update of the current model of criminal risk prevention in Italy. Additionally, a Training and Communication Plan on Ethics and Compliance has been launched, addressed to store staff in all European markets. Likewise, in 2019 the new Code of Conduct for Canada has been launched. Inspired by the Group's Code of Conduct and Responsible Practices, the Canadian Code of Conduct adapts the provisions of this latter to local regulations and best practices. Following its posting on the corporate website and the local intranet in August 2019, an intensive plan was launched concerning the circulation and acceptance of the Code by the employees of the subsidiary. The circulation and acceptance plan regarding the Code of Conduct and Responsible Practices for the US, launched in the previous year, has remained in effect in 2019.

- Positioning: Inditex has been ranked once again among the most sustainable companies in the global retailing industry according to the *Dow Jones Sustainability Index* (DJSI), having scored 68 out of 100 points (68 out of 100 points in 2018), surpassing the average score of the sector by 40 points. Additionally, in 2019 Inditex has remained the leader of the retail industry in the environmental part of the DJSI.

  In 2019, Inditex scored 4.9 out of a possible 5 points in the *FTSE4Good* index. This sustainability index includes the global companies most committed to sustainability, considering their environmental, social and corporate governance practices.

  Inditex has been included for the second straight year in the *Global 100 Most Sustainable Corporations* ranking disclosed by Corporate Knight. Such index assesses economic, social and governance indicators. Likewise, Inditex remains the leader on climate change according to *Carbon Disclosure Project* (CDP), an organisation that assesses companies' practices in respect of climate change.

Having evaluated all the foregoing objectives as a whole, the Remuneration Committee has considered the following:

- **Executive Chairman**: **89% overall level of payment on variable target**.
- **CEO**: **89% overall level of payment on variable target**.

Taking into account the exceptional current situation due to the Covid-19 pandemic, the Board of Directors has resolved, following the proposal of the Remuneration Committee, that the annual variable remuneration of the Executive Chairman and the CEO for financial year 2019 be halved. Consequently:

- Executive Chairman: the Board of Directors resolved, on the proposal of the Remuneration Committee, an annual variable remuneration in the amount of €1,447k (44.5% of his annual fixed remuneration for the performance of senior management functions, and **44.5% of the annual variable target**).
- CEO: the Board of Directors resolved, on the proposal of the Remuneration Committee, an annual variable remuneration in the amount of €365k. This is the amount accrued in the period lapsed from the date of his appointment as CEO, i.e. 16 July 2019 to 31 January 2020 (45.6% of his annual fixed remuneration for the performance of senior management functions, on a pro-rata basis for that period and **44.5% of the annual variable target**).

- **Pluri-annual or Long-term variable remuneration**

The second and last cycle of the 2016-2020 Long-term Incentive Plan expired on 31 January 2020. Such Plan had been approved by the Board of Directors in the meeting held on 8 March 2016 on the proposal of the Remuneration Committee, and by the Annual General Meeting on 19 July 2016 (the "2016-2020" Plan).

The **2016-2020 Plan** consisted 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 the specific objectives has 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 was **4 years**. It was structured in 2 independent cycles.

- The first cycle of the Plan ran from 1 February 2016 through 31 January 2019. Full information on the degree of achievement of the objectives to which the cycle was tied, and on the relevant incentive was provided in the Annual Report on Remuneration of Directors released in 2019.
- The second cycle of the Plan ran from 1 February 2017 through 31 January 2020. The objectives to which the cycle is tied, the degree of achievement and the relevant incentive for each executive director are detailed below.

The second cycle (2017-2020) of the 2016-2020 Plan has been tied to critical business and shareholder value creation objectives. The achievement of such objectives has been measured through identifiable and quantifiable parameters known as metrics. In particular, this cycle was tied to the following metrics, each with a 1/3 weight and the following performance scales:

- **EBIT growth** (*earnings before interest and taxes*), defined as the growth of the value of earnings, before interest and taxes, in a certain period of time:

Level of performance	Level of achievement of objective	Level of incentive (% of maximum incentive)
Below minimum	< 50%	0%
Minimum	50%	50%
Target	75%	75%
Maximum	100%	100%
Overachievement	>125%	125%

Intermediate figures are calculated by linear interpolation.

- **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:

Level of performance	Level of achievement of objective	Level of incentive (% of maximum incentive)
Below minimum	< 50%	0%
Minimum	50%	50%
Target	75%	75%
Maximum	100%	100%
Overachievement	>125%	125%

Intermediate figures are calculated by linear interpolation.

- With regard to the evolution of **relative TSR**:
  - The Benchmark Group has been made up of the companies included in the Dow Jones Retail Titans 30 index as at 1 February 2017 (the “Benchmark Group of the 2016-2020 Plan”).
  - For the purposes of Inditex’s TSR and the TSR of each company within the Benchmark Group of the 2016-2020 Plan, initial value was understood as the average weighted closing share price of each company on the 30 trading days immediately prior to 1 February 2017 (excluded), (the “Initial Value of the 2016-2020 Plan”).
  - For the purposes of Inditex’s TSR and the TSR of each company within the Benchmark Group of the 2016-2020 Plan, final value was understood as the average weighted closing

share price of each company on the 30 trading days immediately prior to 31 January 2020 (included), (the "Final Value of the 2016-2020 Plan").

- To this end, for calculating the Final Value of the 2016-2020 Plan, the dividends or other similar amounts received by the shareholder on said investment during the respective period of time will be considered, as if the gross amount thereof (before taxes) would have been reinvested in more shares of the same class on the first date on which the dividend or any similar amount was payable to the shareholders and at the closing share price on that date.
- Upon expiry of the cycle, Inditex's TSR and the TSR of each of the companies included in the Benchmark Group of the 2016-2020 Plan was calculated. The companies within such Benchmark Group of the 2016-2020 Plan were ranked in descending order, in accordance with the highest or lowest TSR of each of them. A payout coefficient was assigned to each position in the ranking, ranging from 0% to 125% of maximum incentive, in accordance with the following payout scale:

Level of achievement	Place in ranking	Level of Incentive (% of maximum incentive)
Below minimum	< 15th (median)	0%
Minimum	= 15th (median)	30%
Maximum	5th to 8th (75th percentile but below 90th percentile)	100%
Overachievement	1st to 4th (ranked at or above 90th percentile)	125%

For intermediate positions, between median and 75th percentile within the Benchmark Group of the 2016-2020 Plan, the payout percentage will be calculated by linear interpolation.

To determine the level of achievement of objectives reached and the amount of the relevant incentive, the Board of Directors considered the following in the meeting held on 17 March 2020, on the proposal of the Remuneration Committee:

- Same-store sales (MMTT) growth of the Inditex Group in the period running from 1 February 2017 through 31 January 2020 was 5.28%
- EBIT growth of the Inditex Group in the period running from 1 February 2017 through 31 January 2020 was 4.78%
- Inditex's TSR position is below median in the TSR ranking of companies within the Benchmark Group.

Consequently, the **overall level of achievement** of objectives and the overall level of payment of incentive stands at 41.7%. Therefore, the Board of Directors resolved, on the proposal of the Remuneration Committee the following **incentives**:

- Executive Chairman:
  - An incentive in cash in the amount of €769k.
  - An incentive in shares materialized in 31,888 shares.
- CEO:
  - An incentive in cash in the amount of €46k, this being the amount accrued from the date of his appointment as CEO, i.e. 16 July 2019 to 31 January 2020.
  - An incentive in shares materialized in 1,250 shares, this being the part accrued from the date of his appointment, on 16 July 2019 to 31 January 2020.

Further information on this topic can be found in section C below. It should be noted that in order to quantify the gross profit from shares, Inditex's closing share price as of date of the meeting of the Remuneration Committee where the level of achievement of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account).

B.4. Report on the result the advisory say-on-pay vote of the Annual General Meeting on the annual remuneration report of the previous year, stating the number of votes against that may have been cast:

The Annual Report on Remuneration of Directors for 2018 was put to the advisory say-on-pay vote of the Annual General Meeting on 16 July 2019, as item number 12 on the agenda, with the following outcome:

	Number	% of total
Votes cast	2,730,773,503	87.62%

	Number	% cast
Votes against	16,660,413	0.61%
Votes for	2,704,468,997	99.04%
Abstentions	9,644,028	0.35%
Blank votes	65	0.00%

B.5 Determination of the fixed components accrued during the year by the directors in their status as such, and their change with respect to the previous year

To determine the remuneration accrued by the directors in their status as such in 2019, the amounts fixed in the Remuneration Policy for Directors, approved by the Annual General Meeting on 17 July 2018 and subsequently amended in part further to a resolution passed by the Annual General Meeting on 16 July 2019, have been considered. Such amounts have been in effect since they were approved further to a resolution passed by the Annual General Meeting on 19 July 2011.

Pursuant to the foregoing and given the current composition of the Board of Directors and its committees, the aggregate amount accrued by the directors in their status as such for the discharge of supervisory and collective decision-making functions was €2,113k. Out of this, the sum of €100k was accrued by the Executive Chairman and the sum of €54k was accrued by the CEO (corresponding to the part accrued for the performance of executive functions from the date of his appointment as CEO on 16 July 2019 to 31 January 2020).

B.6 Determination of the salaries accrued by each one of the executive directors for the performance of management duties, and their change with respect to the previous year

- **Executive Chairman**:

  - The fixed remuneration of the Executive Chairman for the performance of senior management functions was resolved by the Board of Directors on 11 March 2019, on the proposal of the Remuneration Committee.

  - In 2019 the fixed remuneration of the Executive Chairman for the performance of senior management functions amounted to €3,250k, which represents a significant portion of his aggregate remuneration.

- This sum **has remained unchanged** since 2013 and according to the Remuneration Policy, it will remain the same for the 2 following years during which the Plan will be valid (2020, and 2021).

- **CEO**:

  - The fixed remuneration of the CEO for the performance of senior management functions was resolved by the Board of Directors on 11 June 2019, on the proposal of the Remuneration Committee. Such amount was fixed at €1,500k.

  - Without prejudice to the remuneration accrued and received for the performance of his duties as Chief Operating Officer from 1 February 2019 to 16 July 2019, the fixed remuneration of the CEO for the performance of senior management functions in 2019 was €800k. This is the amount accrued by the CEO for the performance of executive functions from the date of his appointment as CEO on 16 July 2019 to 31 January 2020.

  - Therefore, such sum **has remained unchanged** since the date of his appointment.

B.7 Nature and main characteristics of the variable items of the remuneration systems accrued in the year ended.

- With regard to the **short-term or annual variable remuneration**

As explained in the 2018 Annual Report on Remuneration of Directors, the following criteria have been considered by the Remuneration Committee for both executive directors in its evaluation for the purposes of determining the annual variable remuneration for 2019:

- 70% based upon the net sales and the contribution margin, in equal proportion, with the same criteria as those established for senior managers according to the budget of the Company;

- 15% based upon the following criteria: the personal performance of both executive directors 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.

- The remaining 15% based upon the following criteria: the progress in corporate social and environment 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 that carry out wet processing in the framework of Inditex's commitment to achieve 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.

Further to the evaluation of the foregoing objectives as a whole, the Remuneration Committee has considered a 89% overall level of payment for the Executive Chairman and the CEO. However, taking into account the exceptional situation due to the global Covid-19 pandemic, the Board of Directors has resolved, following the proposal of the Remuneration Committee, that the annual variable remunerations of the Executive Chairman and the CEO for 2019 be halved. Consequently:

- Executive Chairman: the Board of Directors resolved, on the proposal of the Remuneration Committee, an annual variable remuneration of €1,447k (44.5% of his annual fixed remuneration for the performance of senior management functions, and **44.5% of the annual variable target**).

- CEO: the Board of Directors resolved, on the proposal of the Remuneration Committee, an annual variable remuneration of €365k. This is the amount accrued in the period lapsed from the date of his appointment as CEO, i.e. 16 July 2019 to 31 January 2020 (45.6% of his annual fixed remuneration for the performance of senior management functions, on a pro-rata basis for that period and **44.5% of the annual variable target**).

The evaluation of each objective has been explained in detail in section B.3 above.

- With regard to the long-term or pluri-annual variable remuneration

Current long-term incentive plans have been explained in detail in sections A.1 and B.3 above.

The second cycle (2017-2020) of the 2016-2020 Plan expired on 31 January 2020. Having evaluated all the objectives to which the cycle is tied as a whole, the Remuneration Committee has considered that the overall level achievement and the overall level of payment of the incentive stands at 41.7%. Detailed information on the objectives to which this second cycle is tied and the evaluation carried out by the Committee can be found in section B.3 above.

Consequently, the Board of Directors resolved on the proposal of the Remuneration Committee:

- **Executive Chairman:**
  - An incentive in cash in the amount of €769k.
  - An incentive in shares materialized in 31,888 shares, equivalent to a gross amount of €643k. Further information on this topic can be found in section C below.
- **CEO (incentive in cash and in shares accrued for the performance of executive functions as CEO)**:
  - An incentive in cash in the amount of €46k. This is the amount accrued from the date of his appointment as CEO on 16 July 2019 to 31 January 2020.
  - An incentive in shares materialized in 1,259 shares, equivalent to a gross amount of €25k. Such amount corresponds to the part accrued from the date of his appointment as CEO on 16 July 2019 to 31 January 2020. Further information on this topic can be found in section C below.

For such purposes, it should be noted that in order to quantify the part of the incentive that will materialize in shares, Inditex's closing share price as of the date of the meeting of the Remuneration Committee where the level of achievement of the objectives of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

Executive directors must retain such shares, net of any applicable taxes, for the 2 years following delivery thereof**.**

B.8 Reduction or return (clawback) of certain variable items, and, where appropriate, amounts reduced or clawed back, grounds for reduction or clawback and years to which they refer

No such proceedings have taken place in 2019.

B9. Main characteristics of the long-term savings systems

In 2019 Inditex has made no contributions to the Money Purchase Pension Scheme Plan.

B.10 Severance pay or any other type of payment deriving from early dismissal, accrued and/or received by directors during the year ended

As at the date hereof, no such remuneration has been accrued.

B.11 Significant changes in the contracts entered into with executive directors

The contracts entered into with the Executive Chairman and the CEO have not been amended in 2019.

B.12 Any supplementary remuneration accrued by directors as consideration for services rendered outside of their post.

No supplementary remuneration other than the ones herein addressed is provided in the Remuneration Policy.

As at the date hereof, no supplementary remuneration has been accrued by the directors in consideration for any services rendered outside of their post.

B.13 Any remuneration deriving from advance payments, loans or guarantees granted.

The granting of advance payments, loans or guarantees to directors is not provided in the Remuneration Policy.

As at the date of this Report, no advance payment, loans or guarantees have been granted to any director.

B.14 Remuneration in kind accrued by the directors over the year

No remunerations in kind exist other than the delivery of shares referred to in the foregoing sections.

B.15 Remuneration accrued by directors by virtue of payments settled by the listed company to a third company at which the director renders services when these payments seek to remunerate the director's services to the company

No such remuneration has been accrued by any director as at the date hereof.

B.16 Any other items of remuneration other than those mentioned in the previous sections,

No other additional item of remuneration other than the ones mentioned in the previous sections are provided in the remuneration system for directors.

C. STATISTICAL APPENDIX III TO THE ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC COMPANIES (CNMV's CIRCULAR 2/2018, OF 12 JUNE, DE LA CNMV), CORRESPONDING TO INDUSTRIA DE DISEÑO TEXTIL, S.A.

ISSUER IDENTIFICATION

Ending date of reference period: 31/01/2020

CIF: A-15.075.062

Company name: Industria de Diseño Textil, S.A.

Registered office: Edificio Inditex. Avda. Diputación s/n, 15143 Arteixo (A Coruña)

STATISTICAL APPENDIX TO THE ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC COMPANIES

B OVERALL SUMMARY OF HOW REMUNERATION POLICY HAS BEEN APPLIED DURING THE YEAR ENDED

B.4 Report on the result the advisory say-on-pay vote of the Annual General Meeting on the annual remuneration report of the previous year, stating the number of votes against that may have been cast

	Number	% of total
Votes cast	2,730,773,503	87.62%

	Number	% cast
Votes against	16,660,413	0.61%
Votes for	2,704,468,997	99.04%
Abstentions	9,644,028	0.35%
Blank votes	65	0.00%

C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period 2020
Mr PABLO ISLA ÁLVAREZ DE TEJERA	Executive	From 1/02/2019 to 31/01/2020
Mr CARLOS CRESPO GONZÁLEZ	Executive	From 16/07/2019 to 31/01/2020
Mr AMANCIO ORTEGA GAONA	Proprietary	From 1/02/2019 to 31/01/2020
Mr JOSÉ ARNAU SIERRA	Proprietary	From 1/02/2019 to 31/01/2020
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS FLORA PÉREZ MARCOTE)	Proprietary	From 1/02/2019 to 31/01/2020
BNS. DENISE PATRICIA KINGSMILL	Independent	From 1/02/2019 to 31/01/2020
Mr JOSÉ LUIS DURÁN SCHULZ	Independent	From 1/02/2019 to 31/01/2020
Mr. RODRIGO ECHENIQUE GORDILLO	Independent	From 1/02/2019 to 31/01/2020
Ms PILAR LÓPEZ ÁLVAREZ	Independent	From 1/02/2019 to 31/01/2020
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	Independent	From 1/02/2019 to 31/01/2020
Ms ANNE LANGE	Independent	From 10/12/2019 to 31/01/2020

C.1 Complete the following tables regarding the individual remuneration of each director (including the salary received for performing executive duties) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (in €K)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership on Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other items	Total FY 2019	Total FY 2018[1]
Mr PABLO ISLA ÁLVAREZ DE TEJERA	100	-	-	3,250	1,447	769	-	-	5,566	7,785
Mr CARLOS CRESPO GONZÁLEZ	54	-	-	800	365	46	-	-	1,265	-
Mr AMANCIO ORTEGA GAONA	100	-	-	-	-	-	-	-	100	100
Mr JOSÉ ARNAU SIERRA	100	-	150	-	-	-	-	80	330	330
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS FLORA PÉREZ MARCOTE)	100	-	-	-	-	-	-	-	100	100
BNS. DENISE PATRICIA KINGSMILL	100	-	150	-	-	-	-	-	250	250
Mr JOSÉ LUIS DURÁN SCHULZ	100	-	150	-	-	-	-	50	300	300
Mr. RODRIGO ECHENIQUE GORDILLO	100	-	150	-	-	-	-	50	300	300
Ms PILAR LÓPEZ ÁLVAREZ	100	-	150	-	-	-	-	-	250	134
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	100	-	150	-	-	-	-	50	300	300
Ms ANNE LANGE	15	-	14	-	-	-	-	-	29	-

[1] In 2018 the amount of €116k was also accrued as remuneration of former director Mr Carlos Espinosa de los Monteros Bernaldo de Quirós.

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of Plan	Financial instruments granted at start of year 2018		Financial instruments granted in 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year 2019	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	Price of consolidated shares	Net profit from consolidated shares or instruments (€k)[2]	No. instruments	No. instruments	No. equivalent shares
Mr PABLO ISLA ÁLVAREZ DE TEJERA	Second cycle of the 2016-2020 Long-term Incentive Plan	95,651	95,651			31,888	31,888	20.17	643	63,763	0exeut	0
Mr PABLO ISLA ÁLVAREZ DE TEJERA	First cycle of the 2019-2023 Long-term Incentive Plan	161,361	161,361	161,361	161,361						161,361	161,361
Mr CARLOS CRESPO GONZÁLEZ	Second cycle of the 2016-2020 Long-term Incentive Plan	3,775	3,775			1,259	1,259	20.17	25	2,516	0	0
Mr CARLOS CRESPO GONZÁLEZ	First cycle of the 2019-2023 Long-term Incentive	106,752	106,752	106,752	106,752						106,752	106,752

[2] For such purposes, it should be noted that in order to quantify the net profit of consolidated shares or financial instruments, Inditex's closing share price as of date of the meeting of the Remuneration Committee where the level of achievement of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

iii) Long-term saving systems

Name	Remuneration from consolidation of rights to savings system (€k)
Mr PABLO ISLA ÁLVAREZ DE TEJERA	

Name	Contribution over the year from the company (€k)				Amount of accumulated funds (€k)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		FY2019		FY2018	
	FY2019	FY2018	FY2019	FY2018	Savings systems with consolidated economic rights	Savings systems with unconsolidated economic rights	Savings systems with consolidated economic rights	Savings systems with unconsolidated economic rights
Mr PABLO ISLA ÁLVAREZ DE TEJERA	0	0			8,646		8,285	--

iv) Details of other items

Name	Item	Amount remunerated
No data		

b) Remuneration of the company directors for seats on the boards of other group companies:):

i) Remuneration in cash (€k)

Name	Fixed remuneration	Per diem allowances	Remune ration for membership of Board's committ ees	Salary	Short-term variable remuneration	Longt-term variable remuneration	Severance pay	Other items	Total FY2020	Total FY2019
No data										

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of year 2019		Financial instruments granted in year 2019		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year 2019	
		No. instruments	No.equivalent shares	No. instruments	No. equivalent shares	No. instruments	No equivalent consolidated shares	Price of consolidated	Net profit from shares handed over or consolidated financial instruments (thousand)	No. instruments	No. instruments	No. equivalent shares
No data												

iii) Long-term savings systems

Name	Remuneration from consolidation of rights to savings systems
No data	

<table>
<tr><td></td><td colspan="4">Contribution over the year from the company (€k)</td><td colspan="4" rowspan="2">Amount of accumulated funds (€k)</td></tr>
<tr><td rowspan="3">Name</td><td colspan="2">Savings systems with consolidated economic rights</td><td colspan="2">Savings systems with unconsolidated economic rights</td></tr>
<tr><td rowspan="2">FY2019</td><td rowspan="2">FY2018</td><td rowspan="2">FY2019</td><td rowspan="2">FY2018</td><td colspan="2">FY2019</td><td colspan="2">FY2018</td></tr>
<tr><td>Systems with consolidated economic rights</td><td>Systems with unconsolidated economic rights</td><td>Systems with unconsolidated economic rights</td><td>Systems with unconsolidated economic rights</td></tr>
<tr><td>No data</td><td></td><td></td><td colspan="2"></td><td></td><td></td><td></td><td></td></tr>
</table>

iv) Details of other items

Name	Item	Amount remunerated
No data		

c) Summary of remunerations (€k):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (in €k)

	Remuneration accrued in the company					Remuneration accrued in group companies				
Name	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneation for other items	Total FY2019 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneation for other items	Total FY2019 group
Mr PABLO ISLA ÁLVAREZ DE TEJERA	5,566	643			6,209					
Mr CARLOS CRESPO GONZÁLEZ	1,265	25			1,290					
Mr AMANCIO ORTEGA GAONA	100				100					
Mr JOSÉ ARNAU SIERRA	330				330					
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS FLORA PÉREZ MARCOTE)	100				100					
BNS. ENISE PATRICIA KINGSMILL	250				250					
MR JOSÉ LUIS DURÁN SCHULZ	300				300					
MR RODRIGO ECHENIQUE GORDILLO	300				300					
MS PILAR LÓPEZ ÁLVAREZ	250				250					
MR EMILIO SARACHO RODRÍGUEZ DE TORRES	300				300					
MS ANNE LANGE	29				29					
TOTAL	**8,790**				**9,458**					

This annual remuneration report has been approved by the Board of Directors of the Company in the meeting held on 17 March 2020.

State whether any director has voted against or abstained from approving this Report

Yes **No ☒**

Name or company name of the member of the board of directors who has not voted for the approval of this report	Reasons (against, abstention, non-attendance)	Explain the reasons
-	-	-