Annual Report on Remuneration (ARR)

ISSUER IDENTIFICATION

Year-end date: 31/01/2022

CIF: A-15075062

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

Registered office: Avenida Diputación, Edificio Inditex, Arteixo (A Coruña)

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 2021 through 31 January 2022 (financial year 2021) 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") for 2022.

This Report was drawn up 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 remuneration report, 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 ECC/2515/2013 of 26 December; Circular 3/2021 of 28 September issued by the National Securities Market Commission ("CNMV" *(Spanish acronym)*) amending Circular 4/2013 of 12 June, that establishes the template of the Directors' Annual Remuneration Report 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. This Circular addresses the changes to directors' remuneration introduced by Act 5 of 12 April 2021 amending the redrafted text of the Spanish Companies Act, approved by Royal Legislative Decree 1 of 2 July 2010, and other financial regulations, with regard to the promotion of long-term shareholder engagement in listed companies, and transposing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the promotion of long-term shareholder engagement in listed companies; section 30 of the Board of Directors' Regulations and section 6 of the Remuneration Committee's Regulations.

This Report is filed in a free format, in accordance with the provisions of CNMV's Circular 4 of 12 June 2013 (consolidated text); however, its contents comply with the minimum requirements established in applicable laws and regulations, and is accompanied by the standardised statistical appendix stipulated therein.

This Annual Report on Remuneration of Directors for financial year 2021 was approved by Inditex's Board of Directors on 15 March 2022, on the proposal of the Remuneration Committee. As provided in section 541(4) LSC, this Report will be submitted to an advisory say-on-pay vote at the next Annual General Meeting as a separate agenda item.

A. COMPANY REMUNERATION POLICY FOR THE CURRENT YEAR

A.1.1. Current directors' remuneration policy for the current year

Inditex Directors' Remuneration Policy for financial years 2021, 2022 and 2023 (the "Directors' Remuneration Policy" or the "Remuneration Policy") was approved at the Annual General Meeting held on 13 July 2021 with 98.42% of votes in favour pursuant to the provisions of section 529*novodecies* LSC.

At its meeting held on 29 November 2021, and on the proposal of the Nomination Committee, Inditex's Board of Directors passed by unanimous vote the following resolutions, among others:

- To accept the resignation tendered by Mr Pablo Isla Álvarez de Tejera as Chairman and member of Inditex's Board of Directors and of its Executive Committee, effective as of 31 March 2022. Mr Isla will continue as Chairman until that date.

- To appoint via co-option system Ms Marta Ortega Pérez as proprietary director to fill the vacancy created by Mr Isla's resignation as Chairman and member of the Board of Directors and its Executive Committee, and to appoint her as (non-executive) Chair of the Board of Directors, in both cases with effect from 1 April 2022.

- To accept the resignation tendered by Mr Carlos Crespo González as CEO and member of the Board of Directors and its Executive Committee and to appoint him as Chief Operating Officer & Head of Digital and Sustainable Transformation, effective immediately.

- To accept the resignation tendered by Mr Óscar García Maceiras as General Counsel and Secretary of the Board of Directors and its Committees and to appoint him via co-option system as executive director and CEO, effective immediately.

Mr Isla's departure marks the conclusion of a generational handover, which had been in preparation for some time and was initiated by mutual agreement between him and the founder, shareholder and director of the Company, Mr Amancio Ortega Gaona, so that the succession of the Chair would take place in an orderly and planned manner.

The resulting corporate governance model, whereby the roles of Board Chair and CEO will be separate and the position of Board Chair is non-executive, is in line with good corporate governance recommendations.

Against this background, the following decisions have been made regarding directors' remuneration:

1. Proposal to amend the Remuneration Policy:

In view of the aforementioned **changes** in the **corporate governance structure**, at its meeting held on 15 March 2022 and on the proposal of the Remuneration Committee, the Board of Directors passed a resolution to propose to the Annual General Meeting that the Remuneration Policy be amended in order to adapt its content to the new organisational structure. The following is proposed in particular:

- To introduce a **fixed cash remuneration**, specific to the **position of (non-executive) Chair of the Board of Directors**, reflecting the duties assigned and the intrinsic value and criticality of the person appointed to the position. This remuneration is in addition to the fixed annual remuneration payable directors in their status as such for their membership on the Board. The position of (non-executive) Chair of the Board of Directors will not comprise any other element of remuneration and/or compensation in addition to the above.

- The introduction of this component makes it necessary to **increase the maximum amount of remuneration that may be paid annually by the Company to all directors in their status as such**. The Remuneration Policy approved at the Annual General Meeting in 2021 set the current limit of €2,480 thousand based on the composition of the Board of Directors and its Committees as at the date of approval of that Remuneration Policy (13 July 2021).

- To determine the **total remuneration package for the CEO** for the performance of his duties as chief executive under the new corporate governance structure, including the terms of his contract. In general terms, this proposal remains in line with the principles and foundations of Inditex's previous Remuneration Policy,and provides that the aggregate remuneration to be paid to the CEO or any other executive director, as the case may be, should they leave the Company for reasons not attributable to them personally or to their exclusive will, should not be in excess of a sum equivalent to their aggregate remuneration for 2 years calculated on the basis of their respective fixed and annual variable for the current year.

The details, specific amounts and parameters of the proposed amendments, as well as the criteria applied and the bodies involved in the decision-making process, are described in the different headings of section A on the remuneration policy applicable for the current year.

It should be pointed out that the combined amount of remuneration proposed for the new corporate governance structure remains in line with the principles and foundations of the Company's remuneration policy and is even lower than the total amount of remuneration resulting from the previous structure.

2. Proposal to amend the post-contractual non-compete clause of the current Executive Chairman:

As regards the **departure of the Executive Chairman**, the Remuneration Committee, considered at its meeting held on 13 December 2021, the executive agreement in force between Mr Isla and the Company, dated 17 March 2015, and the Remuneration Policy approved at the Annual General Meeting held on 13 July 2021, in particular with respect to the conditions stipulated in case of termination of such executive service relationship. This agreement included a non-compete clause by virtue of which Mr Isla undertook not to carry out activities in competition with those of the Company or any other company of the Inditex Group for a term of two years starting from the termination of his contractual relationship, in exchange for compensation in the amount of one year's fixed remuneration. The clause set out an obligation for Mr Isla to reimburse such consideration and a further amount as a penalty in the event of breach of the commitment, without prejudice to the compensation for damages caused by such breach and without the payment of such penalty and compensation releasing Mr Isla from compliance with such obligation.

The Remuneration Committee reviewed these conditions and concluded that both the current compensation and the scope of the non-compete obligation agreed when Mr Isla joined the Company in 2005, which have remained unchanged since then, are outdated. An in-depth analysis of the current conditions of the sector shows that the conditions must be updated, especially taking into account the transformation of the retail business in the fashion industry, notably with regard to the emergence of the online business, the use of technology in customer relations, as well as the arrival of a new type of competitor in the sector, the so-called "market places", and the experience acquired by Mr Isla in this sector, which is extremely attractive for any competitor.

As a result, the Remuneration Committee resolved to submit to the Board of Directors a proposal to novate the contract ("Novation of the Contract") entered into with Mr Isla in order to **strengthen the post-contractual non-compete clause** included therein, as it was deemed to be in the Company's best interest to bolster this commitment extending its scope and increasing the penalty that Mr Isla should pay should he fail to observe the non-compete clause, while at the same time increasing the amount of the compensation to be paid by the Company, as maintaining the initially agreed conditions could entail a serious strategic risk for the Company. The Board of Directors approved on 14 December 2021 to offer Mr Isla such proposal to novate his Contract and Mr Isla accepted this Novation of the Contract on 15 March 2022.

The compensation under the non-compete clause set out in the Novation of the Contract observes the limits on the maximum amounts of severance payments for executive directors referred to in the recommendations of the Good Governance Code of Listed Companies approved by CNMV's board on 18 February 2015 and amended in part on 26 June 2020. However, as it exceeds the provisions of the current Remuneration Policy regarding severance payments for Executive Directors, the Board of Directors resolved at its meeting held on 14 December 2021, on the proposal of the Remuneration Committee, to **submit the proposal to increase such compensation to shareholders at the Annual General Meeting**.

A breakdown of the criteria considered in this process of reflection by the Remuneration Committee for the proposal of the Novation of the Contract, as well as the resolutions passed by the Board of Directors in post-contractual non-compete matters, on the proposal of the Remuneration Committee, is provided in section A.1.8. This section also includes details of all payments associated with the departure of the Executive Chairman.

As a result of the foregoing, a distinction must be made between two periods for FY2022 based on the current corporate governance structure and the applicable Remuneration Policy:

- From 1 February to 31 March 2022, the transitional period for the transfer of duties from the Executive Chairman to the CEO. The Directors' Remuneration Policy approved at the Annual General Meeting held on 13 July 2021 is applicable in the period.

- From 1 April 2022 to 31 January 2023, the period starting with a new (non-executive) Chair of the Board of Directors and the CEO, now fully in office. Two different time intervals should be considered in this period:

  - Between 1 April and the date of the 2022 Annual General Meeting, directors' remuneration will be in accordance with the Remuneration Policy approved at the Annual General Meeting held on 13 July 2021.

  - From the date of the 2022 Annual General Meeting until 31 January 2023, the amendment to the Remuneration Policy and the resolution regarding the novation of the post-contractual non-compete clause of the current Executive Chairman, once approved, will be applicable and will be submitted for approval at the 2022 Annual General Meeting.

Corporate governance structure	**Period**	**Remuneration to be paid under the following Remuneration Policy**
Transitional period for the transfer of duties from the Executive Chairman to the CEO	01/02/22 – 31/03/22	Directors' Remuneration Policy approved at the Annual General Meeting held on 13 July 2021
(non-executive) Chair of the Board of Directors and CEO fully in office	01/04/22 – Date of the 2022 Annual General Meeting	
	Date of the 2022 Annual General Meeting – 31/01/23	Amended Directors' Remuneration Policy, once approved at the 2022 Annual General Meeting Specific resolution of the Annual General Meeting on the post-contractual non-compete clause

The following sections detail the Remuneration Policy applicable to financial year 2022.

A.1.1. a) Procedures and company bodies involved in determining, approving and applying 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. Annual General Meeting. Pursuant to section 529*septdecies* and *novodecies* LSC and article 31 of the Articles of Association, 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 at the 2022 Annual General Meeting the following proposed resolutions, as separate agenda items: (i) the Annual Report on Remuneration of Directors for the year ended 31 January 2022; (ii) the amended Directors' Remuneration Policy for financial years 2022 and 2023; and (iii) the proposed increase of the post-contractual non-compete compensation and amendment of its scope and the applicable penalty in case of breach as provided in the Novation of Mr Isla's Contract.

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

- Decisions relating to remuneration of directors within the scope of the Articles of Association and of the Remuneration Policy approved at the Annual General Meeting.
- 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 duties, 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. 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) Determination of the Remuneration Policy:

- 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 shareholders at the Annual General Meeting.

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

b) Application of the Remuneration Policy:

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

- To approve the targets 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 target, 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 performance period of the plan in question.

  The evaluation of targets 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 of executive directors 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 executive directors based on results, when these items have been paid on the basis of information clearly shown later to be inaccurate, as well as, where appropriate, filing claims or any other applicable measures.

c) Review of the Remuneration Policy:

- To regularly review the 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) Transparency of the Remuneration Policy:

- To prepare and submit to the Board of Directors, for approval, the Directors' Annual Remuneration Report, 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 Chair will request information from the Remuneration Committee. Likewise, the Committee shall consider the suggestions made by the Chair, 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 Remuneration Committee's meetings shall be made available to all directors.

In accordance with financial year 2022 schedule, the Remuneration Committee is expected to hold, at least, 3 meetings.

A.1.1 b) 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, the Remuneration Committee has conducted a number of remuneration benchmarking, assisted by an independent experienced consultant in the field of director remuneration, to propose appropriate levels of remuneration for both the new (non-executive) Chair of the Board of Directors and the CEO for their roles in the new corporate governance structure.

In particular, with regard to the (non-executive) Chair of the Board of Directors, market practice in relevant European countries has been considered. For this purpose, the amounts and remuneration practices for the remuneration of (non-executive) Board Chairs in the companies that make up the main stock market indices (Ibex-35 in Spain, CAC40 in France, FTSE MIB in Italy, DAX40 in Germany, SMI 20 in Switzerland and FTSE 100 in the United Kingdom) have been analysed.

With regard to the CEO, several comparator groups were considered, selected on the basis of sector, size and geographic spread criteria, in line with the analyses carried out in previous years for the Company's chief executive. The comparator groups considered are the following:

- *STOXX Europe 50*, comprising the 50 companies with the largest market capitalisation in Europe. This index was designed by STOXX Ltd.
- *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.
- Large Ibex-35 companies comparable in size to Inditex (Iberdrola, Santander, Telefónica and BBVA).

A.1.1 c) 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, to prepare this Report the Remuneration Committee has been advised by WTW, an independent consultant specialising in the field of compensation of directors and senior managers, in connection with its drafting, the drafting of the amendment to the Remuneration Policy and the preparation of remuneration benchmarks; and by the law firm Uría Menéndez, which has provided legal advice on corporate governance and post-contractual non-compete clauses.

A.1.1. d) Procedures set forth in the current directors' remuneration policy in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.

Neither the current Remuneration Policy, nor the amendment thereof proposed at the upcoming Annual General Meeting include the possibility to apply temporary exceptions.

A.1.2. a) Remuneration mix. Criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between fixed and variable remuneration items.

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

With regard to executive directors, their total remuneration is made up of a fixed element, a short-term or annual variable element and a long-term or multi-year variable element, in cash and/or in shares.

Pursuant to the Remuneration Policy approved at the Annual General Meeting in 2021, in a scenario of maximum level of performance, the weight of variable or at-risk remuneration with respect to total remuneration (considered for these purposes as fixed remuneration, annual variable remuneration and long-term incentive annualised according to the share price at the beginning of each cycle) could represent up to 75% for the Executive Chairman and for the CEO.

The amendment to the Remuneration Policy proposed for approval at the 2022 Annual General Meeting does not include changes to the remuneration items comprising the CEO 's total remuneration and the maximum weighting of variable remuneration on total remuneration remains within the limits specified for the position of CEO.

The remuneration mix of the different remuneration scenarios based upon target achievement, ensures that the fixed remuneration represents a significant part of total remuneration, for the purposes of preventing taking any unnecessary risks.

Variable remuneration items to compensate executive directors, tied to the achievement of Group's targets, are flexible enough to allow their shaping, including the possibility of not paying any 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.1.2. b) Actions adopted to adapt the Remuneration Policy to the long-term objectives, values and interests of the Company, and measures taken to ensure that the long-term results of the company are taken into account in the Remuneration Policy

In the design of the remuneration scheme, fixed and variable components are efficiently balanced, as indicated above. Specifically, pursuant to the Remuneration Policy approved at the Annual General Meeting in 2021, long-term or multi-year variable remuneration, on an annualised basis and for a maximum target achievement scenario, may have a weighting of less than 40% of total remuneration (considering for these purposes the fixed, short-term variable and long-term variable remuneration annualised based on the share price at the beginning of each cycle). In accordance with the proposed amendment to the Remuneration Policy, the weighting of the long-term variable remuneration for the new CEO is below this limit.

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 targets is considered therein.

Part of this long-term variable remuneration is granted and delivered in shares, based upon value creation, so that the interests of the executive directors and officers are aligned with those of the shareholders. Specifically, in a scenario of maximum level of achievement, close to 30% of the total variable remuneration of the executive directors would be delivered in shares (this value considers the share price at the start of each cycle; it does not take into account the potential change in share price during the performance period).

The Executive Chairman 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.

The CEO, Mr Óscar García Maceiras, has undertaken to retain for at least 3 years the net shares that he may receive as a result of any element of variable remuneration, until he holds a number of shares equivalent to at least 2 years of his fixed remuneration. In any case, once this shareholding target has been reached, the CEO must comply with the retention obligations set out from time to time for shares delivered through incentive schemes. These courses of action result in a better alignment of the interests of CEO with those of the shareholders.

Payment of variable remuneration at Inditex, both annual and multi-year, is tied to the achievement of sustainability targets (ESG). These targets are aligned with the Group's sustainable strategy, wherein all stakeholders are considered, and allows rewarding its implementation. Namely, in financial year 2022 the weight of sustainability objectives on aggregate variable remuneration is approximately 20%.

The amendment to the Remuneration Policy proposed for approval at the 2022 Annual General Meeting does not foresee any material changes in the design and weighting of the variable remuneration components.

A.1.2. c) 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 obliging 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 (multi-year) variable remuneration. The remuneration mix in the different remuneration scenarios based upon achievement of targets, 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 possible 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' and Senior Managers' Remuneration Policy 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 Chairs of the Remuneration and the Audit and Compliance Committees 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 section 34 of the Board of Directors' Regulations, which also provides the rules which govern such conflicts. Sections 33 and 35 to 37 thereof cover the obligation of non-competition, the use of corporate assets, the use of non-public information for private purposes and the taking advantage of business opportunities corresponding to the Company. Meanwhile, section 39 covers such specific issues that Directors must report to the Company.

Additionally, section 1 of the Board of Directors' Regulations provides that the rules of conduct for directors shall apply, insofar as they are compatible with their specific nature, to senior managers of the Company, namely, the following sections: 32 (duty of confidentiality); 34 (conflicts of interest), with regard to the duty to inform the Company; 35 (use of corporate assets); 36 (non-public information); 37 (business opportunities), and 38 (prohibition to make undue use of the office).

Moreover, with regard to significant shareholders, senior managers and any person affiliated therewith, section 40 of the Board of Directors' Regulations provides the rules governing "Transactions with Directors and significant shareholders". One of the duties assigned to the Audit and Compliance Committee consists of reporting on certain related party transactions. In light of this report, it falls to the General Meeting of Shareholders, the Board of Directors or another body with delegated authority, as the case may be, to approve the transaction when appropriate.

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

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

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

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

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

- With regard to the current Long-term Incentive Plans (the 2019-2023 and 2021-2025 plans), 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 previously 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 PBT) 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 confirmed by the Committee of Ethics.

A.1.3. Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

Pursuant to section 529*septdecies* LSC, the Directors' Remuneration Policy approved at the Annual General Meeting held on 13 July 2021 determines the maximum amount of remuneration that may be paid each year by the Company to all directors in their status as such. Based on the composition of the Board of Directors and its Committees at the date of approval of this Remuneration Policy, this maximum amount was set at €2,480 thousand.

In view of the organisational changes outlined above, the Board of Directors resolved to submit to the Annual General Meeting a motion on the amendment of the Remuneration Policy to increase this maximum limit to bring it into line with the new corporate governance structure, as well as to establish a specific fixed remuneration for the position of (non-executive) Chair of the Board of Directors, which has not been paid to date.

In order to propose to the Board of Directors the remuneration for the position of (non-executive) Board Chair, the Remuneration Committee has carried out a reflection exercise in financial year 2022, taking into account the following factors:

- The intrinsic value of the person holding the position, due to her knowledge of the retail business in the fashion industry and of the Inditex Group, where she has carried out different roles and performed different duties, and her importance from an institutional perspective.

- The special responsibility of the position and the criticality of the duties inherent thereto. Specifically, in addition to the duties inherent to the position of Board Chair, the (non-executive) Chair of the Board of Directors of Inditex will have under her direct responsibility the areas of Internal Audit, General Counsel's Office, and Communication.

- Exclusive and additional dedication with respect to the members of the Board of Directors.

- Recommendations from institutional investors and proxy advisors, as well as general corporate governance recommendations.

- Market practices in relevant European countries. For this purpose, the amounts and remuneration practices for the remuneration of (non-executive) board chairs in the companies that make up the main stock market indices (Ibex-35 in Spain, CAC40 in France, FTSE MIB in Italy, DAX40 in Germany, SMI20 in Switzerland and FTSE 100 in the United Kingdom) have been analysed.

As a result of the aforementioned analyses, on the proposal of the Remuneration Committee, the Board of Directors has decided to establish a specific fixed remuneration for the position of (non-executive) Chair of the Board of Directors, which amounts, on an annualised basis, to €900 thousand and which will be paid in cash. This remuneration is included as part of the amendments to the Remuneration Policy which will be submitted for approval at the 2022 Annual General Meeting. The Chair of the Board of Directors will also receive the annual remuneration set for all directors for their board membership, which, on an annualised basis, amounts to €100 thousand. The remuneration of the (non-executive) Chair of the Board of Directors does not comprise any other element of remuneration and/or compensation in addition to the above.

Consequently, a motion is made for the **maximum amount of the annual remuneration to be paid to all the directors in their status as such,** to stand at €3,380 thousand.

Within the limit set by the Annual General Meeting, it falls to the Board of Directors, upon proposal of the Remuneration Committee, to determine the manner and time at which such amounts are to be paid. At its meeting held on 15 March 2022 and on the proposal of the Remuneration Committee, the Board of Directors resolved to maintain for financial year 2022 the following amounts set in the Directors' Remuneration Policy approved at the Annual General Meeting held on 13 July 2021 (with 98.42% of votes in favour) which have remained unchanged since they were approved at the Annual General Meeting held on 19 July 2011 (with 99.59% of votes in favour):

- Each director will receive an annual fixed remuneration in the amount of €100 thousand for their directorship;
- The Deputy Chair or Deputy Chairs of the Board of Directors will receive an additional fixed remuneration of €80 thousand;
- 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 €50 thousand; 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 €50 thousand.

Such amounts are fully independent and compatible with each other.

Except for the remuneration of the Executive Chairman and the CEO for the performance of executive duties, 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 diems are paid for attendance at meetings of the Board of Directors or its delegated or advisory Committees, nor is there any remuneration in the form of profit-sharing or bonuses, or remuneration systems or pension plans incorporating variable remuneration, or severance payments for the termination of their relationship with the Company or any other items determined for the performance of executive duties. The foregoing is notwithstanding the refund to the directors of any reasonable travelling and accommodation fees incurred upon attending the meetings of the Board of Directors or of the Committees where they sit.

Inditex has also taken out D&O insurance policy for directors, executives and staff performing similar duties in the Company.

A.1.4. 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.

The Remuneration Policy approved at the Annual General Meeting held on 13 July 2021 sets out the fixed remuneration amounts for the Executive Chairman and the CEO, which remain unchanged for the 3 financial years covered by the policy. Therefore, from 1 February to 31 March 2022, the transitional

period for the transfer of duties from the Executive Chairman to the CEO, the fixed remuneration of the executive directors, on an annualised basis, amounts to the following:

- Executive Chairman: €3,250 thousand. The Remuneration Policy stipulates that this amount is payable in 14 instalments and will apply until the termination date of 31 March 2022. Therefore, the estimated amount to be accrued by the Executive Chairman in 2022 for this item amounts to €597 thousand (this amount includes the payments for the months of February and March and the prorated part of the 13th and 14th months extraordinary payments).

- CEO: €1,500 thousand, to be paid in 14 instalments.

With a view to proposing to the Board of Directors the fixed remuneration of the position of CEO for the performance of his executive duties in the new corporate governance structure, in 2022 the Remuneration Committee has carried out a reflection exercise where it has considered the following factors and applied the following criteria:

- The principles and foundations set out in the Remuneration Policy approved at the Annual General Meeting held on 13 July 2021. In particular, the principle whereby 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.

- The new corporate governance structure under which the roles of Chair and CEO are separate and the position of Chair of the Board of Directors is non-executive.

- The consistency with the responsibility and duties as chief executive and leadership within the organisation, in line with the remuneration paid in the market by comparable companies.

- The extent to which fixed and total remuneration is appropriate to reward the value of the contribution of the position and the individual, both to the Company and to shareholders.

- Internal fairness with regard to the remuneration of the members of the Management Committee, made up of officers of the Inditex Group with a long track record and from different corporate and business areas.

- Guidelines from institutional investors and proxy advisors, as well as feedback received from them in the Company's regular consultation process.

- Total remuneration benchmarking for the lead executive in various comparator groups, as described in section A.1.2.

In view of the foregoing considerations, the Board of Directors resolved at its meeting held on 15 March 2022 to set a fixed remuneration for the CEO amounting to €2,500 thousand on an annualised basis. Once approved at the Annual General Meeting, this amount shall remain unchanged during the financial years covered by the Remuneration Policy.

A.1.5. 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.1.6. Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

Monetary terms of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

With regards to directors in their status as such, including the Chair of the Board of Directors from 1 April 2022, 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.

In the specific case of the Executive Chairman, the Remuneration Policy approved at the Annual General Meeting held in 2021 stipulates an annual variable remuneration with a target amount equivalent, on an annualised basis, to 120% of the fixed remuneration for the performance of executive functions. In case of overachievement of the pre-established target levels, it might reach up to 125% of variable target remuneration (€4,875 thousand on an annualised basis). On the proposal of the Remuneration Committee, the Board of Directors has considered and assessed the success of the handover process from the Executive Chairman to the (non-executive) Chair of the Board of Directors and the CEO during

the transitional period, as well as the performance of sales in these months compared to the previous financial year. No other variable remuneration has been granted to the CEO in financial year 2022.

For the CEO, the variable components of his remuneration for the performance of his executive functions, as stipulated in the Remuneration Policy approved at the Annual General Meeting in 2021, are as follows:

- Short-term or annual variable remuneration.
- Long-term or multi-year variable remuneration.

Below is a description of the main features of each of such components:

- Short-term or annual variable remuneration:

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

  Quantitative targets represent at least 60% 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 targets represent at least 30% of the aggregate incentive.

  A performance scale is associated, where reasonably possible, to quantitative and qualitative targets. 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 targets, and a maximum level of achievement, above which the incentive is not increased. Each metric is associated a specific performance scale, 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 payout levels between minimum and on target level, and between on target and maximum level of achievement, may be included in the scale regarding the same performance measure.

  The Remuneration Committee is responsible for approving the targets at the beginning of each financial year and assessing their achievement level at year end. This evaluation is done based upon the data and the results provided by the Financial Division, the General Counsel's Office – Compliance Office 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 targets.

Further to such review, the Remuneration Committee draws up a proposal on annual variable remuneration which is submitted to the Board of Directors for approval. In this proposal, the Remuneration Committee also considers 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 CEO, any positive or negative economic effects arising from any extraordinary events which might introduce distortions into the results of the evaluation, may be removed upon determining the level of achievement of the quantitative targets.

In accordance with the Directors' Remuneration Policy approved at the Annual General Meeting held in 2021, the CEO's **target annual variable remuneration**, i.e., the one which corresponds to a level of achievement of on target, shall be equivalent to **120% of the fixed remuneration** for the performance of executive functions. In case of **overachievement** of the pre-established targets, this could amount to a maximum of **125% of annual target variable remuneration** (150% of fixed remuneration for the performance of executive functions, i.e. €,3,750 thousand on an annualised basis). The motion on the amendment to the Remuneration Policy which will be submitted for approval at the 2022 Annual General Meeting continues along the lines of these amounts.

The terms of the annual variable remuneration system for the CEO, including the structure, maximum levels of remuneration, targets 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 15 March 2022, on the proposal of the Remuneration Committee, that the annual variable remuneration for the CEO in financial year 2022 will be determined in accordance with the following criteria:

Weighting	Performance measures	Measurement criteria
70%	Net sales (35%) and contribution margin (35%)	The same criteria established for senior managers 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.
	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' targets
15%	Progress in implementation of the strategy towards global sustainability, measured against the following indicators:	(i) Increase in the number of sustainable items, measured against the following parameters: a. More sustainable raw materials: cotton, linen, polyester and cellulose fibres. b. Garments featuring the Join Life sustainability label. (ii) Number of audits and control of discharges at dyeing facilities (wet processes) within the scope of the Zero Discharge of Hazardous Chemicals (ZDHC) Programme; (iii) Percentage of waste reduction in respect of waste generated at Inditex facilities (HQ, logistics centres and own stores) (Zero Waste); (iv) Percentage of packaging material collected to be recycled or reused in the supply chain (Green to Pack); (v) Percentage of internal consumption of renewable energy at Inditex facilities (HQ, logistics centres and own stores); (vi) Progress in the roll-out of the "Reusable shopping bag" project; (vii) Progress in the elimination of single-use plastics from customer sales; (viii) Innovation projects related to textile recyclability:
	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	Approval of internal regulations and degree of international roll-out

The short-term variable remuneration for 2022 on account of achievement of the above referred targets will be paid in 2023 in cash.

- Multi-year or Long-term variable remuneration

a) 2021-2025 LONG-TERM INCENTIVE PLAN

The General Shareholders' Meeting held on 13 July 2021 approved the **2021-2025 Long-Term Incentive Plan**. This Plan continues with the same approach as the previous 2019-2023 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 **multi-year bonus in cash and the promise to deliver shares**, which, once a specific period of time has elapsed and the achievement of the specific targets 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.

The total duration of the Plan is 4 years. It is structured in 2 overlapping independent cycles:

- The first cycle of the Plan runs from 1 February 2021 to 31 January 2024. The Executive Chairman and the CEO are beneficiaries of this cycle.

- The second cycle runs from 1 February 2022 to 31 January 2025. Only the CEO is a beneficiary of this cycle.

The Plan is linked to the Company's strategic objectives for the duration thereof. Upon completion of the performance period of each cycle, the Remuneration Committee shall make an assessment of achievement of each of the objectives and of the cycle as a whole, based on the data and results provided by the Financial Division, the General Counsel's Office –Compliance Office, the Corporate Development Department and the Sustainability Department, and analysed, in the first instance, by the Audit and Compliance Committee and the Sustainability Committee, as appropriate. On the basis of this information, the Remuneration Committee shall propose, for approval by the Board of Directors, the performance-related incentive levels based on the established performance scales. The Remuneration Committee also takes into consideration any associated risk for both setting the objectives and assessing their achievement. When determining the achievement level of objectives, any positive or negative economic impact caused by extraordinary events that could distort the results of the assessment is disregarded.

Under such Plan, executive directors will receive, if appropriate, an incentive which will materialize as follows: 60% in shares and 40% in cash. Regarding 60% of the incentive which would, if appropriate, settled in shares, the number of shares to be granted at the commencement of each cycle will be determined based upon the average weighted 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 assess the level of achievement of targets 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. This is notwithstanding the CEO 's commitment to retain them for 3 years until he holds a number of shares equivalent to at least 2 years of his fixed remuneration.

Likewise, the Company may cancel before payment and/or claim refund of the long-term incentive previously 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 above.

The incentive amounts and features for the first cycle of the Plan are detailed below.

- The **maximum amount of the incentive** assigned to executive directors would amount to:

	Maximum Incentive =	Cash +	Shares
Executive Chairman	155% of annual fixed remuneration	€2,011 thousand	116,568 shares
CEO	118% of annual fixed remuneration	€1,183 thousand	68,562 shares

In the specific case of the CEO and for the first cycle 2021-2024, the specified amount includes the total incentive granted for the full cycle taking into account the different positions held, i.e. the amount granted for the performance of duties as General Counsel and Secretary of the Board in 2021 and the amount assigned as CEO, in accordance with the Remuneration Policy approved at the Annual General Meeting in 2021. The incentive, which is expressed as a percentage of the annual fixed remuneration, is calculated based on a fixed remuneration of €2,500 thousand (this amount corresponds to the annual fixed remuneration as CEO, in accordance with the provisions of the amendment to the Remuneration Policy to be submitted for approval at the 2022 Annual General Meeting).

- Upon expiry of each cycle, the Remuneration Committee will evaluate the level of achievement of targets and propose the cash amount and the number of shares to be delivered. Target achievement 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	Performance measures	Measurement criteria
25%	Profit before Taxes (“PBT”)	PBT figure for financial year 2023, expressed in euros, compared to the amount set by the Board of Directors as a target at the commencement of the first cycle.
25%	Store and Online Sales (“TTTT” *(Spanish acronym)*)	Amount in euros of total sales in store and online in financial year 2023 at constant currency, according to the Company's information, compared to the amount set by the Board of Directors as a target at the commencement of the first cycle.

Weighting	Performance measures	Measurement criteria
12.5%	Absolute Total Shareholder Return ("TSR")	Performance of an investment in Inditex shares over the period of the first cycle, determined by the ratio (expressed as a percentage) between the final value of a hypothetical investment in Inditex shares (reinvesting the dividends from time to time) and the initial value of that same hypothetical investment. The initial value is defined as the weighted average share price on the 30 trading days immediately prior to 1 February 2021[124], excluded, and the final value is defined as the weighted average share price on the 30 trading days immediately prior to 31 January 2024 (included). 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. The TSR achieved will be compared with the target set by the Board of Directors at the commencement of the first cycle.
12.5%	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 Peer Group of companies (as defined below), determined by the ratio (expressed as a percentage) between the final value of a hypothetical investment in shares (reinvesting the dividends from time to time) and the initial value of that same hypothetical investment. The initial value of Inditex and the companies in the Peer Group is defined as the weighted average share price on the 30 trading days immediately prior to 1 February 2021 (excluded), and the final value is defined as the weighted average share price on the 30 trading days immediately prior to 31 January 2024 (included). 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.
25%	Sustainability index (comprising 4 indicators)	(i) Sustainable product, measured as the percentage of sustainable garments. (ii) Waste management, measured as the percentage of Inditex facilities (headquarters, factories, logistics centres and stores) where a waste management system for an appropriate waste recycle, recovery and processing is in place, preventing it from ending up in landfill. (iii) Decarbonisation, measured as the reduction in the volume of greenhouse gas emissions in the company's own operations (Scope 1 and 2).

[124] Having found that the resolution passed by the Annual General Meeting regarding the approval of the aforementioned 2021-2025 Long-Term Incentive Plan erroneously refers to a reference price of €25.81 per share for the first cycle of the Plan, when the weighted average price of the Company's shares in the 30 trading days immediately prior to 1 February 2021 (exclusive) was €25.88 per share, the Board of Directors of Inditex, on the proposal of the Remuneration Committee, resolved to set the amount of the average share price at such amount, pursuant to the authority granted to the Board at the Annual General Meeting to remedy the resolution passed at the Annual General Meeting.

		(iv) Social, measured as the percentage of Inditex suppliers rated A or B in social audits.

- For the purpose of calculating the payout ratio attained for each level of achievement of targets, a **performance scale** will be determined for each metric, set at the commencement of the cycle, which will include a minimum threshold below which no incentive will be paid, corresponding to a payout ratio of 30% of the maximum incentive granted, and a maximum level, corresponding to a payout ratio of 100% of the Maximum Incentive Granted. For intermediate levels, the results shall be determined by linear interpolation.

  - PBT, TTTT, absolute TSR and Sustainability Index, the following will be measured:

Level of achievement	Level of Incentive (% of Maximum Incentive)
Below minimum	0%
Minimum	30%
Maximum	100%

Intermediate figures are calculated by linear interpolation.

  - Regarding the evolution of relative TSR:

    - The Peer Group is made up of the companies included in the Dow Jones Retail Titans 30 index as at 1 February 2021 (the "Peer Group").

    - At the end of the cycle, Inditex's TSR and the TSR of each company included in the Peer Group will be calculated. Afterwards, Inditex's TSR will be compared with the TSR of the companies within the Peer 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, 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	100%

For intermediate positions, the payout ratio will be calculated by linear interpolation.

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

The maximum number of shares under the 2021-2025 Plan amounts to 7,500,000 ordinary shares, which represent 0.24% of the Company's share capital, out of which a maximum number of 300,000 shares are addressed to the Executive Chairman and a maximum number of 160,000 shares are addressed to the CEO.

On the proposal of the Remuneration Committee, the Board of Directors intends to approve the implementation of the second cycle (2022-2025) of the 2021-2025 Long-Term Incentive Plan. The incentive amounts and associated features of the cycle for the CEO will be set out in detail in the Annual Report on the Remuneration of Directors to be published in 2023.

b) 2019-2023 LONG-TERM INCENTIVE PLAN:

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 **multi-year bonus in cash and the promise to deliver 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.

The beneficiaries of the Plan include Mr Pablo Isla Álvarez de Tejera, as Executive Chairman, and Mr Carlos Crespo González, as CEO, for remuneration purposes, until 30 November 2021[125]. Mr Óscar García Maceiras, the CEO, for remuneration purposes, from 1 December 2021[126] is also a beneficiary of this Plan, which includes, in relation to the first cycle, the incentive granted for the performance of his duties as General Counsel and Secretary of the Board, and in relation to the second cycle, for the duties performed as General Counsel and Secretary of the Board in 2021 and the amount granted as CEO, in accordance with the Remuneration Policy approved at the Annual General Meeting in 2021.

Specified below are the features of the Plan applicable to executive directors and the incentive amounts applicable to the CEO. The incentive amounts for Mr Carlos Crespo González, as CEO, are set out in section B of this Report, which includes the information corresponding to the implementation of the Remuneration Policy in financial year 2021.

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 until 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 targets. Upon expiry of the performance 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 performance period of the Plan's objectives.

[125] While his resignation from his position on 29 November 2021 was effective immediately, the Company recognises 30 November 2021 as the date of economic effect.
126 While his appointment as new Chief Executive Officer became effective on 29 November 2021, the Company recognises 1 December 2021 as the date of economic effect of appointment.

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** granted to the **Executive Chairman** for a scenario of achievement of objectives on **target** for the 2 cycles of the Plan would be €6,800 thousand, equivalent on an annualised basis to €1,700 thousand (**52% of the annual fixed remuneration** for the performance of executive 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 executive functions).

Regarding 60% of the incentive which would, if appropriate, be settled in shares, the number of shares to be delivered will be determined based upon the average weighted 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 assess the level of achievement of objectives and propose the number of shares to be delivered.

The Company may **cancel** before payment **and/or claim refund** of the long-term incentive previously 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 until 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 amounted to:

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

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

- The aggregate amount of the incentive assigned to the CEO, Mr Óscar García Maceiras amounted to:

Cycle	Target Incentive	=	Cash	+	Shares
First cycle	13% of annual fixed remuneration		€165 thousand		7,090 shares
Second cycle	70% of annual fixed remuneration		€700 thousand		33,460 shares

The amounts shown include the total incentive assigned for the full cycle taking into account the different positions held by Mr Óscar García Maceiras. For both cycles, in a scenario of overachievement of targets, the incentive would be equivalent to 185% of the specified target incentive (equivalent to 24% for the first cycle and 104% for the second cycle of the

annual fixed remuneration for his executive functions as CEO in accordance with the provisions of the amendment to the Remuneration Policy to be submitted for approval at the 2022 Annual General Meeting, i.e. €2,500 thousand).

- Upon expiry of each cycle, the Remuneration Committee will assess the level of target achievement and propose the cash amount and the number of shares to be delivered. Target achievement 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	Performance measures	Measurement criteria
30%	Earnings before Taxes ("PBT")	PBT in a certain period of time.
30%	Same-store Sales ("MMTT" *(Spanish acronym)*)	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 Peer Group of companies (as defined below), determined by the ratio (expressed as a percentage) between the final value of a hypothetical investment in shares (reinvesting the dividends from time to time) and the initial value of that same hypothetical investment.

10%	Sustainability index (comprising 4 indicators)	(i) Percentage of factories within Inditex's supply chain where wet processing (such as washing, dyeing and printing) is carried out, that use *The List, by Inditex* standard as a reference to select the chemical products used in their processes. This percentage will be verified by means of the relevant audits. It is measured at the end of each cycle. (ii) Percentage of waste reduction (in terms of waste similar to urban waste and hazardous waste) internally generated at Inditex headquarters, and at all own factories and logistics centres, that is appropriately recycled, evaluated and managed to be recovered, preventing discharge to landfill. It is measured at the end of each cycle. (iii) Greenhouse as 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 payout for each level of target achievement, a Maximum Incentive level and a **performance scale** have been determined for each metric, as provided below: The performance scales are described below:

  - Regarding PBT 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 Peer 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 "Peer Group").

  - For the purposes of Inditex's TSR and the TSR of each company within the Peer 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 Peer 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 Peer Group will be calculated. The companies within such Peer 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 Peer 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 Peer 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 ratios 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 *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%

  - Regarding 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 Company's share capital, out of which a maximum number of 390,000 shares are addressed to the Executive Chairman and 75,000 shares to the CEO.

Section A.1.8. below sets out the incentive settlement for the second cycle of the 2019-2023 Long-Term Incentive Plan and the first cycle of the 2021-2025 Long-Term Incentive Plan, associated with the departure of the Executive Chairman.

Since the first cycle 2019-2023 ended on 31 January 2022, section B shows the level of achievement for each target and as a whole and the corresponding level of incentive payment.

A.1.7. Main characteristics of long-term savings systems.

Pursuant to the Remuneration Policy approved at the 2021 Annual General Meeting, 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. The amendment to the Remuneration Policy proposed for approval at the Annual General Meeting does not include any changes in this respect. Therefore, once approved, no director shall participate in long-term savings schemes while the Remuneration Policy is in effect, which may however provide that the Board of Directors is entitled to implement this type of systems while it is in effect.

No contributions to the Executive Chairman's pension plan will be made during financial year 2022. Further details on the Chief Executive's pension scheme and the amount of accumulated funds are included in section A.1.8.

A.1.8. Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual noncompetition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

As stated in section A.1.1., at its meeting held on 29 November 2021 and following a report from the Nomination Committee, the Board of Directors of Inditex resolved by unanimous vote, inter alia, to accept the resignation tendered by Mr Pablo Isla Álvarez de Tejera as Chairman and member of the Board of Directors of Inditex and of its Executive Committee. This marks the conclusion of a generational handover process, which had been in preparation for some time and was initiated by mutual agreement between him and the founder, controlling shareholder and director of the Company, Mr Amancio Ortega Gaona, so that the succession of the Board Chairmanship would take place in an orderly and planned manner. The resignation will take effect on 31 March 2022, until which time Mr Pablo Isla Álvarez de Tejera will continue to hold his position as Executive Chairman.

At its meeting held on 13 December 2021, the Remuneration Committee considered the current executive services agreement entered into between Mr Isla and the Company on 17 March 2015, and the Remuneration Policy approved at the Annual General Meeting held on 13 July 2021, in particular with respect to the conditions stipulated for the termination of such executive service relationship. This agreement included a non-compete clause by virtue of which Mr Isla undertook not to carry out activities in competition with those of the Company or any other company of the Inditex Group for a 2-year term starting from the termination of his contractual relationship, in exchange for compensation in the amount of one year's fixed remuneration. The clause set out an obligation on Mr Isla to reimburse such consideration and a further amount as a penalty in the event of breach of the commitment, notwithstanding compensation for the damages caused by such breach and without the payment of such penalty and compensation exempting Mr. Isla from compliance with such obligation.

Following a thorough analysis, the Remuneration Committee concluded that both the compensation and the scope of the non-compete obligation, which were agreed when Mr Isla joined the Company in 2005 and have not been updated since then, are out of step with more general market practices.

As part of this analysis process, the Committee assessed, on the one hand, the evolution of the retail business in the fashion sector - the emergence of online business, the use of technology in customer relations, the emergence of new types of competitors such as marketplaces, etc. on the other hand, throughout these years, the Inditex Group has undertaken a process of global expansion of its different commercial formats with presence in the five continents and has carried out a digital transformation process through an integrated offer of online and in-person sales, as well as having engaged for several years in the adaptation of its supply chain to the highest standards in terms of sustainability. Mr Isla's direct involvement in the aforementioned developments has made him one of the world's leading experts in the fields of these business areas and his experience is extremely attractive to any competitor. Evidence of this is the fact that Mr Isla was named World's Best CEO in 2017 and 2018 by the prestigious Harvard Business Review and Best CEO of the Decade in 2020 by Forbes magazine. In the opinion of the Remuneration Committee, this would represent a serious strategic risk for the Company if the contractual conditions initially agreed in this respect were to be maintained.

At its meeting held on 14 December 2021 and on the proposal of the Remuneration Committee, the Board of Directors, observing the limits on the maximum amounts of termination payments for executive directors set out in the recommendations of the Good Governance Code of Listed Companies approved by CNMV’s board on 18 February 2015 and revised by such Board on 26 June 2020, decided to present Mr Isla with an offer to novate his agreement in order to update the post-contractual non-compete agreement, both in terms of a broader definition of Mr Isla's non-performance obligation and also, in parallel, in terms of the consideration for such obligation and the multiplier applicable to the penalty in the event of breach of such obligation, in order to increase the deterrent and thereby improve the protection of the Company's legitimate interests. For such purpose:

a) The compensation for post-contractual non-compete is increased to a total amount equivalent to two annual amounts of his total target remuneration, this being calculated based on the fixed remuneration, the annual variable remuneration and the annualised long-term variable remuneration, in accordance with the most recent approved long-term incentive, both at target levels. Of this amount, the amount corresponding to one (1) year's fixed remuneration is considered as severance pay and the remainder constitutes compensation for the non-competition obligation. The foregoing is on the understanding that the sum of both amounts shall in no case exceed an amount equal to two (2) annual payments of Mr Isla's maximum total remuneration.

b) The scope of the non-compete obligation is given a broader definition, covering the marketing of any products that are the same as, similar or supplementary to those marketed by the Inditex Group, through online channels and logistics services.

c) The penalty applicable, along with the reimbursement of the compensation, in the event of failure by Mr Isla to fully comply with his non-compete obligation, is increased by twice the amount of the compensation received by Mr Isla.

Therefore, the total amount payable by the Company to Mr Isla as consideration for his post-contractual non-compete obligation, if the Novation of the Contract is approved by the Company's Annual General Meeting, amounts to €19,740 thousand, of which: a) the amount of €3,250 thousand shall be paid to him within 15 days following the date of termination of his contract, i.e. between 1 and 15 April 2022; and b) the balance, i.e. €16,490 thousand shall be paid to him within 15 days following the date of the next Annual General Meeting, provided that the Novation of the Contract is approved.

This compensation stipulated in the Novation of the Contract is in accordance with the limits on the maximum amounts of severance payments for executive directors set out in the aforementioned recommendations of the Good Governance Code of Listed Companies. In any case, since it exceeds the provisions of the current Directors' Remuneration Policy approved at the Annual General Meeting in 2021 with regard to severance payments for Executive Directors, at its meeting held on 14 December 2021 and on the proposal of the Remuneration Committee, the Board of Directors resolved to submit to the Annual General Meeting for approval the proposal regarding the Novation of Mr Isla's contract. Mr Isla accepted such proposal on 15 March 2022.

In addition, as severance for termination of the contractual relationship, Mr Isla will receive a gross amount equivalent to one year's fixed remuneration for the current year, i.e. €3,250 thousand. This amount shall be paid within 15 days after the date of termination of his contract, i.e. between 1 and 15 April 2022.

At its meeting held on 15 March 2022 and on the proposal of the Remuneration Committee, the Board of Directors decided to pay the following amounts to Mr Isla as settlement of ongoing incentives and fixed remuneration:

- Settlement of the incentive for the second cycle (2020-2023) of the 2019-2023 Long-Term Incentive Plan.

  As shown down in section A.1.6. above, this cycle runs from 1 February 2020 to 31 January 2023. Therefore, on the effective termination date of the Executive Chairman, i.e. 31 March 2022, 2 years and 2 months will have elapsed out of a total accrual period of 3 years. Since the metrics associated with this cycle (PBT, MMTT, relative TSR and sustainability index) are measured as at the end of the cycle, it is not possible to determine an accurate level of achievement. Therefore, the Board of Directors has decided to consider as the level of achievement for the purposes of the early settlement a "target" level of achievement in view of the good results of Inditex in 2021. Therefore, the target incentive, pro-rated for the time elapsed from the commencement of the cycle until the termination date, would amount to €980 thousand and 46,859 shares.

- Settlement of the incentive for the first cycle (2021-2024) of the 2021-2025 Long-Term Incentive Plan.

  As shown down in section A.1.6. above, this cycle runs from 1 February 2021 to 31 January 2024. Therefore, on the effective termination date of the Executive Chairman, i.e. 31 March 2022, 1 year and 2 months will have elapsed out of a total accrual period of 3 years. Since the metrics associated with this cycle (PBT, TTTT, total TSR, relative TSR and sustainability index) are measured as at the end of the cycle, it is not possible to determine a precise level of achievement. Therefore, the Board of Directors has decided to consider as the level of achievement for the purposes of the early settlement a "target" level of achievement in view of the good results of Inditex in 2021. Therefore, the target incentive, pro-rated for the time elapsed from the commencement of the cycle until the termination date, would amount to €421 thousand and 24,418 shares.

- Settlement of the annual variable remuneration for financial year 2022.

  The Board of Directors has deemed that the transfer of duties from the Executive Chairman to the (non-executive) Chair of the Board of Directors and to the CEO has been successfully completed. In addition, sales continued to improve compared to the same months in the previous year. On this basis, the Board of Directors has decided to consider a maximum level of achievement for the incentive (125% of target). As a result, the settlement amount of the annual variable remuneration for financial year 2022, prorated for the time elapsed from the beginning of the financial year (1 February 2022) until the termination date (31 March 2022), is €788 thousand.

- Settlement of the accrued pro-rated share of the fixed remuneration for financial year 2022 corresponding to extraordinary payments.

  Pursuant to the Remuneration Policy approved at the Annual General Meeting held in 2021 and as stated in Mr Isla's contract, the amount of the annual fixed remuneration for his executive duties is paid in 14 instalments. As a result, 2 payments will be made in the period from 1 February 2022 to 31 March 2022 and the proportional share of the extraordinary 13th and 14th months payments that would be paid in the months of July and December will be accrued. This amount is €132 thousand.

Lastly, for information purposes, the Executive Chairman's pension scheme and the amount of the accumulated funds are described below.

From 2011 through 31 January 2015, the Executive Chairman was the beneficiary of a defined contribution pension scheme, implemented through a group life insurance policy underwritten with an insurance company of repute in Spain (the "Policy").

Contributions to such pension scheme up to the specified date 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 each year by Inditex to the Executive Chairman.

As has been the norm since 2015, in financial year 2021, no contributions have been made to the pension scheme for the Executive Chairman.

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 Royal Decree 681 of 1 August 2014, whereby the Regulations on Pension Plans and Funds approved by Royal Decree 304 of 20 February 2004 were amended, the Policy also covers the possibility of receiving retirement benefit upon attaining 65 years where the 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.

At 31 December 2021, the accumulated funds amounted to €9,422 thousand.

For the CEO, no severance pays have been agreed in case of termination of functions, except for that provided in subparagraphs iii) and iv) of the next section regarding executive directors for the performance of executive duties.

A.1.9. State the conditions that contracts should respect for those exercising senior management duties as executive directors.

As part of the reflection process to propose the CEO 's total remuneration in line with the new corporate governance structure, the Remuneration Committee also reviewed the terms and conditions of the contracts applicable to executive directors. The Committee specifically considered the following perspectives:

- The risks identified in assessing the terms and conditions stipulated for Mr Isla in his initial 2005 contract and in the Remuneration Policy approved at the Annual General Meeting in 2021 for post-contractual non-compete purposes and which have been determined to be insufficient to protect the interests of Inditex.

- The guidelines of institutional investors and proxy advisors, as well as recommendation 64 of the Good Governance Code of Listed Companies in Spain.
- Ibex-35 market practice in relation to severance payments and post-contractual non-compete clauses. It was noted in this regard that the most common practice is to provide severance payments equivalent to 2 years of fixed and variable annual remuneration.

As a result, at its meeting held on 14 December 2021 and on the proposal of the Remuneration Committee, the Board of Directors decided to maintain the conditions set out in the Remuneration Policy approved at the Annual General Meeting in 2021 in terms of duration, notice periods and clawback clause, and to amend the severance payment and the post-contractual non-compete clause. Detailed below are the terms and conditions of the CEO 's contract, which are proposed for approval at the Annual General Meeting as part of the amendment to the Remuneration Policy.

(i) Term

The term of the CEO 's contract is indefinite.

(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 director, 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) Golden parachute clause

The CEO will be entitled to severance pay in a gross amount equivalent to the remuneration of two years calculated based upon the sum of his fixed remuneration and annual variable 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 CEO under certain premises (including the succession in the company or a change in control in the Company that affects more than 50% of the share capital or 50% of the voting rights, provided that a significant refreshment of the governing bodies of the Company or a change in the contents or purpose of the main business 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 purpose, 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-compete

For as long as his contractual relationship with Inditex remains in force, the CEO shall perform his senior management functions exclusively for the Company and the Inditex Group, and he shall refrain from working either directly or indirectly for any third parties, or for his own account, even where the activities he 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.

Under the terms and conditions of his contract, compensation for the post-contractual non-compete obligation is included in the severance payment.

With regard to the post-employment non-compete 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 clause

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 director 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 director 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 previously 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.1.10. The nature and estimated amount of any other supplementary remuneration accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

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

A.1.11. Other items of remuneration such us any deriving from the company's granting the director advances loans or guarantees or any other remuneration.

The granting of advance 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.1.12. The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.

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.

Inditex Directors' Remuneration Policy for financial years 2021, 2022 and 2023 was approved at the Annual General Meeting held on 13 July 2021 with 98.42% of votes in favour pursuant to the provisions of section 529*novodecies* LSC.

In view of the changes in the corporate governance structure mentioned in section A.1. above, at its meeting held on 15 March 2022 and on the proposal of the Remuneration Committee, the Board of Directors passed a resolution to propose to the Annual General Meeting that the Remuneration Policy be amended in order to align it with the new organisational structure. The following is proposed in particular:

- To introduce a fixed remuneration payable in cash, specific to the position of (non-executive) Chair of the Board, reflecting the duties assigned and the intrinsic value and criticality of the person appointed to the position. This remuneration is in addition to the fixed annual remuneration payable by directors in their status as such for their membership on the Board.

- The introduction of this component makes it necessary to increase the maximum amount of remuneration that may be paid annually by the Company to all directors in their status as such. The Remuneration Policy approved at the Annual General Meeting in 2021 set the current limit of €2,480 thousand based on the composition of the Board of Directors and its Committees as at the date of approval of that Remuneration Policy (13 July 2021).

- To determine the total remuneration package for the CEO for the performance of his duties as Chief Executive taking into account the new corporate governance structure, including the terms of his contract. In general terms, this proposal maintains the alignment with the principles and foundations of Inditex's previous Remuneration Policy.

The details, specific amounts and parameters of the proposed amendments, as well as the criteria applied and the bodies involved in the decision-making process, are described in the different headings of this section A on the remuneration policy applicable for the current year.

A.3. Direct link to the document containing the company's current remuneration policy, which must be available on company's website.

The link to the Directors' Remuneration Policy approved at the Annual General Meeting held on 13 July 2021 is provided below:

https://www.inditex.com/documents/10279/667846/14.+Pol%C3%ADtica+de+Remuneraciones+2021+2022+y+2023.pdf/a10ba3ea-58c4-7126-3c78-3d6df84c428f

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

The Annual General Meeting held on 13 July 2021 approved the following:

- The Directors' Remuneration Policy for financial years 2021, 2022 and 2023 with 98.42% of votes in favour.
- The Annual Report on the Remuneration of Directors for financial year 2020 with 96.74% of votes in favour.

Since the first directors' remuneration policy was approved, the Annual Reports on the Remuneration of Directors have been broadly supported by shareholders in the advisory vote and, in addition, by institutional investors and proxy advisors.

Bearing in mind that the approval rate obtained at the last Annual General Meeting in the advisory vote on the Annual Report on the Remuneration of Directors for financial year 2020 is slightly lower than in the previous year, it has been deemed appropriate to make the necessary technical improvements in order to strengthen its alignment with the interests of the Company's shareholders and other stakeholders, the voting criteria of institutional investors and the proxy advisors, and the recommendations and best practices for good corporate governance in the area of remuneration, both at national and international level.

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

The corporate governance structure has maintained the roles of Executive Chairman and CEO in financial year 2021. Mr Carlos Crespo González held the office of CEO from 1 February until 29 November 2021, when he resigned and the Board of Directors appointed Mr Óscar García Maceiras as the new CEO via the co-option system, until his ratification at the next Annual General Meeting. The Remuneration Policy approved at the Annual General Meeting held on 13 July 2021 has been applied during financial year 2021.

B.1.1. Process followed to apply the remuneration policy and determine the individual remuneration contained in Statistical Appendix. Role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors.

B.1.1. a) Composition of the Remuneration Committee.

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

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

As at 31January 2022 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):

D. Rodrigo Echenique Gordillo (Presidente, Consejero Independiente)	Dña. Denise Patricia Kingsmill (Member, Independent Director)
D. José Arnau Sierra (Vocal, Consejero Dominical)	D. José Luis Durán Schulz (Member, Independent Director)
D. Emilio Saracho Rodríguez de Torres (Member, Independent Director)	

As of 31 January 2022, Mr Javier Monteoliva Díaz is the Secretary non-member of the Committee, having been appointed by the Board of Directors following a favourable report from the Nomination Committee, on 29 November 2021. In 2021, Mr Antonio Abril Abadín and Mr Óscar García Maceiras also held the aforementioned position of Secretary non-member of the aforementioned Committee (from 1 February to 31 March 2021, and from 31 March to 29 November 2021, respectively).

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 Chair requests the issuing of a report or the passing of motions within its purview. 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.

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

B.1.1. b) Process followed to enforce the Remuneration Policy and determine individual remunerations.

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

The Remuneration Committee met 3 times in 2021, with the attendance of all its members (either in person or by proxy). This represents a 100% attendance rate. In 2022 to the date of release of this Report, the Committee has met once.

At the aforementioned meetings, the Remuneration Committee has discussed, inter alia, the following matters and has decided, where appropriate, to submit them to the Board of Directors for approval:

- In the meeting held on 8 March 2021:
  - The evaluation of the level of achievement of the targets tied to the annual variable remuneration of the Executive Chairman and the CEO for financial year 2020. The Board of Directors assessed the achievement of such targets 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 CEO 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 the Remuneration of Directors for financial year 2020 to be submitted to the Board of Directors for evaluation and subsequent approval, and then to be put to an advisory say-on-pay vote at the 2021 Annual General Meeting. The Board of Directors approved such Report on 9 March 2021.

- In the meeting held on 7 June 2021:
  - The motion design of the 2021-2025 Long-Term Incentive Plan, for evaluation and approval by the Board of Directors and subsequent submission to the binding vote at the Annual General Meeting in 2022. The Board of Directors approved such Plan at its meeting held on 9 March 2021, which was approved at the Annual General Meeting held on 13 July with 99.43% of votes .
  - The proposed Directors' Remuneration Policy for financial years 2021, 2022 and 2023, for evaluation and subsequent approval by the Board of Directors and subsequent submission to the binding vote at the Annual General Meeting in 2022. The Board of Directors approved such Report on 9 March 2021.
  - Monitoring and assessment of the levels of achievement of selected metrics in the 2019-2023 Long-Term Incentive Plan.
- In the meeting held on 13 December 2021:
  - The proposal to amend Mr Pablo Isla Álvarez de Tejera's contract in order to strengthen the post-contractual non-compete clause included in the contract and to compensate him for his termination. The Board of Directors approved these proposals at its meeting held on 14 December 2021 and further resolved to submit the offer of novation of such contract to Mr Isla and, if accepted, to submit it to the shareholders for approval at the Annual General Meeting in 2022.
  - The proposed severance payment for Mr Isla's termination. Such proposal was approved by the Board of Directors on 14 December 2021.
  - The proposal on the basic conditions of the new executive services agreement of the current CEO. The Board of Directors approved the content of this executive services agreement at its meeting held on 14 December 2021.
  - The proposed performance scales for the first cycle (2021-2024) of the Long-Term Incentive Plan 2021-2025 for each metric and the favourable report on the draft Regulation of the 2021-2025 Long-Term Incentive Plan. The Board of Directors approved the text of the aforementioned Regulations of the Plan at its meeting held on 14 December 2021.
  - The acknowledgement of the list of beneficiaries for this cycle.
- In the meeting held on 14 March 2022:
  - Regarding the Executive Chairman and the outgoing CEO:
    - The evaluation of the level of achievement of the targets tied to the annual variable remuneration of the Executive Chairman and the CEO for financial year 2021 and the payment level for each one. The Board of Directors approved the achievement of these targets at its meeting held on 15 March 2022 along with the level of the incentive payment.

  - The assessment of the level of achievement of the targets for the various metrics to which the first cycle of the 2019-2023 Long-Term Incentive Plan is tied and the corresponding payment level for the Executive Chairman and the outgoing CEO. At its meeting held on 15 March 2022, the Board of Directors approved the achievement of these targets and the level of the incentive payment.

- In relation to the Executive Chairman's departure:
  - The proposed settlement of the ongoing long-term incentives, i.e. the second cycle (2020-2023) of the 2019-2023 Long-Term Incentive Plan and the first cycle (2021-2024) of the 2021-2025 Long-Term Incentive Plan. The Board of Directors approved the proposed settlement at its meeting held on 15 March 2022.
  - The proposal to the Board of Directors regarding the assessment of the target to which the annual variable remuneration for the period running from 1 February to 31 March 2022 is tied and the settlement of such remuneration. The Board of Directors approved the proposed settlement at its meeting held on 15 March 2022.
  - The proposed settlement of the proportional share of the accrued fixed remuneration for FY2022 corresponding to the payments for the months of June and December. The Board of Directors approved the proposed settlement at its meeting held on 15 March 2022.

- Regarding the new CEO:
  - The assessment of the level of achievement of the targets tied to the CEO's annual variable remuneration for financial year 2021, and the corresponding level of payment (pro-rated according to the time spent in office in the aforementioned financial year). At its meeting held on 15 March 2022, the Board of Directors approved the achievement of these targets and the level of the incentive payment.
  - The assessment of the level of achievement of the targets for the various metrics to which the first cycle of the 2019-2023 Long-Term Incentive Plan is tied and the corresponding payment level. At its meeting held on 15 March 2022, the Board of Directors approved the achievement of these targets and the level of the incentive payment.
  - The proposal to the Board of Directors regarding the CEO's remuneration for the performance of his executive functions in the new corporate governance structure, for financial year 2022. Such proposal was approved by the Board of Directors on 15 March 2022.

- The proposal to the Board of Directors regarding the remuneration of the (non-executive) Chair of the Board of Directors in the new corporate governance structure. Such proposal was approved by the Board of Directors on 15 March 2022.

- The proposal to increase the maximum amount of remuneration that the Company may pay annually to all directors in their status as such. Such proposal was approved by the Board of Directors on 15 March 2022.

- The proposal to amend the Directors' Remuneration Policy, for evaluation and approval by the Board of Directors and subsequent submission to the binding vote of the Annual General Meeting in 2022. The Board of Directors approved such Report on 15 March 2022.

- The proposed Annual Report on Remuneration of Directors for financial year 2021 to be submitted to the Board of Directors for evaluation and subsequent approval, and then to be submitted for an advisory vote at the 2022 Annual General Meeting. The Board of Directors approved such Report on 15 March 2022.

The information on the remaining proceedings of the Remuneration Committee in 2021 will be included in the Annual Corporate Governance Report and in the Annual Activities Report of the Remuneration Committee, which will be published in June.

B.1.1. c) 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 expense of the Company.

In this regard, the Remuneration Committee has been advised in financial year 2021 by WTW, an independent consultant specialising in the field of compensation of directors and senior managers, in the preparation of the Annual Report on the Remuneration of Directors for financial year 2020, the design of the 2021-2025 Long-Term Incentive Plan and the assessment of the implications for remuneration arising from the departure of the Chairman. On this issue, the Committee was also assisted by law firm Uría Menéndez, which provided legal advice on corporate governance and post-contractual compete clauses.

B.1.2. Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

There were no deviations from the established procedure for the application of the Remuneration Policy in financial year 2021.

B.1.3. Temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability.

No temporary exceptions to the Remuneration Policy have been applied during financial year 2021.

B.2. Actions taken to align the remuneration system with the long-term targets, 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 targets, 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 2021 to ensure that long-term results of the Company are considered in the application of 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 2021, this long-term element had a weighting of approximately 40% of the total remuneration (fixed + short-term variable + long-term variable) for the Executive Chairman. This weighting for the CEO would amount to 47% of his total annualised remuneration as CEO, in accordance with the Remuneration Policy approved at the Annual General Meeting held in 2021.

- 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 hold 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. The CEO has undertaken to hold for a term of at least 3 years the net shares that he may receive as a result of any element of variable remuneration, until he holds a number of shares equivalent to at least 2 years of his 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 2021 set an appropriate 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 multi-year; in such case, fixed remuneration would have represented 100% of total 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 2021 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' and Senior Managers' Remuneration Policy and for enforcing it. Those professionals whose activity may have a material impact on the risks' profile of the Company are included among them.

- 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. 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 clause 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 clause 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 previously 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.1.2.c) above.

B3. How the remuneration accrued and consolidated over the financial year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the Company's long-term and sustainable performance. Relationship between the remuneration obtained by the directors and the results or other performance measures of the Company in the short and long term.

The Directors' Remuneration Policy for 2021 was approved at the Annual General' Meeting held on 13 July 2021.

The amounts set out in section A.1 above are the only remuneration paid in 2021 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 2021:

- 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 2021 should be determined in accordance with the following criteria for both executive directors (Mr Pablo Isla Álvarez de Tejera as Executive Chairman and Mr. Carlos Crespo González as CEO):

Weighting	Performance measures	Measurement criteria
70%	Net sales (35%) and contribution margin (35%)	The same criteria established for senior managers 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
	Strategic development of the Company	Boost of store and online integration, through the development and implementation of new processes and tools allowing to provide a differentiated customer experience, pursuant to the Groups' objectives.
15%	Progress in implementation of the strategy towards global sustainability, measured against the following indicators:	(i) Increase in the number of sustainable items measured against the following parameters. 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 manufactured 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 (HQ, 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 (HQ, 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	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 2021, the Remuneration Committee has taken into account, pursuant to the power set out in section 6a) of its terms of reference, the following:

Sales and contribution margin targets, with a weighting of 70%, were calibrated at the beginning of the year taking into account the level of uncertainty of the COVID-19 pandemic and the lack of information on the potential impact on the business. In light of the results at the end of financial year 2021, the Committee has decided to consider a full view of the achievements made in this year to assess the part of the annual variable remuneration linked to economic and financial objectives. Specifically, the following results have been considered:

- The recovery of sales to pre-pandemic levels. Sales in constant currency increased by 3.25% versus financial year 2019 and decreased by 2% at average exchange rate, heavily penalized by the generalized devaluation of sales currencies against the euro. The retail space has been highly affected throughout the year by the restrictions on commercial traffic in physical stores as a result of the different phases of the pandemic during financial year 2021. In the first quarter, 20% of the stores remained closed due to COVID-19 restrictions affecting 25% of business hours.

- The gross margin reached 57.1%, increasing 123 bp compared to financial year 2020 (55.8%). Flexible and efficient management of the supply chain has been decisive in this evolution, catering to the different demand's needs. The inventory position at year-end increased by 31% compared to financial year 2020. This growth is less than the 36% growth in sales in the same period, and less than the growth in sales in the first weeks of financial year 2022.

- The Group maintains a solid financial position, reaching a net cash position as of 31 January 2022 of €9,359 million, 24% higher than on the same date in 2020 and 16% higher than in financial year 2019. Particularly, according to the information in the Statement of Cash Flows, the generation of cash flows from operating operations, discounting lease payments, amounting to €5,086 million euros, is noteworthy.

- As a result of the foregoing, the EBITDA achieved in financial year 2021 amounts to €7,183 million, with a 58% growth compared to financial year 2020, and net profit stands at €3,243 million compared to €1,106 million at the end of financial year 2020.

- Inditex's dividend policy of 60% ordinary payout and bonus dividends remains in place.

- Definition of an investment plan for the 2020-2022 period consisting of €900 million per year (€2,700 million in the three-year period), with €1,000 million allocated to digitization. In financial years 2020 and 2021 €716 and €1,134 million, respectively, were allocated to investment projects.

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

- The findings of the evaluation of the Executive Chairman's performance, carried out by the Board of Directors in the meeting held on 14 December 2021, following a report of the Nomination Committee, which was rated excellent. This evaluation has taken into account his excellent management in an environment that remains challenging in the face of the pandemic. The following were once again highlighted as strong points: (i) his speed, flexibility and reliability in decision-making; (ii) his anticipation and responsiveness to change and new trends; (iii) his efficient allocation of resources and the implementation of the necessary measures to adapt to the new reality and guarantee the Company's success and profitability; (iv) his strong leadership and his imparting a culture of commitment and continuous improvement to his teams, providing visibility and recognition to the Company's key staff. The directors also emphasised that, under his leadership, Inditex has strengthened its reputation, its image as a unique, successful and exemplary company and its positioning among all

stakeholders and, in particular, they highlighted his work and related initiatives such as the reduction of stock, the reorganisation of commercial space, the renegotiation of rents and the operational maintenance during the handling of the COVID-19 pandemic crisis, as well as the digital transformation and the integrated model.

- The findings of Mr Carlos Crespo González' performance evaluation in his duties as CEO until 29 November 2021. The Board has particularly highlighted (i) his high level of commitment, excellence and the credibility he conveys both to his teams and to the Board; (ii) his leadership in bolstering the Sustainability and Technology teams, with the ongoing incorporation of new talent (internal and external), creating diverse, highly qualified and motivated teams; (iii) his strong management in his areas of responsibility, particularly in the areas of Sustainability and Technology; and in particular, its leadership in the development of the Sustainability strategy and perseverance in achieving the strategic objectives set by the Company, despite the context of the global pandemic, with particular emphasis on progress in the implementation of actions and initiatives to strengthen traceability and achieve greater control in the supply chain; (iv) the changes made under his management in the area of technology that have enabled full digitalisation of the Company; (v) the implementation of substantial improvements in critical areas such as information security, highlighting the excellent response in the protection of assets and the establishment of recovery plans in the event of hypothetical cyber-attacks on the Company; as well as (vi) his drive for innovation in all areas of the Group.

- **Progress** has continued in 2021 towards achievement of **sustainability targets** in accordance with the current Road Map. Thus:

    - On its path towards the **sustainable garment objectives** defined for financial year 2022, the Company has consolidated its progress in the most sustainable raw materials, such as organic cotton and linen, recycled polyester and sustainable cellulose fibres, which has made it possible to achieve a volume of garments with the *Join Life* label of 47%.

      On the other hand, **no single-use plastic bags** are given to store customers since financial year 2020, and, with the goal of limiting consumption of paper bags and envelopes, they are given at a charge since October 2021 in certain markets. The proceeds of such course of action go to environmental initiatives led by organizations Inditex collaborates. This measure will be progressively extended to all the markets where we operate.

      As part of the commitment towards **Zero Discharge**, in financial year 2021 Inditex has notably evolved the new *Green to Wear* standard, which acquires the name *Green to Wear 2.1* ("GtW 2.1"), incorporating the management of chemical substances and being a fundamental part the use of the own program *The List*, a key piece 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 2.1 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 2021, 1,713 audits have been carried out under this standard.

- In financial year 2021, the Company has continued to make progress in the program to reduce waste generated internally at Inditex facilities (*Zero Waste*). Thus, during the aforementioned financial year, the waste generated per m^2 in headquarters, logistics centers and own factories was reduced by 20.9% compared to financial year 2019, comparable year given that the 2020 data is strongly impacted by the effect of COVID-19 (7.2% increase compared to 2020). In 2021, 93.4% of the waste collected at our facilities was sent for reuse and recycling.

- Through the Green to Pack standard, the Company has continued improving the quality of the cardboard boxes that transport garments from suppliers, prioritising the use of recycled materials and extending their useful life. These boxes contain 75% recycled cardboard from the market and can be used up to five times before being sent for recycling.

- Inditex announced at the last Annual General Meeting its commitment to exclusively use energy from renewable sources in all its own operations and facilities by 2022. In 2021, progress has been made towards achieving this goal and the use of renewable energy already represents 91% of the total.

- **Progress in corporate governance**. With regard to progress in corporate governance in the 2021 financial year, a major **reform** has been undertaken in the Company's **governance structure**, described in section A.1. above, the effectiveness of which is gradual and which marks the conclusion of the generational handover process, driven by the Executive Chairman, Mr Isla, and by the founder, controlling shareholder and Director of the Company, Mr Ortega, to ensure that the succession of the Chair takes place in an orderly and planned manner. In particular, the Nomination Committee has considered that this structure contributes to the following: (i) strengthening diversity among directors and reducing their average tenure; (ii) strengthening female representation, exceeding the 40% target established for 2022; (iii) separating the position of Board Chair (which will no longer have executive functions) from that of the Company's CEO; (iv) maintaining the existence of a balanced composition between proprietary and independent directors, while meeting the requirements that non-executive directors represent a broad majority of the board and that the proportion of independent directors be at least equal to the company's free float; (v) upholding the values of Inditex and the continuity of the founding partner and main shareholder's vision, while at the same time ensuring the stability of the company due to the extensive experience of both the CEO and the new Chair; and (vi) providing expertise in areas such as digital transformation, ESG and relations with regulators, which are strategic priorities of the Company.

  In addition, in financial year 2021, Inditex has carried out a **review and amendment of its internal regulatio**ns (i.e. the Articles of Association, the Board of Directors' Regulations and the terms of reference of board committees, as well as the Internal Regulations of Conduct in the Securities Market (IRC) and the Diversity of Board of Directors Membership and Director Selection Policy) in order to adapt them to the reforms introduced in the regulations by Act 5 of 12 April 2021 amending the redrafted text of the Spanish Companies Act, approved by Royal Legislative Decree 1 of 2 July 2020, and other financial regulations, with regard to the promotion of long-term shareholder engagement at listed companies. The new features or adaptations notably include the following: (i) the authorisation to hold virtual-only general meeting, and the adaptation of the system provided for the attendance of shareholders and/or their proxies, the casting of votes, the formation of the presiding board, etc., to this option; (ii) the alignment of the authority assigned to the different governing bodies of the Company in relation to related party transactions, with the new legal system introduced by Act 5/2021 and, in line with the foregoing, the Procedure for Internal Reporting and Control on related party transactions has been approved, the approval of which has been delegated by Inditex's Board of Directors to its Compliance Supervisory Board, thereby complying with the provisions of section 529*duovicies*(4) LSC. In addition, the Annual General Meeting approved the Directors' Remuneration Policy for financial years 2021, 2022 and 2023, in accordance with the provisions of section 529*novodecies* LSC.

Bearing in mind the foregoing, the Audit and Compliance Committee has conducted an analysis of the suitability of the Corporate Governance system and has positively assessed such system. It has considered that the Company has achieved full compliance with the regulatory requirements in the applicable law and virtually full compliance with the recommendations of the Good Corporate Governance Code of Listed Companies, approved by CNMV in February 2015, and amended in June 2020, as can also be seen in section G. "Degree of compliance with Corporate Governance recommendations" in the Annual Corporate Governance Report for financial year 2021.

- Progress on **diversity and compliance**: Progress in the roll-out of the diversity and compliance programmes.

  In the process of **implementing the Compliance Model** developed during financial year 2021, 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. In this respect, as set out in the Audit Plan approved by the Audit and Compliance Committee for financial year 2021, the Internal Audit Function has engaged PwC to issue a reasonable assurance report on Inditex' Model of Criminal Risk Prevention, with a limited scope of assurance, at 31 January 2022, and following the criteria of paragraphs 2 and 5 of section 31*bis* of the Spanish Criminal Code, of the UNE 19600 standard, and of the guidelines issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which has been issued without qualification.

  At international level: (i) the Model of Criminal Risk Prevention has been implemented in Mexico, to meet the requirement for legal entities in this market to have a control system to avoid criminal liability, in accordance with the Federal Criminal Code, Mexico City Criminal Code, National Code of Criminal Procedures and the General Act of Administrative Responsibilities; (ii) the anti-corruption models implemented in France and ITX Re (Ireland) have been monitored; and (iii) the implementation of the Model of Criminal Risk Prevention in Brazil has been initiated.

  Moreover, specific anti-corruption training sessions were held for employees of the Group's headquarters and brands in Spain, as well as for employees of subsidiaries in the following markets: Austria, Belgium, Luxembourg, Canada, China, France, Germany, Mexico, the Nordics and Turkey, as well as specific training sessions for shop staff in Austria, Bulgaria, Slovakia, France, Greece, the Adriatic countries, the Czech Republic, Turkey and Ukraine. In addition, online compliance and anti-corruption training was provided to suppliers in Bangladesh. In addition, progress was made during financial year 2021 in the definitive implementation of third-party due diligence, by regularising all the Group's existing suppliers and broadening knowledge and control over the members of the production supply chain.

Lastly, as regards progress in the area of diversity, in 2021, communication of the Group's Diversity and Inclusion Policy (amended in 2020 to reflect this commitment to diversity at senior management level and at all levels of the Company) which is available in different languages, has been strengthened among employees in all markets where the Group operates, and progress has been made in identifying "Diversity Champions" in each subsidiary to act as advocates for the Policy and to help create an inclusive culture in all workplaces. Moreover, specific diversity and inclusion training has been provided, both in e-learning and face-to-face or virtual format, with the aim of raising awareness among the teams on the importance of values such as equality and respect and preventing any type of discrimination. We have also encouraged our subsidiaries to continue to make progress with gender equality certification processes (GEEIS) or to sign the "Diversity Charters" in Europe. These and other tools help to bolster the diversity and inclusion strategy, which promotes not only gender equality but also inclusion of people with disabilities and socio-ethnic inclusion, among other areas.

For the Executive Chairman and based on the above results, the Board of Directors, on the proposal of the Remuneration Committee, has considered the following:

- A maximum level of achievement of the economic-financial targets given the outstanding performance in the financial year 2021, which has continued to be shaped by the COVID-19 pandemic.

- A maximum level of achievement as regards the targets linked to personal performance, progress in the implementation of the strategy towards global sustainability at Inditex, progress in corporate governance and progress in the implementation of the diversity and compliance (Compliance) programmes.

Therefore, on the proposal of the Remuneration Committee, the Board of Directors decided on an overall payment level of the annual variable remuneration for financial year 2021 for the Executive Chairman equivalent to 125% of target, i.e. €4,875 thousand (150% of the annual fixed remuneration).

For the outgoing CEO and based on the above results, the Board of Director, on the proposal of the Remuneration Committee, has considered the following:

- A maximum level of achievement of the economic-financial targets given the outstanding performance in financial year 2021.

- A maximum level of achievement as regards the targets linked to personal performance, progress in the implementation of the strategy towards global sustainability at Inditex, progress in corporate governance and progress in the implementation of the diversity and compliance (Compliance) programmes.

Therefore, on the proposal of the Remuneration Committee, the Board of Directors decided on an overall payment level of the annual variable remuneration for financial year 2021 for Mr Carlos Crespo González for the period in which he performed CEO duties, i.e., from 1 February through 30 November 2021 (date of economic effect of his resignation) equivalent to 125% of target, equivalent to €1,868 thousand (150% of his fixed remuneration in the period).

On the other hand, on the proposal of the Remuneration Committee, the Board of Directors assessed and decided on the annual variable remuneration for financial year 2021 for Mr.Óscar García Maceiras, the new CEO as of 1 December 2021, date of economic effect of his appointment. As part of this process, the Board of Directors considered, on the one hand, the achievement of targets as General Counsel and Secretary of the Board between 31 March (date on which he joined the Company) and 30 November 2021 and, on the other hand, his contribution to the preparation, implementation and streamlining of the handover of duties in the new corporate governance structure from 29 November (date on which all resolutions on such amendments were passed) to 31 January 2022.

It bears mentioning the excellent assessment of the results of the evaluation of Mr García's performance in relation to the time he served as Secretary of the Board. The Directors were unanimous in highlighting the ease with which Mr García Maceiras had adapted to the Company's philosophy and culture, as well as his role as a driving force for improvement in all areas within his remit and, in particular, in corporate governance practices, with particular emphasis on his thoroughness, efficiency and professionalism.

Based on the foregoing, on the proposal of the Remuneration Committee, the Board of Directors decided on an overall payment level of annual variable remuneration for the CEO equivalent to 125% of target, amounting to €382 thousand (150% of his fixed remuneration as CEO). This amount corresponds to the period from 1 December 2021 to 31 January 2022, during which Mr Óscar García Maceiras held the position of CEO.

- Multi-year or Long-term variable remuneration

The first cycle (2019-2022) of the 2019-2023 Long-Term Incentive Plan, approved at the Annual General Meeting held on 16 July 2019, ended on 31 January 2022.

A breakdown of the incentive amounts for the executive directors and the specifics of this first 2019-2022 cycle are described in section A.1.6.

As previously stated in the Annual Report on the Remuneration of Directors released in 2021, FY2020 was materially and negatively impacted by the onset of the COVID-19 health crisis, which caused extraordinary changes in the macroeconomic environment and disruptions in the business that could not have been anticipated when this first cycle 2019-2022 of the Plan commenced on 1 February 2019. This resulted in certain terms of the Plan having to be revised in order to ensure that the Plan can deliver the purpose for which it was originally designed, 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 resolved, at its meeting held on 14 December 2020, following a favourable report from the Remuneration Committee, to adjust the levels of achievement of the metrics "Same-store sales" (MMTT) and "PBT", in order to achieve, in line with the principles and objectives of the Plan itself, that its purpose is fulfilled so that the input and effort made by the Plan's beneficiaries during the crisis are rewarded appropriately.

In order to determine the level of achievement reached and the resulting level of payment, at its meeting held on 15 March 2022 and on the proposal of the Remuneration Committee, the Board of Directors has taken into account the following results:

- Growth in Same-store Sales in the period from 1 February 2019 to 31 January 2022 was 5.28% on an annualised basis.

- Inditex Group's PBT in 2021 amounts to €4,199 million, versus the PBT in the previous year which stood at €1,401 million. This represents a 200% growth, reaching despite the strong impact of the pandemic on financial years 2020 and 2021, levels close to that of financial year FY2018.

- Inditex's Total Shareholder Return ("TSR") position is below the median TSR ranking of the Peer Group.

- Regarding the sustainability index:

  (i) The 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, was above 55% on 31 January 2022 according to the audits conducted.

  (ii) The percentage of waste reduction internally generated at Inditex headquarters, and at all own factories and logistics centres, that is appropriately recycled, evaluated and managed to be recovered, preventing discharge to landfill, was above 92% for urban assimilable waste and 88% for hazardous waste on 31 January 2022.

  (iii) The ratio of direct greenhouse gas emission reductions in own operations to the Group's total sales volume has been reduced by more than 8% from 1 February 2019 to 31 January 2022.

  (iv)The percentage of Inditex's product suppliers with a social ranking of A and B has exceeded 95% in the average of the three years of the cycle.

The Remuneration Committee has evaluated jointly the 4 indicators above referred based upon the results achieved, disclosed by the Company's Sustainability Department, in accordance with the relevant performance scales defined for each of them. In such assessment, excess in one or more indicators have been offset against payout ratio of the other indicators, as the maximum level of achievement has been surpassed in all of them. The maximum joint limit of 125% of Maximum Incentive has been considered.

The overall level of target achievement and the level of payment of the incentive by automatic application of the terms and conditions set for this first cycle 2019-2022 is 70% of the incentive allocated in the scenario of overachievement. Since the Board of Directors resolved, at its meeting held on 14 December 2020 and following a favourable report from the Remuneration Committee, to adjust the achievement levels of the MMTT and PBT metrics due to the impact of the COVID-19 pandemic, the Committee has assessed these results with a full view of the achievements in the first cycle period to ensure that the level of pay is consistent with them. Based on this analysis, the Remuneration Committee proposed to maintain the overall target achievement level and the incentive payout level at 70% of the incentive allocated in the scenario of overachievement. Therefore, on the proposal of the Remuneration Committee, the Board of Directors decided on the following incentive amounts:

- Executive Chairman:
  - A cash incentive of €1,760 thousand.
  - A share incentive equivalent to 112,953 shares.
- CEO (Mr Carlos Crespo González):
  - A cash incentive of €1,165 thousand. Of this total amount, €1,099 thousand correspond to the amount accrued in the period during which Mr Carlos Crespo González held the position of CEO, until 30[127] November 2021.
  - A share incentive equivalent to 70,499 shares. As specified in section C.1.a) ii) of the Annual Report on the Remuneration of Directors published in 2021, the number of shares allotted to the CEO amounted to 106,752. The number of shares earned amounts to 74,726, of which 70,499 correspond to those accrued in the period in which Mr Carlos Crespo González held the position of CEO. The total number of "expired and unexercised" shares is 32,026, of which 30,214 correspond to the period in 2021 during which Mr Carlos Crespo González held the position of CEO.
- Chief Executive (Mr Óscar García Maceiras):
  - A cash incentive of €214 thousand. Out of this amount, €36 thousand corresponds to the amount accrued in the period starting on 1 December 2021, the date of economic effect of the appointment of Mr Óscar García Maceiras as CEO until 31 January 2022 .
  - A share incentive equivalent to 9,137 shares. Out of these, 1,552 correspond to those accrued in the period starting on 1 December 2021, the date of economic effect of the appointment of Mr Óscar García Maceiras as CEO until 31 January 2022.

B4. Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year,

[127] Date of economic effect of the resignation.

indicating the number of votes in favour, votes against, abstentions and blank ballots:

The Annual Report on the Remuneration of Directors for 2021 was submitted to the advisory say-on-pay vote at the Annual General Meeting on 14 July 2021, as agenda item number 10, with the following outcome:

	Number	% of total
Votes cast	2,757,953,535	99.72%

	Number	% cast
Votes against	89,945,312	3.26%
Votes in favour	2,668,008,223	96.74%
Abstentions	7,675,890	0.28%
Blank votes	300	0%

B.5. Determination of the fixed components accrued and vested during the year by the directors in their capacity 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 2021, the amounts fixed in the Directors' Remuneration Policy, approved at the Annual General Meeting on 13 July 2021, have been considered. Such amounts have been in effect since they were approved further to a resolution passed at the Annual General Meeting on 19 July 2011. The different items and amounts have been detailed in section A.1.7. above.

Pursuant to the foregoing, and based on the current composition of the Board of Directors and its Committees, in 2021 the total amount accrued by the directors in their status as such for the performance of supervisory and collegiate decision-making duties amounted to €2,480 thousand, of which €100 thousand correspond to the Executive Chairman for FY2021, €83 thousand correspond to Mr Carlos Crespo González, as CEO for the period from 1 February to 30 November 2021 and €17 thousand correspond to Mr Óscar García Maceiras as CEO from 1 December 2021.

B.6. Determination of the salaries accrued and vested by each of the executive directors over the past financial year 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 9 March 2021, on the proposal of the Remuneration Committee.
  - In financial year 2021 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 financial year 2013.
- CEO:
  - The fixed remuneration of the CEO for the performance of executive functions was resolved by the Board of Directors on 09 March 2021, on the proposal of the Remuneration Committee.
  - Mr Carlos Crespo González's fixed remuneration for the performance of his executive functions as CEO from 1 February to 30 November 2021, the date on which his resignation took effect, amounted to €1,179 thousand, which represents a significant proportion of his total remuneration. The amount, on an annualised basis (€1,500 thousand), remains unchanged since his appointment as CEO.
  - Mr Óscar García Maceiras' fixed remuneration for the performance of his executive functions as new CEO, effective from 1 December 2021 to 31 January 2022, amounted to €277 thousand.

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

A detailed breakdown of annual variable remuneration and long-term incentive plans is provided in sections A.1. and B.3. of this Report.

B.8. Reduction or return (clawback) of certain variable components, 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 2021.

B.9. Main characteristics of the long-term savings systems.

In financial year 2021 Inditex has made no contributions to the defined contribution pension schemes.

B.10. Severance pay or any other type of payment deriving from early cessation, 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 CEO have not been amended in financial year 2021.

At its meeting held on 13 December 2021, the Remuneration Committee decided to submit to the Board of Directors a proposal to novate the Executive Chairman's contract, as described in section A above, in order to strengthen the post-contractual non-compete clause. Such proposal was accepted and implemented in March 2022 and will be submitted to shareholders at the Annual General Meeting in 2022.

B.12. Any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

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 covered 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 made by the listed Company to a third company in which the director provides 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. STATISTICAL APPENDIX III TO THE ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED PUBLIC COMPANIES (CNMV's CIRCULAR 2/2018, OF 12 JUNE), CORRESPONDING TO INDUSTRIA DE DISEÑO TEXTIL, S.A.

ISSUER IDENTIFICATION

Ending date of reference period: 31/01/2022

CIF: A-15075062

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

Registered office: Avenida de la Diputación, Edificio Inditex, Arteixo (A Coruña)

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

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

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

	Number	% of total
Votes cast	2,757,953,535	99.72%

	Number	% cast
Votes against	89,945,312	3.26%
Votes in favour	2,668,008,223	96.74%
Abstentions	7,675,890	0.28%
Blank ballots	300	0%

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Name	Type	Accrual period 2021
Mr PABLO ISLA ÁLVAREZ DE TEJERA	Executive	From 01/02/2021 to 31/01/2022
Mr CARLOS CRESPO GONZÁLEZ	Executive	From 01/02/2021 to 29/11/2021[128]
Mr ÓSCAR GARCÍA MACEIRAS	Executive	From 29/11/2021[129] to 31/01/2022
Mr AMANCIO ORTEGA GAONA	Proprietary	From 01/02/2021 to 31/01/2022
Mr JOSÉ ARNAU SIERRA	Proprietary	From 01/02/2021 to 31/01/2022
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS. FLORA PÉREZ MARCOTE)	Proprietary	From 01/02/2021 to 31/01/2022
BNS. DENISE PATRICIA KINGSMILL	Independent	From 01/02/2021 to 31/01/2022
Mr JOSÉ LUIS DURÁN SCHULZ	Independent	From 01/02/2021 to 31/01/2022
Mr RODRIGO ECHENIQUE GORDILLO	Independent	From 01/02/2021 to 31/01/2022
Ms PILAR LÓPEZ ÁLVAREZ	Independent	From 01/02/2021 to 31/01/2022
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	Independent	From 01/02/2021 to 31/01/2022
Mr ANNE LANGE	Independent	From 01/02/2021 to 31/01/2022

[128] 30 November 2021 is the date of economic effect of his resignation as Chief Executive Officer
[129] 1 December 2021 is the date of economic effect of his appointment as new Chief Executive Officer

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

a) Remuneration from the reporting company:

i) Remuneration accruing in cash (in thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total year 2021	Total year 2020
Mr PABLO ISLA ÁLVAREZ DE TEJERA	100	-	-	3,250	4,875	1.760-	-	-	9,985	5,885
Mr CARLOS CRESPO GONZÁLEZ[130]	83	-	-	1,179	1.868	1.099-	-	-	4,229	2,770
Mr ÓSCAR GARCÍA MACEIRAS[131]	17		-	277	382	36			712	-
Mr AMANCIO ORTEGA GAONA	100	-	-	-	-	-	-	-	100	100
Mr JOSÉ ARNAU SIERRA	100	-	200	-	-	-	-	80	380	380
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS. FLORA PÉREZ MARCOTE)	100	-	-	-	-	-	-	-	100	100
BNS. DENISE PATRICIA KINGSMILL	100	-	150	-	-	-	-	50	300	300
Mr JOSÉ LUIS DURÁN SCHULZ	100	-	150	-	-	-	-		250	273
Mr RODRIGO ECHENIQUE GORDILLO	100	-	150	-	-	-	-	50	300	300
Ms PILAR LÓPEZ ÁLVAREZ	100	-	150	-	-	-	-	50	300	277
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	100	-	150	-	-	-	-	50	300	300
Ms ANNE LANGE	100	-	150	-	-	-	-	-	250	250

[130] The remuneration for FY2021 corresponds to the portion accrued in the period from 1 February to 30 November 2021, the date of economic effect of his resignation as Chief Executive Officer

[131] The remuneration for FY2021 corresponds to the portion accrued in the period from 1 December 2021, the date of economic effect of his appointment as Chief Executive Officer, until 31 January 2022.

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

Name	Name of Plan	Financial instruments at start of FY2021		Financial instruments granted in FY2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of FY2021	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent/ vested shares	Price of vested shares	Gross Profit from vested shares or financial instruments (thousands of euros)	No. instruments	No. instruments	No. equivalent shares
Mr PABLO ISLA ÁLVAREZ DE TEJERA	First cycle (2019-2022) of the 2019-2023 Long-term Incentive Plan	161,361	161,361			112,953	112,953	21.76	2,458	48,408		
Mr PABLO ISLA ÁLVAREZ DE TEJERA	Second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan	120.172	120,172								120,172	120,172
Mr PABLO ISLA ÁLVAREZ DE TEJERA	First cycle (2021-2024) of the 2021-2025Long-term Incentive Plan			116,568	116,568						116,568	116,568
Mr CARLOS CRESPO GONZÁLEZ	First cycle (2019-2022) of the 2019-2023 Long-term Incentive Plan	106,752	106,752			70,499	70,499	21.76	1,534	32,026		

Mr CARLOS CRESPO GONZÁLEZ	Second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan	79,503	79,503								79,503	79,503
Mr CARLOS CRESPO GONZÁLEZ	First cycle (2021-2024) of the 2021-2025[132] Long-term Incentive Plan			21,273	21,273						21,273	21,273
Mr ÓSCAR GARCÍA MACEIRAS	First cycle (2019-2022) of the 2019-2023 Long-term Incentive Plan[133]	2,217	2,217			1,552	1,552	21.76	34	665		
Mr ÓSCAR GARCÍA MACEIRAS	Second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan	61,854	61,854								61,854	61,854
Mr ÓSCAR GARCÍA MACEIRAS	First cycle (2021-2024) of the 2021-2025 Long-term Incentive Plan			68,562	68,562						68,562	68,562

[132] Total number of shares granted to him in his capacity as Chief Executive Office on a pro-rata basis for the period running from 1 February 2021 through 30 November 2021.
[133] Total number of shares granted to him in his capacity as Chief Executive Office on a pro-rata basis for the period running from 1 December 2021, date of economic effect of his appointment as CEO through 31 January 2022.

iii) Long-term savings systems

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

Name	Contribution over the year from the company (€ thousand)				Amount of accrued funds (€ thousand)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights					
	Financial year 2021	Financial year 2020	Financial year 2021	Financial year 2020	Financial year 2021		Financial year 2020	
					Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights
Mr PABLO ISLA ÁLVAREZ DE TEJERA	0	0	-	-	9,422	-	9,025	-

iv) Details of other items

Name	Concept	Amount of remuneration
No data		

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

i) Remuneration in cash (€ thousand)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total FY 2021	Total FY 2020
No data										

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

Name	Name of Plan	Financial instruments at start of FY2021		Financial instruments granted in FY2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of FY2021	
		No. instruments	No. equivalent shares	No. instruments	No. equivalent shares	No. instruments	No. equivalent/vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (€ thousand)	No. instruments	No. instruments	No. equivalent shares
No data												

iii) Long-term savings systems

Name	Remuneration from vesting of rights to savings systems
No data	

Name	Contribution over the year from the company (thousands of euros)				Amount of accrued funds (thousands of euros)			
	Savings systems with vested economic rights		Savings systems with non-vested economic rights		Financial year 2021		Financial year 2020	
	Financial year 2021	Financial year 2020	Financial year 2021	Financial year 2020	Systems with vested economic rights	Systems with non-vested economic rights	Systems with vested economic rights	Systems with non-vested economic rights
No data								

iv) Details of other items

Name	Concept	Amount of remuneration
No data		

c) Summary of remuneration (thousands of euros):

This summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director in thousands of euros.

	Remuneration accrued in the company					Remuneration accrued in group companies				
Name	Total cash remuneration	EBITDA of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total FY2021 company	Total cash remuneration	Gross profit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total FY2021 group
Mr PABLO ISLA ÁLVAREZ DE TEJERA	9,985	2,458			12,443					12,443
Mr CARLOS CRESPO GONZÁLEZ[134]	4,229	1,534			5,763					5,763
Mr ÓSCAR GARCÍA MACEIRAS[135]	712	34			746					746
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	250				250					250
Mr RODRIGO ECHENIQUE GORDILLO	300				300					300
Ms PILAR LÓPEZ ÁLVAREZ	300				300					300
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	300				300					300
Ms ANNE LANGE	250				250					250
TOTAL	17,206	4,026			**21,232**					**21,232**

[134] The remuneration for FY 2021 corresponds to the share accrued from 1 February to 30 November 2021, the date on which the Board of Directors accepted his resignation as Chief Executive Officer.
[135] The remuneration for FY 2021 corresponds to the share accrued since his appointment as Chief Executive Officer, i.e. from 1 December to 31 January 2022.

C.2. Indicate the evolution of the last 5 years of the amount and the percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and annual variation								
	Financial year 2021	Percentage variation 2021/2020	Financial year 2020	Percentage variation 2020/2019	Financial year 2019	Percentage variation 2019/2018	Financial year 2018	Percentage variation 2018/2017	Financial year 2017
Executive Directors									
Mr PABLO ISLA ÁLVAREZ DE TEJERA	12,443	111%	5,885	-5%	6,209	-35%	9,489	- 11%	10,690
Mr ÓSCAR GARCÍA MACEIRAS	746	-	-	-	-	-	-	-	-
Mr CARLOS CRESPO GONZÁLEZ	5,763	108%	2,770	115%	1,290	-	-	-	-
Non-executive Directors									
Mr AMANCIO ORTEGA GAONA	100	0%	100	0%	100	0%	100	0%	100
Mr JOSÉ ARNAU SIERRA	380	0%	380	15%	330	0%	330	0%	330
PONTEGADEA INVERSIONES, S.L. (REPRESENTED BY MS. FLORA PÉREZ MARCOTE)	100	0%	100	0%	100	0%	100	0%	100
BNS. DENISE PATRICIA KINGSMILL	300	0%	300	20%	250	0%	250	0%	250
Mr JOSÉ LUIS DURÁN SCHULZ	250	-8%	273	-9%	300	0%	300	0%	300
Mr RODRIGO ECHENIQUE GORDILLO	300	0%	300	0%	300	0%	300	0%	300
Ms PILAR LÓPEZ ÁLVAREZ	300	8%	277	11%	250	87%	134	-	
Mr EMILIO SARACHO RODRÍGUEZ DE TORRES	300	0%	300	0%	300	0%	300	0%	300
Ms ANNE LANGE	250	0%	250	762%	29	-	-	-	-
Consolidated results of the company (€ million)	**4,199**	**200%**	**1,401**	**-70%**	**4,681**	**6%**	**4,428**	**2%**	**4,351**
Average employee remuneration (€ thousand)	**23**	**27%**	**18**	**-15%**	**22**	**6%**	**20%**	**3%**	**20%**

This annual remuneration report has been approved by the Board of Directors of the Company in the meeting held on 15 March 2022.

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

Pursuant to the provisions of section 253 of the Revised Text of the Companies Act, and section 34 of the Code of Commerce, the Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 15 March 2022, to issue the consolidated annual accounts and the management report for the financial year ended 31 January 2022. The annual accounts consist of the documents preceding this page (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements).

Mr Pablo Isla Álvarez de Tejera

Executive Chairman

Mr Amancio Ortega Gaona

Ordinary Member

Mr José Arnau Sierra

Deputy Chairman

Mr Oscar García Maceiras

CEO

Pontegadea Inversiones, S.L

Ordinary Member

Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill

Ordinary Member

Ms Pilar López Álvarez

Ordinary Member

Ms Anne Lange

Ordinary Member

Mr José Luis Durán Schulz

Ordinary Member

Mr Rodrigo Echenique Gordillo

Ordinary Member

Mr Emilio Saracho Rodríguez de Torres

Ordinary Member