

**REPORT ON INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.)**  
**DIRECTORS' COMPENSATION POLICY**

Pursuant to the provisions of paragraphs 3 and 4 of article 28 of the Board of Directors' Regulations of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter either "Inditex" or "the Company"), it was resolved by said body in the meeting held on 8 June 2010, to approve, at the behest of the Nomination and Remuneration Committee, this report on the compensation policy for its members for fiscal year 2009.

It was also resolved that this report should be made available to the shareholders together with the notice of the upcoming Annual General Meeting of Shareholders to be held on 13 July 2010 on first call, and that it should be posted on the corporate web site. (<http://www.inditex.com>).

**A.- Overview on the Remuneration Policy.**

Below is a description of the remuneration-fixing procedure and the provisions of the articles of association pertaining thereto.

First of all, it must be pointed out that it is incumbent on the General Meeting of Shareholders to approve the system and amount of directors' compensation. This system has been chosen by Inditex over that in which the Board has a share in the profits of the Company. Article 33.1 of the Articles of Association provides that "*the remuneration of the Directors shall consist of a fixed annual remuneration for each director, the amount of which shall be decided by the General Meeting of Shareholders for each fiscal year or be valid for those fiscal years that the Meeting establishes*".

Pursuant to this provision, it was resolved by the Annual General Meeting of Shareholders held on 18 July 2006 – as amended by a resolution passed by the AGM held on 15 July 2008 - to fix, with indefinite effect, the remuneration of directors on account of the performance of their supervision and control duties, i.e, of their duties as directors, as it is explained in detail in the following section hereof.

Likewise, it is provided in paragraph 3 of the above referred article 33 that the remuneration foreseen in paragraph 1 of said article "*shall be compatible with and independent of the salaries, remunerations, indemnities, pensions or compensations of any kind, established as a general or extraordinary rule for those members of the Board of Directors who perform executive duties, regardless of their relationship with the Company, whether labour (common or special top management relationship), mercantile or of rendering of services. Said relationship shall be compatible with the condition of member of the Board of Directors*".

**B.- Remuneration of directors for the performance of their responsibilities as such.**

The directors' remuneration policy seeks to compensate them in a manner that best fits the responsibility they have assumed and endeavours for this remuneration to be reasonable in accordance with market demands, as provided in article 28.2 of the Board of Directors' Regulations (hereinafter, the "BDR"). Likewise, regarding external directors specifically, it is provided that the *"the Board shall ensure that the remuneration of external directors is such so as to offer incentives to dedication by the directors, while not compromising their independence"*.

With this regard, and pursuant to the provisions of article 33.1 of the Articles of Association, the Annual General Meeting held on 18 July 2006 resolved – as amended in part by a resolution passed by the AGM held on 15 July 2008 – to set the remuneration of the directors for the discharge of their duties as such, with indefinite validity until a later General Meeting should resolve otherwise, and effective as of 1 February 2008. The remuneration of INDITEX's directors is set forth below, being the amounts stated in sections (b) to (e) below totally independent and fully compatible between each other:

(a) The Chairman of the Board of Directors shall receive a fixed annual amount of six hundred thousand euros (€600,000), being this the only remuneration that he will receive from the company for all concepts;

(b)-- Each director shall receive a fixed annual amount of ninety thousand euros (€90,000) for the tenure of their office;

(c) The First and Second Deputy Chairmen of the Board of Directors shall also receive an additional fixed annual amount of forty thousand euros (€40,000);

(d) The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed annual amount of forty thousand euros (€ 40,000); and

(e) The directors who for their part sit on Audit and Control Committee and/or the Nomination and Remuneration Committee (including the Chairmen of both Committees) shall also receive an additional fixed annual amount of thirty thousand euros (€ 30,000). The directors who for their part sit on the Executive Committee shall also receive an additional fixed annual amount of eighteen thousand euros (€ 18,000)".

Except for the remuneration of executive directors on account of their performance of senior management duties, a break-down of which may be found in the following section, the amounts shown in the resolution transcribed above are the only compensation received by directors of the Company. No *per diems* are paid – except for the payment of transport and accommodation

expenses of external directors for their attendance to the meetings of the Board and Committees where they sit – nor has the Company resorted to any pension systems such as supplementary pensions, life insurance or similar schemes.

### **C.- Remuneration of executive directors for the performance of senior management duties.**

The main purpose of the remuneration of executive directors is to attract and retain the most prominent and appropriate professionals to meet the strategic goals of the company, by setting up competitive remuneration packages in respect of those offered by comparable global companies.

#### **C.1 Fixed remuneration**

The fixed remuneration of directors is determined in accordance with the comparable market remuneration and with the contribution of the director in question. During fiscal year 2009, the fixed remuneration of executive directors for the performance of senior management duties amounted to 1,904 M euros. During fiscal year 2010, the fixed remuneration shall be determined in accordance with the same parameters as that of 2009.

#### **C.2 Variable remuneration .**

During fiscal year 2009, the variable remuneration of executive directors has consisted of the payment of their relevant annual variable remuneration established in accordance with the global results of the Inditex Group and the performance of the beneficiary director.

This remuneration represents a significant part of the pay of executive directors and during FY2009 it amounted to 1,594 M euros. During FY 2010, the annual variable remuneration shall be determined in accordance with the same parameters as that of 2009, subject to the possibility for the company to set supplementary variable remuneration systems for fiscal year 2010.

#### **C.3 Basic terms and conditions of the agreement entered into with directors performing senior management duties in their capacity as executive directors.**

Pursuant to the provisions of art. 28.3 of the BDR, the relevant terms and conditions of the agreements entered into with those who discharge senior management duties in their capacity as executive directors are set forth below:

(i) Term

Senior management employment agreements entered into with executive directors shall be for an indefinite term.

(ii) Notice period.

Both in case of termination of the agreement on account of withdrawal by Inditex, and on account of voluntary resignation of the executive director, notice shall be given at least three months in advance, which may be replaced with an amount equivalent to the remuneration of the non observed term of notice.

(iii) Severance or golden parachute clause.

Should the employment agreement be terminated further to withdrawal by Inditex, wrongful or unreasonable dismissal, or resignation based upon certain grounds (among which, a change in control of the company, with a significant renewal of the corporate governing bodies occurring at the same time, or a change of the contents or purpose of the main activity of the company), executive directors shall be entitled to receive compensation in an amount equivalent to two years of their aggregate remuneration, calculated on the basis of the pay of the last year they worked for the company.

(iv) Non-competence agreement and exclusivity

For as long as executive directors would remain in the employment of Inditex, they shall perform their senior management duties exclusively for the Company and shall refrain from working either directly or indirectly for any third parties, or for their own account, even where the activities carried out by them would not compete with those of the Inditex Group (except for the position of independent director in other companies which do not compete with Inditex, within the limits provided in the BDR and after authorisation of the Board of Directors).

With regard to the post-employment non competition agreement, article 23.3 of the BDR 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*", being this provision applicable to all Board members regardless of their category. Notwithstanding this, it is also provided in the same article that the Board of Directors may exempt the outgoing director from this obligation or shorten the length of the period.