INDITEX

2020 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. (INDITEX, S.A.)

Registered office: Avda. Diputación, Edificio Inditex, 15142 Arteixo (A Coruña)

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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 2020 through 31 January 2021 (financial year 2020) and offers detailed information about the Directors' Remuneration Policy of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), ("Inditex", the "Company" or the "Group", indistinctly) for 2021.

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 1/2020 of 6 October 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 and of members of the board of directors or the control committees of savings banks and other entities that issue securities admitted to trading on official securities markets, Circular 2/2018 of 12 June, amending Circular 4/2013 of 12 June, that establishes the statistical appendix annex III for entities which file the Annual Report on Remuneration of Directors in a free format; and arts. 30 of Inditex Board of Directors' Regulations and 6 of Inditex 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 financial year 2020 was approved by Inditex's Board of Directors on 9 March 2021, 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 Directors' Remuneration Policy (the "Directors' Remuneration Policy" or the "Remuneration Policy") for financial year 2021 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* of the 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.

The Board of Directors plans to submit to the approval of the next General Shareholders' Meeting, as a separate item on the Agenda, a Directors' Remuneration Policy for the financial years 2022, 2023 and 2024. This new Remuneration Policy will maintain the fundamental lines applied in previous years and will introduce some adjustments to reinforce its alignment with all stakeholders, particularly with the shareholders, and with the Group's strategy. This new Directors' Remuneration Policy, as the current policy, will be adapted to the requirements established in Directive (EU) 2017/828 of the European Parliament and of the Council, of 17 May 2017, amending the Directive 2007/36 / EC, as regards the encouragement of long-term shareholder engagement, which will foreseeably be transposed into our legal system in the coming months.

It should be noted that since the approval in 2015 of the Directors' Remuneration Policy 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, 2019 and 2020, 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 the financial year **2021**, the Remuneration Committee considered the following issues:

- Group's **results** and **strategic challenges.**

  The results of the financial year 2020 have been materially affected by the global health crisis caused by the COVID-19 pandemic, with the temporary closure of stores and their reopening with capacity and opening hour restrictions. Inditex's unique and flexible business model, ongoing strategic initiatives and the measures implemented to deal with the market situation have made possible to mitigate this impact and position the Group on the path of recovery and growth.

  Particularly, in the financial year 2020, the growth in online sales stood out as well as an active and very efficient management of every area of the Company, especially the supply chain, inventory and operating expenses, which were reduced by 9% and 17% respectively. This operating and financial performance has materialised in a robust liquidity position and strong cash flow, reaching a net financial position of €7,560 million. This has made possible to maintain a dividend payout of €0.35 per share, as well as the announced 2020-2022 investment plan of €2.7 billion in the 2020-2022 period, with a focus on digital investments.

In 2020 Inditex continued to make progress in achieving the ambitious targets regarding sustainability. The sustainable management of in-store energy consumption continues to be reinforced –through the centralised management platform *Inergy*, to which 60% of the stores are already connected-, the consumption of renewable energy and handing all materials used in the stores, logistic platforms and head offices, in accordance with the Zero Waste programme. In 2020 the Company has reached the first milestone of the elimination of plastic, by eliminating all plastic bags from our stores and online orders and has fulfilled the commitment established for 2020 with the Global Fashion Agenda, for the investment of 3.5 million dollars (3,002,809 €) to fund activities related to textile recycling. In the same way, the significance of the Join Life collections has continued to grow, reaching 37.4% of total, which exceeds the 25% target for 2020, and putting the Company on track for delivery of its goal of using 100% sustainable fibres by 2025. Inditex has joined the MIT Climate and Sustainability Consortium (MCSC), with the following objectives, among others, to lower barriers and to drive down costs to adopt the best available environmental technology and processes.

In 2020 during the health emergency Inditex has provided assistance by assigning its entire supply and transport capacity for health equipment in Spain.

Also noteworthy are the more than 3.3 direct beneficiaries of the community investment programme which Inditex supported in 2020, with a contribution of €71.8 million, as well as over 700 social initiatives that Inditex's contribution has made possible to launch regarding mainly humanitarian aid, social welfare, education and health.

Inditex continues with the global expansion of the integrated business model with three strategic pillars: store & online integration, digitalisation and sustainability.

- The **overarching principles and grounds** of the Remuneration **Policy**.

  As of 31 January 2020, in light of the events unfolding in the wake of expansion of the COVID-19, the Group decided to recognise an inventory provision of 287 million euros in the gross margin line of the financial year 2019 profit and loss statement, to adjust the estimated net realizable value of the Spring/Summer 2020 Campaign inventory.

  Said provision modified the profit and loss statement for the year and had a direct impact on the evaluation of the objectives to which the annual and the long-term variable remuneration accrued in financial year 2019 were linked, in line with the principles of Pay for Performance and rigorous processes of the Remuneration Policy. In particular:

  - The overall level of payment of the annual variable remuneration that the Remuneration Committee considered, based on a mechanical application of the evaluation of the objectives (sales, contribution margin and progress in the implementation of the strategy, as well as in corporate governance and in diversity and compliance programmes), was 89% of the target. Although sales exceeded the target and progress on strategy, corporate governance, diversity and compliance reached a 100% level of achievement, the contribution margin metric was affected by the aforementioned provision on gross margin.

    Additionally, considering the exceptional situation caused by the global COVID-19 pandemic, the Board of Directors, upon favourable report from the Remuneration Committee, resolved to reduce the annual variable remuneration of executive directors by 50%. Consequently, the amount of the annual variable remuneration paid was 44.5% of the target.

- On 31 January 2020, the second cycle (2017-2020) of the Long-Term Incentive Plan 2016-2020 ended. This cycle was linked to critical business objectives (EBIT and Same-stores Sales) and shareholder value creation (relative TSR). The EBIT metric, measured as the growth between the start and end date of the cycle, was affected by the aforementioned provision on the gross margin corresponding to financial year 2019. Consequently, the degree of overall achievement and the overall level of payment of the incentive was 41.7%.

- **Internal equity**: The relationship between the Directors' Remuneration Policy and the remuneration terms for the employees of the Company.

  As for the executive directors, a significant portion of the total remuneration for other executives of the Company is variable and its perception is linked to the achievement of financial, business, value creation and individual objectives, all of them are predetermined, concrete, quantifiable and aligned with Inditex's corporate interest.

  In line with the foregoing, the annual variable remuneration of the rest of the Company's employees and executives was impacted due to the aforementioned provision on the gross margin corresponding to financial year 2019.

  Additionally, considering the exceptional situation caused by the global COVID-19 pandemic, the Board of Directors, upon favourable report from the Remuneration Committee, also resolved to reduce the annual variable remuneration of senior executives by 50%.

- The **guidelines** provided by **institutional investors and proxy advisors** and their feedback in the course of the periodic consultations made by the Company.

- The results obtained in the last **General Shareholders' Meetings** with regards to the advisory vote on the Annual Reports on Remuneration of Directors.

- 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**.

In light of the above, the Remuneration Committee has proposed to the Board of Directors for the financial year 2021 to maintain a remuneration policy consistent with that applied in the financial year 2020, although adjusting some of the provisions of the Remuneration Policy, to ensure that the remuneration elements are effective for their original purpose of promoting the motivation, engagement and retention and for reinforcing their alignment with all stakeholders, as well as with Inditex's sustainable strategy.

The following sections detail the remuneration policy applicable to the financial year 2021.

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* and *novodecies* of the LSC, the General Meeting of Shareholders shall be responsible for:

- Approving the Directors' Remuneration Policy, at least every three years.

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

The Board of Directors plans to submit for approval of the 2021 General Shareholders' Meeting the following proposed resolutions, as separate items on the Agenda: (i) the Annual Report on Remuneration of Directors for the year ended 31 January 2021; (ii) the new Directors' Remuneration Policy for financial years 2022, 2023 and 2024; and (iii) the Long-Term Incentive Plan 2021.

2. **Board of Directors**. Pursuant to sections 249 and 249 *bis* of the 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 General Shareholders' 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 directors' remuneration policy from time to time in force.

b) <u>Application of the Remuneration Policy</u>:

- To approve at the beginning of each year the objectives to which the annual variable remuneration is linked 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 an overall 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 linked, 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 considers 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) <u>Review of the Remuneration Policy</u>:

- To regularly review the directors' remuneration policy, 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) <u>Transparency of the Remuneration Policy</u>:

- 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 three 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 proposals within its remit.

The Board of Directors or its Chairman will request information from the Remuneration Committee. Likewise, the Committee shall consider the suggestions made by the 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 matters discussed 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 financial year 2021 schedule, 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 to regularly review the Directors' Remuneration Policy, 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, experienced in directors' remuneration, for the purposes of proposing each financial year appropriate levels of remuneration for the Executive Chairman and the Chief Executive Officer.

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. The **comparator groups** considered are the following:

- 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 capitalisation, revenue and net profit.
- STOXX All Europe 100, comprising the 100 companies with the largest market capitalisation 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 capitalisation).

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, in the exercise of their powers, by Willis Towers Watson, an independent consultant with experience in the field of directors' and senior executives' remuneration, 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 condition as such** is fully comprised of **fixed remuneration items**.

Executive directors' total remuneration 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.

According to the Remuneration Policy in force, in a target scenario, where objectives are achieved, the **weight** of **variable** remuneration, at risk, for executive directors may stand for up to 2/3 of total remuneration (understanding as such fixed remuneration, annual variable remuneration and annualised long-term incentive). In a scenario of maximum achievement of objectives, at risk remuneration may reach 76% of total remuneration.

The remuneration mix of the different remuneration scenarios based upon achievement of objectives, ensures that the fixed remuneration represents a significant part of total remuneration, 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, including the possibility to pay no variable remuneration component under certain circumstances; in such case, fixed remuneration would represent 100% of total remuneration. **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

Fixed and variable components are efficiently balanced, as indicated above. In particularly, the **long-term** or multi-year **variable** remuneration for executive directors in a target scenario (achievement of objectives) may **weight,** in annualised terms, **1/3** of total remuneration (considering for such purposes fixed, short-term variable and long- term variable remuneration in annualised terms. In a scenario of overachievement, such weight would be 50% approximately.

Long-term variable remuneration plans are encompassed in a **multi-year framework** (of, at least, 3 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 grant and deliver in **shares**, based upon value creation, so that the interests of the executive directors and executives 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 personal wealth, 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 Chief Executive Officer are aligned with those of the shareholders.

Payment of **variable remuneration** at Inditex, both annual and multi-year, 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 the financial year 2021 the **weight** of sustainability objectives on aggregate variable remuneration is **15%**, at least.

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:

- Executive directors' total remuneration 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 may have a material impact on the Company's risk profile

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

- The Remuneration Committee is responsible for considering and reviewing the Directors' Remuneration Policy and senior executives 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 the Remuneration Committee Chair, on the main matters discussed in the 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 multi-year incentives.

- Likewise, **three 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 article 34 of the Board of Directors' Regulations, which also provides the rules which govern such conflicts. Articles 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, article 39 covers such specific issues that Directors must report to the Company.

Additionally, article 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 articles: 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); 37 (business opportunities), and 38 (prohibition to make undue use of the office).

Moreover, with regard to significant shareholders, article 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, article 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 art. 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 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, 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 EBT) 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 condition as such.

Pursuant to section 529 *septdecies* of the 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 Directors' Remuneration Policy. 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) ensures the maximum transparency of such remuneration and (iii) entails that, while the Directors' Remuneration Policy 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 Directors' Remuneration Policy, 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 with each other.

Except for the remuneration of the Executive Chairman and the Chief Executive Officer for the performance of executive 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 9 March 2021, on the proposal of the Remuneration Committee, that fixed remuneration of executive directors for financial year 2021 be established in the following annual amounts:

- **Executive Chairman**: €3,250k, to be paid in 14 instalments. This sum has **remained unchanged** since financial year 2013 and, pursuant to the Remuneration Policy it will remain the same for the 3 years in which the Policy is valid.

- **Chief Executive Officer**: €1,500k, to be paid in 14 instalments. This sum has **remained unchanged** since the date he was appointed as Chief Executive Officer and will, pursuant to the Remuneration Policy, remain the same for the 3 years in which the Policy is valid.

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. Financial and non-financial parameters, including among the latter social, environmental and climate change related, 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, explaining the applicable criteria and factors related to the required time and methods to verify that the performance or any other conditions to which the accrual and consolidation of each variable component have been effectively achieved.

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 regards 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 executive functions are the following:

- Short-term or annual variable remuneration.
- Long-term or multi-year 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 proposal, 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 Chief Executive Officer, 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 Directors' Remuneration Policy, the executive directors' **target annual variable remuneration**, i.e., the one which corresponds to a level of achievement of the objectives on target, shall be equivalent to **100% of the fixed remuneration** for the performance of executive 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 executive 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 9 March 2021, on the proposal of the Remuneration Committee, that the annual variable remuneration for financial year 2021 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 established for senior executives according to the budget of the Company are applied.
15%	Personal performance	Assessment by the Board of Directors, on the proposal of the Nomination Committee.
15%	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

Weighting	Objective	Measurement criteria
15%	Progress in implementation of the strategy towards global sustainability, measured in accordance with the following indicators:	(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 plant-based garments from sustainable forests, within the framework of the *Canopy* commitment, ensuring that artificial fibres are cellulose-free. (ii) Progress in the elimination of single-use plastics from customer sales. (iii) 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; (iv) Percentage of waste reduction in respect of waste generated at Inditex facilities (head offices, logistics centres and own stores) (Zero Waste); (v) Percentage of packaging material collected to be recycled or reused in the supply chain (Green to Pack); (vi) Percentage of internal consumption of renewable energy at Inditex facilities (head offices, logistics centres and own stores); (vii) Percentage of designers trained specialising in circularity within the framework of our commitment to Global Fashion Agenda.
	Progress in corporate governance	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 Directors' Remuneration Policy, in a target scenario (achievement of objectives), the executive directors' annual variable remuneration for financial year 2021 would amount to 100% of the fixed remuneration for the performance of executive functions, i.e., €3,250k for the Executive Chairman and €1,500k for the Chief Executive Officer. In the event of overachievement, annual variable remuneration might reach up to 120% of fixed remuneration for the performance of executive functions, i.e. €3,900k for the Executive Chairman and €1,800k for the Chief Executive Officer.

The short-term variable remuneration on account of results achieved in 2021 will be paid in 2022 either in cash or through the delivery of shares, as the case may be.

- **Multi-year 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, as 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 Chief Executive Officer for a scenario of achievement of objectives on **target** for the 2 cycles 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 Chief Executive Officer 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	Objective	Measurement criteria
30%	Earnings before Taxes ("EBT")	EBT in a certain period of time.
30%	Same-store Sales (MMTT)	Sales in comparable physical and online stores, according to the information released by the Company.
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.

Weighting	Objective	Measurement criteria
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:

  As indicated above, financial year 2020 has been materially and negatively impacted by the emergence of the health crisis derived from COVID-19, which has caused extraordinary changes in the macroeconomic environment and disruptions in the business that were impossible to anticipate when the first cycle (2019-2022) of the Plan began, on 1 February 2019, and that have meant that certain terms of the Plan had to be reviewed, in order to ensure that the Plan can achieve the purpose for which it was initially conceived as a key tool for the promotion, motivation, engagement and retention of talent.

  In line with the foregoing and, with the aim of avoiding the loss of value of the Plan, the Board of Directors, at its meeting held on 14 December 2020, resolved, upon favourable report from the Remuneration Committee, to adjust the levels of achievement of the metrics "Same-store sales" (MMTT) and "EBT", in order to achieve, in line with the principles and objectives of the Plan itself, that its purpose is fulfilled so that the contribution and effort made during the crisis by the beneficiaries are rewarded appropriately.

  The rest of the metrics ("Total Shareholder Return" and "Sustainability Index") and their weightings, as well as the corresponding levels of achievement of their objectives remain unchanged.

  Regarding the second cycle, the Board of Directors, upon proposal from the Remuneration Committee, resolved the performance scales for each metric.

The performance scales are described below:

– Regarding EBT and MMTT:

Level of achievement	Level of Incentive (% of Maximum Incentive)
Below minimum	0%
Minimum	50%
Target	75%
Maximum	100%
Overachievement	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 the 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 Incentive (% of maximum incentive)**
< 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 Incentive (% of maximum incentive)
< 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 Incentive (% of maximum incentive)
< 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 Incentive (% of maximum incentive)
< 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 Chief Executive Officer.

Finally, it shall be noted that the Remuneration Committee is working on the design of a new 2021 Long-Term Incentive Plan, to continue promoting the Company's strategy and reinforcing the alignment of the executive directors' and the rest of the executives' interests with those of all Inditex's stakeholders, in particular, the shareholders. This Plan will be submitted to the approval of the next

General Shareholders' Meeting, as a separate item on the Agenda. The main design parameters will be detailed in said resolution.

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 contribution social welfare scheme, implemented through a group life insurance policy underwritten with an insurance company of repute in Spain (hereinafter, the “Policy”).

Contributions to such social welfare scheme 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 remuneration paid by Inditex each year to the Executive Chairman.

In financial year 2020, no contributions have been made to the social welfare scheme for the Executive Chairman, without prejudice to the fact that new contributions may be made throughout 2021, 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 materialise 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, 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 executive 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* of *the* 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 Chief Executive Officer 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 two 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 Chief Executive Officer 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 six months of the occurrence of such succession or change. For such purposes, no succession or change in control shall be deemed to have taken place in the event of direct or indirect family succession in the ownership of the Company).

(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 Directors' Remuneration Policy for financial year 2021 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.

The Board of Directors plans to submit for approval of the 2021 General Shareholders' Meeting the following proposed resolutions, as separate items on the Agenda: (i) the Annual Report on Remuneration of Directors for the year ended 31 January 2021; (ii) the Directors' Remuneration Policy for financial years 2022, 2023 and 2024; and (iii) the Long-Term Incentive Plan 2021.

The new Directors' Remuneration Policy for financial years 2022, 2023 and 2024 is expected to maintain the fundamental lines applied in previous years, although it might include some adjustments to reinforce its alignment with all stakeholders, particularly the shareholders, with the Group's strategy and with the best corporate governance recommendations on remuneration matters.

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 for the current year, 2021**:**

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 Directors' Remuneration Policy for financial year 2021 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 LSC.

The overarching principles and general parameters which guided the former directors' remuneration policy for financial years 2016, 2017 and 2018 have been taken into account and adhered to upon designing and drawing up the Directors' Remuneration Policy. It should also be noted that since the approval of the former directors' remuneration policy above mentioned, the Annual Reports on Remuneration of Directors for financial years 2016, 2017, 2018, 2019 and 2020 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, article 17 of the Board of Directors' Regulations, and article 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 2021 and as at the date of this Report, the Remuneration Committee was made up of the following members, **most** of them **independent directors** (all, except Mr. José Arnau Sierra, who is considered proprietary):

Mr. Rodrigo Echenique Gordillo
(Chair, Independent Director)

Bns. Denise Patricia Kingsmill
(Member, Independent Director)

Mr. José Arnau Sierra
(Member, Proprietary Director)

Mr. José Luis Durán Schulz
(Member, Independent Director)

Mr. Emilio Saracho Rodríguez de Torres
(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, article 17 of the Board of Directors' Regulations and article 5 and 6 of the Remuneration Committee's Regulations.

The Remuneration Committee met 4 times in 2020, with the attendance of all its members (either in person or by proxy). This represents a 100% attendance ratio. In 2021 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 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 Chief Executive Officer for 2019. The Board of Directors assessed the achievement of such objectives in the meeting held on 17 March 2020, considering the exceptional situation caused by the global COVID-19 pandemic.

    - The evaluation of the level of achievement of the objectives set for the different metrics to which the second cycle (2017-2020) 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 17 March 2020.

    - The proposal submitted to the Board of Directors on the remuneration of the Executive Chairman for the performance of executive functions in 2020, with regard to the amount and the remaining terms thereof. Such proposal was approved by the Board of Directors on 17 March 2020.

    - The proposed Annual Report on Remuneration of Directors for 2019. Further to the evaluation and approval thereof by the Board of Directors in the meeting held on 17 March 2020, said Annual Report was submitted to the 2020 General Shareholders' Meeting.

- In the meeting held on 14 September 2020:

    - The proposal regarding the update of the criteria and conditions for determining the annual variable remuneration corresponding to financial year 2020, approved by the Board of Directors at its meeting on 17 March 2020. Said update responded to the need to adapt the annual variable remuneration conditions to the review of the Company's budgetary objectives for the second semester as a consequence of the extraordinary situation derived from the global COVID-19 pandemic.

- In the meeting held on 11 December 2020:

    - The proposal to adjust the levels of achievement of the "Same-store Sales" (MMTT) and EBT for the first cycle (2019-2022) of the Long-Term Incentive Plan 2019-2023, in order to recognise the impact of the COVID-19 pandemic and realign the objectives with the updated and demanding business forecasts and with the update of the 2020-2022 strategy, announced in the first quarter of the year.

    - The proposed performance scales for the second cycle (2020-2023) of the Long-Term Incentive Plan 2019-2023 for each metric.

    - The acknowledgement of the list of beneficiaries of the second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan.

- In the meeting held on 8 March 2021:

  - The evaluation of the level of achievement of the objectives tied to the annual variable remuneration of the Executive Chairman and the Chief Executive Officer for the financial year 2020. The Board of Directors assessed the achievement of such objectives in the meeting held on 9 March 2021, considering the extraordinary situation derived from the global COVID-19 pandemic.

  - The proposal submitted to the Board of Directors on the remuneration of the Executive Chairman and the Chief Executive Officer for the performance of executive functions in 2021, with regard to the amount and the remaining terms thereof. Such proposal was approved by the Board of Directors on 9 March 2021.

  - The proposed Annual Report on Remuneration of Directors for the financial year 2020 to be submitted to the Board of Directors for evaluation and subsequent approval, and then to be submitted for an advisory vote of the 2021 Annual General Meeting. The Board of Directors approved such Report on 9 March 2021.

The information on the remaining proceedings of the Remuneration Committee in 2020 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 2020 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 2020 by Willis Towers Watson, an independent consultant in the field of directors' and executives' remuneration, regarding the re-alignment of the performance scales for the first cycle (2019-2022) and the proposal of performance scales for the second cycle (2020-2023) of the Long-term Incentive Plan 2019-2023, as well as the preparation of the Annual Report on Remuneration of Directors.

B.2. Actions 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. Actions taken regarding the remuneration system to reduce exposure to excessive risks and measures to avoid conflicts of interest.

B.2.1 Actions 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 2020 to ensure that **long-term results** of the Company **are considered** in the Remuneration **Policy** are described below:

- Executive directors' total remuneration 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 (multi-year).

- In financial year 2020, 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 target scenario (achievement of objectives), and 30% in a scenario of overachievement.

- Long-term variable remuneration plans are part of a multi-year 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 granted and delivered 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 personal wealth, 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 2020 set 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. 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 Actions taken regarding the remuneration system to reduce exposure to excessive risks and measures to avoid conflicts of interest.

The **measures** taken in 2020 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 Directors' Remuneration Policy and senior executives and for enforcing it. Those professionals whose activity may have a material impact on the risks' profile of the Company are included among them.

- 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. 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 multi-year incentives.

- Likewise, three 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 article 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 Directors' Remuneration Policy for 2020 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 2020 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 2020:

- **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 financial year 2020 should be determined in accordance with the following criteria for both executive directors:

Weighting	Objective	Measurement criteria
70%	Net sales (35%) and contribution margin (35%)	The same criteria established for senior executives according to the budget of the Company are applied.
15%	Personal performance	Assessment by the Board of Directors, on the proposal of the Nomination Committee.
15%	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

Weighting	Objective	Measurement criteria
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 governance	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 2020, the Remuneration Committee has taken into account, according to its capacity as set in article 6 a) of its Regulations, the following:

- Given the level of uncertainty derived from the COVID-19 pandemic and the lack of information on the potential impact on the business, the sales and contribution margin targets, weighting 70%, were calibrated at the beginning of the year, according to the business plan in force before the outbreak of the COVID-19 pandemic. In light of the results at the close of financial year 2020, the Committee has decided to consider an overall view of the achievements made in this year to evaluate the portion of the annual variable remuneration linked to economic-financial objectives. Specifically, the following results have been considered:

  - Online sales growth of 77% in constant currencies, which stands for 32% of total accounting sales (14% in financial year 2019). In financial year 2020, online sales have been launched in 13 new markets (Argentina, Brazil, Paraguay, Bosnia-Herzegovina, Albania, Algeria, Chile, Montenegro, Tunisia, Costa Rica, Guatemala, Honduras, Nicaragua, Kazakhstan, El Salvador and Georgia).

- The recovery in sales in the second semester, although heavily penalised by the general devaluation of sales currencies against the euro and by the increased in closures in the last two months of the financial year due to the evolution of the pandemic.

- In financial year 2020, Inditex has accelerated its commercial space transformation plan, with the opening of 111 new gross stores located in 29 different markets, and with a growth in gross sales area in line with expectations.

- The gross margin with respect to sales represented 55.83%, practically the same as in the previous year 2019 (55.88%). In the second semester, this magnitude was positive by 50 basis points (55.6% vs 55.1%). At constant exchange rates, the gross margin (percentage) was positive by 170 basis points. In this evolution, a flexible management of the inventory position has been decisive, which at the end of the year represents a reduction of 9% compared to the same date of the financial year 2019 (excluding the extraordinary provision COVID-19).

- The Company's business model has been developed with a special capacity to adapt to the situation caused by the pandemic with an enhancement of online sales and its integration with the physical store, and this within a framework of operational efficiencies that has made possible a 17% reduction in operating expenses compared to the previous financial year 2019.

- After a year strongly affected by the impact of the pandemic, the Group maintains a sound financial position, reaching a net cash position as of 31 January 2021 of €7,560 million. In particular, according to the information in the Statement of Cash Flows, it is noteworthy that the generated cash flows from operating operations, discounting lease payments, amounting to €2,191 million.

- Consequently, in financial year 2020 the EBITDA amounted to €4,552 million and the net profit to €1,106 million.

- Inditex maintains its dividend policy, which consists of an ordinary dividend of 60% of the net profit and an extraordinary dividend of €0.78 per share to be distributed in financial years 2021 and 2022.

- Definition of an investment plan for the three-year period 2020-2022, which consists of annual investments of 900 million (2,700 million euros for the three-year period), with 1,000 million euros earmarked for digitalisation.

Based on the previous results, the Board of Directors, following a proposal from the Remuneration Committee, has considered that a very remarkable management has been carried out in financial year 2020 to mitigate the impact of the COVID-19 pandemic on the business, putting the business back to a recovery path and to face financial year 2021 with solidity, which will foreseeably continue to be affected by the COVID-19 pandemic. As a result, the Board of Directors, upon a proposal from the Remuneration Committee, has approved a payment level of 60% of the portion of the target annual variable remuneration linked to economic-financial objectives (70%).

- With regard to the remaining objectives, with a 30% weighting, the Remuneration Committee has evaluated the following:

- The findings of the evaluation of the Executive Chairman's and the Chief Executive Officer's performance, carried out by the Board of Directors in the meeting held on 9 December 2021, following a report of the Nomination Committee. The Board of Directors has especially considered, with respect to the Executive Chairman, his extraordinary performance during the COVID-19 crisis, which has demonstrated the strength of his person and his leadership. In particular, the Directors have highlighted: (i) the regular updates on the impacts of the crisis, the action plans and the evolution of the business, and their accessibility; (ii) its speed, flexibility and reliability in making timely and effective decisions; (iii) his leadership to maintain a cohesive and motivated executive team; (iv) efficient management and allocation of resources and the development of adequate systems to protect the assets and, especially, the financial sustainability of the Group; and (v) their ability to convey a message of leadership, serenity and trust in the company, both internally and externally, acting as the Group's main spokesperson. It should be noted that, under his leadership, Inditex has strengthened its reputation and the business model to emerge from the crisis with a favourable position with all stakeholders. In relation to the Chief Executive Officer, it has been highlighted his engagement in all the special situations derived from the management of the pandemic within the Company, directly, with an outstanding management, and his good evolution in this first year in the role.

- 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. In this line, during the financial year 2020, the development of the integrated business model has continued to provide customers with a differentiated shopping experience, in accordance with the Group's objectives, by (i) promoting digitalisation, with the adoption of new data collection and analysis capabilities, (ii) the differentiation of the commercial space, which allows the integration of new technological tools, and (iii) sustainability, with the aim of contributing to the wellbeing of all stakeholders, and which have been a key factor in explaining the Group's performance in 2020. Thus:

    - The Company has made further progress upon rolling out its flexible and fully integrated store and online business strategy. In this line, the progressive implementation of the RFID technology has been completed in all the brands of the Group. This has made possible the development of the integrated "stock" (SINT) project for both store and online sale. 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. All this has made possible to prove its effectiveness in a year as 2020, affected by limitations in the opening of stores.

      Throughout the aforementioned year, the new platform to support digital functionalities, Inditex Open Platform (IOP), has been progressively launched. This is open and modular, based on microservices, hybrid cloud and high-capacity data analysis translated to the business, providing flexibility and scalability. The development of the IOP is one of the factors that has made possible to face the enormous increase in the Group's digital sales and traffic volumes in 2020.

    - At the same time, the commercial space differentiation process has been strongly boosted, already completed in 90% of the total, and it is expected to be completed in the next two years for the remaining 1,000–1,200 stores. This process of differentiation of the space will allow to complete the process of integration of technological tools in the store, with the aim of providing the best shopping experience to customers, both for the collection of online orders, as well as for the optimisation of search processes and collection, with tools such as the "store mode". Thanks to the global store, the commercial offer of the eight brands of the Group is available online all over the world.

- Strong progress has been made towards meeting the sustainability objectives, as described below in relation to the objectives established for 2020 and continued progress in the development of the “Worker at the centre” strategic plan, which has been key in the rapid global response provided for the protection of health in our Group and in the supply chain.

- During financial year 2020, progress has been made towards meeting the sustainability objectives announced at the Ordinary General Shareholders' Meeting on 16 July 2019 and, in particular, those established for 2020. Thus:

  - The Company, in its path towards the sustainable garment objectives defined for the year 2025, has consolidated its progress in the most sustainable raw materials, such as organic cotton and linen, recycled polyester and sustainable cellulosic fibres, which has made possible to achieve a volume of garments with the Join Life label of 37.8%, far exceeding the target set for this year of 25%.

  - On the other hand, during this financial year 2020 and on the route towards the elimination of single-use plastics for customers, marked for the year 2023, all the Group's brands have completed the change from plastic bags to paper bags in store and have eliminated plastic from online orders, which no longer have the outer bag, achieving our commitment to eliminate plastic bags in all the Group's brands in 2020.

  - Regarding the eco-efficient store conversion plan, Inditex closes financial year 2020 ensuring that 100% of its stores are eco-efficient.

  - As part of the commitment towards Zero Discharge, in financial year 2020 Inditex has notably evolved the new Green to Wear standard, which acquires the name Green to Wear 2.0 ("GtW 2.0"), incorporating the management of chemical substances and being a fundamental part the use of the own program The List, a key element for a good selection of the chemical products used and that ensures the absence of dangerous substances in the emissions to the environment, as well as in the product.

    The List, by Inditex ensures compliance with the chemical restrictions of the Clear to Wear product health standard and Inditex's commitment to achieve Zero Discharge of Unwanted Substances (also known as Zero Discharge or ZDHC Commitment, Zero Discharge of Hazardous Chemicals, for its acronym in English). Verification of compliance with the GtW 2.0 standard is evaluated periodically, through environmental audits, which are carried out on suppliers and factories that belong to the Inditex supply chain and that carry out wet processes. These audits are carried out by independent external auditors. During financial year 2020, 1,123 audits were carried out under this standard.

  - The Company has continued to make progress in the programme to reduce internally generated waste at Inditex facilities (Zero Waste). Thus, in financial year 2020, waste from headquarters, logistics centres and own factories has been reduced by xx%.

  - Through the Green to Pack standard, the Company has continued to improve the quality of the cardboard boxes that transport our garments from suppliers, prioritising the use of recycled materials and extending their useful life. These boxes contain 64% recycled cardboard from the market and can be used up to five times before being sent for recycling. Additionally, this year the packaging of the 45,000 Christmas baskets that we deliver have been optimised. Thus, in financial year 2020, plastic has been reduced by 65%, cardboard by 80%, and 60,000 meters of seal have been saved.

- Inditex has made progress during this financial year 2020 in its renewable energy consumption target, achieving that 80% of the energy consumed in its own facilities (head offices, logistics centres and its own stores) comes from these sources.

- In financial year 2020, Inditex has completed the deployment of used clothing collection containers to all markets where the Group operates within the framework of the Closing the Loop program.

- Finally, in line with our commitment to the Global Fashion Agenda, the Company has developed and imparted ecodesign training programs to all design and commercial teams, oriented to raw materials and wet processes.

- Progress in corporate governance. During financial year 2020, the Articles of Association and the Regulations of the Board of Directors have been modified to allow the remote attendance and participation of shareholders in the General Meeting; and the Regulations of the Audit and Compliance, Appointments and Sustainability Committees have been adapted to the partial reform of the Code of Good Governance of Listed Companies of June 2020 ("**CBG**"), in order to: (i) reinforce the commitment to diversity in the governing bodies, and in particular, to gender diversity, raising the goal of representation of women on the Board of Directors to 40% as of 31 December 2022; (ii) extend this commitment to diversity to the executive level; (iii) expand the scope of the supervision of the Company's risks, to non-financial risks in general (including reputational risks); (iv) incorporate a more up-to-date approach to sustainability; and (v) reinforce the information, evaluation and transparency mechanisms related to certain situations that affect the Directors and with a possible reputational impact on the Company. In addition, another series of internal policies have been modified in order to adapt their respective contents to the modifications introduced in the recommendations of the CBG, that is, the Risk Control and Management Policy and the Sustainability Policy, which consolidates the previous Policies of Environmental Sustainability and Corporate Social Responsibility, and the new Policy regarding Economic-Financial, Non-Financial and Corporate Information has been approved. Consequently, our corporate governance system reaches, today, a degree of total compliance with the regulatory requirements contained in the applicable legislation and practically absolute compliance with the recommendations of the CBG.

- Progress in the roll-out of the diversity and Compliance programmes. In the process of implementing the Compliance Model developed during financial year 2020, the Matrix of Criminal Risks and Controls has been updated, by analysing the possible risks inherent in the processes of the different activities carried out, taking into account the new legislation developments, the approval and / or modification of internal regulations and changes in the organisational structure and in certain processes of the Company. At international level, progress has been made in the development of the following projects: (i) The implementation of the local anti-corruption model has begun in Turkey and Russia, in accordance with the applicable regulations on the prevention of corruption and bribery in each market, as well as in line with the international standard ISO 37001 for anti-bribery management systems; (ii) the second monitoring cycle of the anti-corruption models implemented in France, ITX Re, has been completed; (iii) the Board of Directors of the UK and Irish subsidiaries approved, in June 2020, the Anti-corruption Model applicable to the subsidiaries in those markets, in accordance with the UK Bribery Act and the Criminal Justice Act (Ireland). Likewise, at the end of 2020 the process of monitoring the implemented Model began, in order to adapt it to the changes in the environment of the subsidiaries, mainly derived from Brexit and the COVID-19 pandemic; (iv) Italy's Model 231 crime prevention has been reviewed and updated, in order to respond to legislative changes in this area and align the Model with the most demanding standards and recommendations on the matter. The new Model was approved by the Italian Board of Directors in October 2020. In addition, during financial year 2020, progress was made in the definitive implementation of the third-party due diligence project, through the regularisation of all existing suppliers of the Group. Finally, with regard to progress in terms of diversity, the Board of Directors has approved the new Diversity Policy in the Board of Directors and Selection of its directors (formerly Director Selection Policy), which reinforces the Company's commitment to diversity of knowledge, skills, experiences, age and gender, within the Board of Directors, as well as in its delegated committees, and this commitment to gender diversity is extended in relation to senior executives of the Company, favouring the existence of a significant number of female senior executives. In line with the foregoing, the Diversity and Inclusion Policy has been modified to reflect this commitment to diversity at the senior executive level.

- Positioning:

  - Inditex has been distinguished by the Cuatrecasas Foundation, with the Manuel Olivencia Good Corporate Governance Award.

  - Likewise, Inditex has risen to first place in the ranking of Companies with the Best Reputation in Spain for the ninth consecutive year and again with first place in the Merco Responsibility and Corporate Governance ranking.

  - Inditex has been distinguished for the fourth consecutive year among the most sustainable companies in the global retailing industry according to the Dow Jones Sustainability Index.

  - In 2020, 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.

  - Likewise, in the Global 100 Most Sustainable *Corporations* ranking, disclosed by Corporate Knight, which evaluates economic, social and governance indicators, Inditex occupies position 92 on the general list and is second in the fashion sector, being the best positioned company compared to the other three Spanish companies that have also been included in this classification.

  - Inditex continues to be a leader in the face of climate change according to the Carbon Disclosure Project (an international non-profit organization that evaluates more than 5,600 companies each year), highlighting the Group's efforts in reducing GHG and risk management and governance. In 2020 Inditex has been recognized with an A- level in its climate change program for its leadership in the dissemination of information and its performance in the matter.

  - Lastly, Bloomberg, Gender Equality Index. Inditex has been recognised by Bloomberg in its 2020 Gender Equality Index (GEI). The index analyses the commitment to gender equality through five pillars: Female leadership and talent portfolio, salary equality and gender parity, inclusive culture, policies against sexual harassment and pro-woman branding. The list includes 325 corporations from 42 countries and regions around the world, among more than 6,000 global companies analysed. The organizations span 50 sectors and industries, including retail.

Based on the above results, the Board of Directors, at the proposal of the Remuneration Committee, has considered an overachievement level regarding the set of objectives related to individual performance, to the progress in the implementation of the strategy towards the global sustainability of Inditex, to the advances in corporate governance and the advances in the implementation of the diversity and compliance programs. As a result, the Board has approved, upon a proposal from the Remuneration Committee, a payment level of 120% with respect to the portion of the target annual variable linked to the above objectives.

Consequently, the overall level of payment of the annual variable remuneration for financial year 2020 amounts to 78% of target, which means:

- For the **Executive Chairman**: €2,535 thousand (78% of his annual fixed remuneration).
- For the **Chief Executive Officer**: €1,170 thousand (78% of his annual fixed remuneration).

- **Multi-year or Long-term variable remuneration**

In financial year 2020, no cycle of the Long-Term Incentive Plan 2019-2023 in force has ended.

The detailed information of the Long-Term Incentive Plan in force during financial year 2020 has been described in section A.1.10 above.

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 2019 was submitted to the advisory say-on-pay vote of the Annual General Meeting on 14 July 2020, as item number 10 on the Agenda, with the following outcome:

	Number	% of total
Votes cast	2,765,140,446	88.72%

	Number	% cast
Votes against	20,444,731	0.74%
Votes for	2,725,710,926	99.25%
Abstentions	18,984,789	0.69%
Blank votes	0	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 2020, the amounts fixed in the Directors' Remuneration Policy, 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. The different items and amounts have been detailed in previous section A.1.7.

Pursuant to the foregoing and given the current composition of the Board of Directors and its committees, during 2020 the aggregate amount accrued by the directors in their status as such for the discharge of supervisory and collective decision-making functions was €2,480 thousand. Out of this, the sum of €100 thousand was accrued by the Executive Chairman and the sum of €100 thousand was accrued by the Chief Executive Officer.

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 executive functions was resolved by the Board of Directors on 17 March 2020, on the proposal of the Remuneration Committee.
  - In financial year 2020 the fixed remuneration of the Executive Chairman for the performance of executive functions amounted to €3,250 thousand, which represents a significant portion of his total remuneration.
  - This sum **has remained unchanged** since 2013 and according to the Remuneration Policy, it will remain the same for the financial year during which the Remuneration Policy will be valid (i.e. 2021).
- **Chief Executive Officer**:
  - The fixed remuneration of the Chief Executive Officer for the performance of executive functions was resolved by the Board of Directors on 17 March 2020, on the proposal of the Remuneration Committee.
  - In financial year 2020 the fixed remuneration of the Chief Executive Officer for the performance of executive functions amounted to €1,500 thousand, which represents a significant portion of his total remuneration.
  - This sum **has remained unchanged** since his appointment and according to the Remuneration Policy, it will remain the same for the financial year during which the Remuneration Policy will be valid (i.e. 2021).

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 indicated in section B.3., given the exceptional situation caused by the global pandemic of COVID-19, the Board of Directors, at the proposal of the Remuneration Committee, has evaluated the most relevant achievements made in financial year 2020 in a context marked by extraordinary changes in the macroeconomic environment and disruptions in the business, impossible to anticipate, and high uncertainty.

After evaluating all of the above objectives, the Board of Directors, upon a proposal from the Remuneration Committee, has considered an overall level of payment of 78% of the target annual variable for the Executive Chairman and the Chief Executive Officer.

With regard to the **long-term or multi-year variable remuneration**:

The details of the long-term incentive plans have been disclosed in sections A.1. and B.3. of this Report. In financial year 2020, no cycle of the Long-Term Incentive Plan 2019-2023 in force has ended.

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 2020.

B9. Main characteristics of the long-term savings systems

In financial year 2020 Inditex has made no contributions to the social welfare scheme.

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 this Report is issued, 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 Chief Executive Officer have not been amended in financial year 2020.

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 this Report is issued, 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.

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

As at the date this Report is issued, no such remuneration has been accrued by any director.

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

As at the date this Report is issued, no other additional item of remuneration other than the ones mentioned in the previous sections are provided in the remuneration system for directors.

C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period 2020
Mr PABLO ISLA ÁLVAREZ DE TEJERA	Executive	From 1/02/2020 to 31/01/2021
Mr CARLOS CRESPO GONZÁLEZ	Executive	From 1/02/2020 to 31/01/2021
Mr AMANCIO ORTEGA GAONA	Proprietary	From 1/02/2020 to 31/01/2021
Mr JOSÉ ARNAU SIERRA	Proprietary	From 1/02/2020 to 31/01/2021
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS FLORA PÉREZ MARCOTE)	Proprietary	From 1/02/2020 to 31/01/2021
BNS. DENISE PATRICIA KINGSMILL	Independent	From 1/02/2020 to 31/01/2021
Mr JOSÉ LUIS DURÁN SCHULZ	Independent	From 1/02/2020 to 31/01/2021
Mr. RODRIGO ECHENIQUE GORDILLO	Independent	From 1/02/2020 to 31/01/2021
Ms PILAR LÓPEZ ÁLVAREZ	Independent	From 1/02/2020 to 31/01/2021
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	Independent	From 1/02/2020 to 31/01/2021
Ms ANNE LANGE	Independent	From 1/02/2020 to 31/01/2021

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 2020	Total FY 2019
Mr PABLO ISLA ÁLVAREZ DE TEJERA	100	-	-	3,250	2,535	-	-	-	5,885	5,566
Mr CARLOS CRESPO GONZÁLEZ[1]	100	-	-	1,500	1,170	-	-	-	2,770	1,265
Mr AMANCIO ORTEGA GAONA	100	-	-	-	-	-	-	-	100	100
Mr JOSÉ ARNAU SIERRA	100	-	200	-	-	-	-	80	380	330
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS FLORA PÉREZ MARCOTE)	100	-	-	-	-	-	-	-	100	100
BNS. DENISE PATRICIA KINGSMILL	100	-	150	-	-	-	-	50	300	250
Mr JOSÉ LUIS DURÁN SCHULZ	100	-	150	-	-	-	-	23	273	300
Mr. RODRIGO ECHENIQUE GORDILLO	100	-	150	-	-	-	-	50	300	300
Ms PILAR LÓPEZ ÁLVAREZ	100	-	150	-	-	-	-	27	277	250
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	100	-	150	-	-	-	-	50	300	300
Ms ANNE LANGE	100	-	150	-	-	-	-	-	250	29

[1] Remuneration related to FY2019 corresponds to the amount accrued from the date of his appointment as CEO, i.e. 16 July 2019 to 31 January 2020.

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 2020		Financial instruments granted in 2020		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year 2020	
		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)	No. instruments	No. instruments	No. equivalent shares
Mr PABLO ISLA ÁLVAREZ DE TEJERA	First cycle (2019-2022) of the Long-term Incentive Plan 2019-2023	161,361	161,361								161,361	161,361
Mr PABLO ISLA ÁLVAREZ DE TEJERA	Second cycle (2020-2023) of the Long-term Incentive Plan 2019-2023			120,172	120,172						120,172	120,172
Mr CARLOS CRESPO GONZÁLEZ	First cycle (2019-2022) of the Long-term Incentive Plan 2019-2023	106,752	106,752								106,752	106,752
Mr CARLOS CRESPO GONZÁLEZ	Second cycle (2020-2023) of the Long-term Incentive Plan 2019-2023			79,503	79,503						79,503	79,503

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		FY2020		FY2019	
	FY2020	FY2019	FY2020	FY2019	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			9,025		8,646	--

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	Remuneration for membership of Board's committees	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 2020		Financial instruments granted in year 2020		Financial instruments consolidated during the year				Instruments matured but not exercised	Financial instruments at end of year 2020	
		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	

	Contribution over the year from the company (€k)				Amount of accumulated funds (€k)			
Name	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		FY2020		FY2019	
	FY2020	FY2019	FY2020	FY2019	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with unconsolidated economic rights	Systems with unconsolidated economic rights
No data								

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	Remuneration for other items	Total FY2020 company	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other items	Total FY2020 group	Total company + group
Mr PABLO ISLA ÁLVAREZ DE TEJERA	5,885				5,885						5,885
Mr CARLOS CRESPO GONZÁLEZ	2,770				2,770						2,770
Mr AMANCIO ORTEGA GAONA	100				100						100
Mr JOSÉ ARNAU SIERRA	380				380						380
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS FLORA PÉREZ MARCOTE)	100				100						100
BNS. DENISE PATRICIA KINGSMILL	300				300						300
MR JOSÉ LUIS DURÁN SCHULZ	273				273						273
MR RODRIGO ECHENIQUE GORDILLO	300				300						300
MS PILAR LÓPEZ ÁLVAREZ	277				277						277
MR EMILIO SARACHO RODRÍGUEZ DE TORRES	300				300						300
MS ANNE LANGE	250				250						250
TOTAL	10,935				10,935						10,935

This annual remuneration report has been approved by the Board of Directors of the Company in the meeting held on 9 March 2021.

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
-	-	-