

**ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF  
LISTED PUBLIC COMPANIES**

ISSUER IDENTIFICATION

YEAR- END DATE:

2013

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Company Name:

**INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.)**

Registered Office:

Avda. de la Diputación, Edificio Inditex, 15142 Arteixo (A Coruña) - SPAIN

**ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF**  
**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

The information hereunder provided covers the period running from 1<sup>st</sup> February 2013 through 31<sup>st</sup> January 2014 (financial year 2013) and it includes detailed information of the remuneration policy of the Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (hereinafter referred to as “Inditex”, “the Company” or “the Group”, indistinctly); likewise, information on the remuneration policy for FY2014 and subsequent years is also included.

This report has been drafted by the Nomination and Remuneration Committee, pursuant to the provisions of section 61 *ter* of Act 24/1988, of 28<sup>th</sup> July, on the Stock Exchange, Order EEC/461/2013 of 20<sup>th</sup> March, whereby the contents and structure of the annual corporate governance report, the annual remuneration report and other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined, of Circular 4/2013 of 12<sup>th</sup> June of the *Comisión Nacional del Mercado de Valores* [Spanish SEC], regarding the annual report on the remuneration of directors of listed public companies, and of section 28, paragraphs 3 and 4 of the Board of Directors’ Regulations of Inditex.

It was resolved by the Board of Directors of Inditex in the meeting held on 18<sup>th</sup> March 2014, to approve, on the proposal of the Nomination and Remuneration Committee, this Annual Report on Remuneration of Directors for FY2013. This Annual Report is expected to be submitted to the advisory say-on-pay vote of the next Annual General Meeting of Shareholders as a separate item of the agenda.

**A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT YEAR**

**A.1 Explain the remuneration policy of the company. Information regarding the following will be included in this section:**

- **General principles and grounds of the remuneration policy.**
- **Most significant changes made to the remuneration policy compared to that applied in the previous year, as well as any amendments made during the year to the conditions for the exercise of options already granted.**
- **Criteria used to set the remuneration policy of the company.**
- **Relative importance of variable remuneration items versus fixed ones and criteria followed for determining the different components of the directors’ compensation package (*remuneration mix*).**

Explain the remuneration policy
<p><b>A.1.1. General principles and grounds of the remuneration policy</b></p> <p>The remuneration policy for Directors seeks to compensate them in a manner that best fits the responsibility they have assumed and the dedication in their</p>

mandates, and endeavors for this remuneration to be reasonable in accordance with market demands, pursuant to the provisions of section 28.2 of the Board of Directors' Regulations. In addition and specifically regarding Non-executive Directors, it is provided that *"the Board shall ensure that the remuneration of non-executive directors is such so as to offer incentives to dedication by the directors, while not compromising their independence."*

The general principles and grounds of the remuneration policy for the Chairman and Executive Director are shown below:

- Link to Group's strategy. A portion of the remuneration must be linked to the attainment of the objectives which define the Group's strategy.
- Pay for performance equation. A significant part of the remuneration must vary in accordance with results.
- Long term. Remuneration policy must be aligned with the values and long term targets of the Company.
- Competitiveness. The remuneration of the Chairman and Executive Director must be fit to attract and retain the most talented and appropriate professionals to meet the strategic goals of the Company, through the establishment of competitive compensation packages, under the premises that such compensation is neither excessive nor insufficient, to prevent assuming any inappropriate risks and considering market references of comparable companies.
- Transparency. To build trust among shareholders and investors.
- Alignment with most demanded practices by international investors.
- Strict procedures. The objectives which achievement determines variable remuneration must be established at the beginning of the year and monitored by the Nomination and Remuneration Committee at the end of the period. Likewise, Inditex's management by objectives systems, and among them, the short term and long term variable remuneration systems, are reviewed on an annual basis.
- Informed decisions. Decisions shall be made based upon assessment of quantitative and qualitative results.
- Commitment to shareholders. The Nomination and Remuneration Committee shall act in a proactive manner to understand shareholders' priorities and to explain remuneration policies and practices in a transparent manner.

#### **A.1.2. Most significant changes to the remuneration policy compared to that**

### **applied in the previous year**

The remuneration policy is not expected to experience any significant changes during 2014 compared to that applied in 2013.

On 12<sup>th</sup> March 2013 the Board of Directors approved, after favorable report of the Nomination and Remuneration Committee, a deferred remuneration or long term incentive plan, for the upcoming four years, addressed to members of the management, including the Chairman and Executive Director, and other key employees of the Inditex Group, consisting of: (i) a Long term performance Cash Plan (hereinafter, the “Long term performance Cash Plan”), and (ii) a Long term performance Shares Plan (hereinafter, the “Long term performance Shares Plan”), consisting of two independent performance cycles. Likewise, it was resolved by the Board to submit the Long term performance Shares Plan to the Annual General Meeting of Shareholders, which approved it in the meeting held on 16<sup>th</sup> July 2013. Detailed information about those Plans is provided under the heading 2 “Pluri-annual variable remuneration” of section A.4 hereof. The first performance cycle of the Long term Performance Shares Plan began in FY2013 and the second performance cycle of such Plan is expected to begin in the course of FY2014.

#### **A.1.3. Criteria used to set the remuneration policy**

The Group’s remuneration policy seeks to support the success of the strategy of the business model, setting forth appropriate levels of compensation for each situation.

In 2014, and on the proposal of the Nomination and Remuneration Committee, the Board of Directors has fixed the remuneration policy based upon the following criteria:

- Moderation: remunerations are adequate to the description of the company and its business model, always on the basis that such remuneration is neither excessive nor insufficient, to prevent taking any inappropriate risks.
- Transparency: information on remunerations is in line with the best practices in the area of corporate governance.
- Alignment with the strategic goals of the Group based upon two components of variable remuneration, one on the short term and the other on the long term.
- Corporate social responsibility and environmental sustainability: progress in corporate social responsibility and environmental sustainability is a relevant issue within Inditex’s remuneration scheme.
- Alignment with shareholders’ interests: the Long term performance Shares Plan, addressed to members of the management, including the Chairman and Executive Director and other key employees of the Inditex Group, is

based upon shares and linked to the Total Shareholder's Return ("TSR").

- Evolution of the market and of competitors in the field of remuneration.

**A.1.4. Relative importance of variable remuneration items versus fixed ones and criteria followed for determining the different components of the directors' compensation package (*remuneration mix*).**

Remuneration of Directors for the discharge of their duties as such is fully comprised of fixed components.

The compensation package of the Chairman and Executive Director is made up of a fixed element, a short-term annual variable element and a long-term pluri-annual variable element, in cash and in shares.

Variable remuneration items are flexible enough to allow their shaping, to the extent that it is likely that no amount is paid on the grounds of variable remuneration; in such case, fixed remuneration would represent 100% of aggregate compensation.

In a scenario of on-target performance, the weight of variable remuneration would be in excess of 60% of aggregate compensation.

In a scenario of overachievement, variable remuneration would represent 70% of aggregate compensation, with a higher weight of the long term component.

This distribution of remuneration mix and different remuneration scenarios based upon objectives, ensure that the fixed remuneration would represent a significant part of aggregate compensation, for the purposes of preventing assumption of any unnecessary risks. It also ensures that variable remuneration be linked to performance, based upon attainment of Group's goals, and as such, variable remuneration is not guaranteed, being flexible enough, to the extent that, under certain circumstances, it may entirely disappear.

**A.2 Information regarding the preparatory work and decision-making process followed to determine the remuneration policy and the role played, if any, by the Remuneration Committee and other supervisory bodies in setting up the remuneration policy. This information will include, where appropriate, the mandate given to the Remuneration Committee, its composition and the identity of the external consultants whose services have been used for defining the remuneration policy. The type of directors who, where applicable, have participated in defining the remuneration policy, shall also be stated**

Explain the process for determining the remuneration policy

### **A.2.1. Preparatory work, decision-making process of the Nomination and Remuneration Committee and its involvement in establishing the remuneration policy**

The Nomination and Remuneration Committee has taken, under the guidance of Towers Watson, the following steps:

1. The Nomination and Remuneration Committee has conducted a review of the remuneration policy in respect of the Chairman and Executive Director, through a comparative analysis, determining as Inditex's market benchmarks the following comparison groups:
  - Dow Jones Retail Titans 30 Index.
  - Companies included in the list published by Barrons on the best CEOs worldwide for 2013.
  - FTSE Eurotop 100.
  - A sample of 20 companies selected according to the following yardsticks:
    - The largest multinational companies in Spain.
    - Benchmarking companies in the retail sector in Europe and the United States.
    - Other companies whose businesses have a similar level of complexity and whose market capitalization and turnover is within a range of 0.5 to 2 times Inditex's parameters.

Such companies were: Unilever, SAP, LVMH, eBay, Santander, L'Oréal, CVS Caremark, Telefónica, Nike, Diageo, Starbucks, Reckitt Benckiser, Hermes, Gap, Coach, Macys, Ralph Lauren, The Limited, Bed Bath & Beyond and Mark & Spencer.
2. For the purposes of designing the Long Term Incentive Plan described in section A.4 hereof, the Nomination and Remuneration Committee conducted a research on market practice on long term incentives in the US, in Europe and specifically, in Spain, in respect of a group of international retailers. The Committee involved the Financial Division and the Human Resources Department in the process.

After reviewing the different references on each of the business to be transacted, the Nomination and Remuneration Committee submits its proposals to the Board of Directors, which in turn, where necessary pursuant to the applicable regulations, submits them to the Annual General Meeting of Shareholders.

### **A.2.2. Mandate given to the Nomination and Remuneration Committee**

Pursuant to the provisions of article 32.3 de los Articles of Association and section 15.2 of the Board of Directors' Regulations, the Nomination and Remuneration Committee has the following basic responsibilities with regard to remuneration and remuneration policy:

- To propose to the Board:
  - The remuneration policy in respect of directors and senior managers.
  - The individual remuneration of executive directors and the remaining terms and conditions of their agreements.
- To advise the Board, before it holds its meeting, on such employment agreements with personnel which include severance or golden parachute clauses for those cases which imply dismissal or changes in control.
- To advise the Board of Directors on an annual basis on the remuneration of the Chairman and Executive Director.
- To report on the systems and amount of the annual remuneration of directors and senior managers.
- To prepare and submit to the Board of Directors for its approval the Annual Report on the Remuneration of Directors.
- To ensure the enforcement of the remuneration policy established by the Company.

### **A.2.3. Composition of the Nomination and Remuneration Committee**

As provided in article 32 of the Articles of Association and section 15.1 of the Board of Directors' Regulations, the Nomination and Remuneration Committee shall be made up of a number of at least three and at most seven non-executive directors, a majority of who must be independent directors.

Members of the Nomination and Remuneration Committee are appointed by the Board of Directors on the proposal of the Committee itself, and the Chairman is also appointed by the Board out of its independent members.

As at 31<sup>st</sup> January 2014, the composition of the Nomination and Remuneration Committee is as follows:

- Chairman: Mr Carlos Espinosa de los Monteros Bernaldo de Quirós (non-executive independent).
- Ordinary members: Mr José Arnau Sierra (non-executive proprietary), Ms. Irene Ruth Miller (non-executive independent), Mr Emilio Saracho Rodríguez de Torres (non-executive independent), Mr Nils Smedegaard Andersen (non-executive independent) and Mr Juan Manuel Urgoiti López

de Ocaña (non-executive independent).

Secretary non member: Mr Antonio Abril Abadín.

This same composition remains as at the date this report is approved.

The Nomination and Remuneration Committee shall meet whenever it is suitable for the successful performance of its functions, and at any rate, each time the Board of Directors or its Chairman requests the issuing of a report or the passing of motions within its remit. Moreover, the Nomination and Remuneration Committee shall hold an ordinary annual meeting to prepare the information on the remuneration of Directors, which the Board of Directors has to approve and include within its annual public documentation.

During FY2013, the Nomination and Remuneration Committee has met four times, with the attendance to such meetings of all its members (100%).

During the first meeting that the Board of Directors holds immediately after each meeting of the Nomination and Remuneration Committee, its Chairman informs Board members on the business transacted in the course of such meeting.

According to the schedule for FY2014, the Nomination and Remuneration Committee is expected to meet at least four times, subject to any extraordinary meeting that it might hold in the course of the year.

#### **A.2.4. Decisions on the remuneration policy**

During FY2013, the most relevant business transacted by the Nomination and Remuneration Committee in the area of remuneration have been the following:

- The design and implementation of the Long Term Incentive, approved by the Board of Directors on the proposal of the Committee and submitted to the Annual General Meeting of Shareholders held on 16<sup>th</sup> July 2013 for approval with regard to the Long Term Performance Shares Plan.
- The report on the contractual terms and remuneration of the Senior managers of the Inditex Group.
- The motion submitted to the Board of Directors on the remuneration of the Chairman and Executive Director for the discharge of his senior management duties for FY2013, with regard to its amount and remaining terms thereof. This motion was approved by the Board of Directors in the session held on 11<sup>th</sup> June 2013.
- The drafting of the Annual Report on the Remuneration of Directors for FY2012. Further to the approval of the Board of Directors, this report was submitted to the advisory say-on-pay vote of the Annual General Meeting of Shareholders held on 16<sup>th</sup> July 2013, as seventh item of the agenda.



- The list of beneficiaries of the Long term Incentive Plan addressed to members of management, including the Chairman and Executive Director, and other key employees of the Inditex Group.
- The assessment of the performance of the Board of Directors, Directors, the Supervisory and Control Committees, and the discharge of the duties by the first executive.

The information on the remaining activities of the Nomination and Remuneration Committee during FY2013 will be provided in the Annual activities report of the Nomination and Remuneration Committee, which will be published in June, as part of the FY2013 Annual Report.

#### **A.2.5. External advice**

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

In 2013, Towers Watson, an independent consultant in the field of directors and senior managers' compensation, advised the Nomination and Remuneration Committee on the above described issues (review of the remuneration policy in respect of the Chairman and Executive Director, and design of the Long Term Incentive Plans) and in the drafting of this Report.

**A.3 State the amount and nature of the fixed components, with a breakdown, where appropriate, of compensations of executive directors for the performance of senior management duties, additional remuneration as chairman or member of any Board committee, the per diem allowances for participating in the Board and its committees or any other fixed remuneration for the directorship, as well as an estimate of the annual fixed remuneration to which they give rise. Identify other benefits which are not paid in cash and the basic parameters according to which they are granted.**

Explain the fixed components of the remuneration

According to article 33 of the Articles of Association, the remuneration of Directors shall consist of an annual fixed remuneration for each director, the amount of which shall be decided by the Annual General Meeting of Shareholders for each fiscal year or be valid for the number of fiscal years that the Meeting establishes.

This system embodies the recognition of the General Meeting of Shareholders as the supreme and sovereign body of expression of the will of the Company,

namely in the area of remuneration, and ensures the maximum transparency of such remuneration. Thus, during FY2005, 2006, 2008 and 2011, the above referred remuneration was approved by the Annual General Meeting of Shareholders with the following votes for (in percentage terms): a) 2005: 99.98%; b) 2006: 99.99%; c) 2008: 99.96%; d) 2011: 99.59%.

Effective as of 1<sup>st</sup> February 2011 and for an indefinite period until another resolution is passed on this matter, the remuneration of Directors was fixed by the Annual General meeting of Shareholder held on 19<sup>th</sup> July 2011.

The detail of the amounts, fully independent and compatible, is given below:

- Each director will receive an annual fixed remuneration in the amount of €100k for their directorship;
- The Deputy-Chairman or Deputy Chairmen of the Board of Directors will receive an additional fixed remuneration of €80k;
- The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee, will receive an additional fixed remuneration of €50k; and
- Such directors who in turn sit on the Audit and Control Committee and/or the Remuneration and Nomination Committee (including the Chairman of each Committee) will receive an additional fixed remuneration of €50k.

Additionally, Mr Carlos Espinosa de los Monteros Bernaldo de Quirós is paid an annual fixed remuneration in the amount of €80k for his directorship in Zara UK, Ltd., a company within the Inditex Group.

Except for the remuneration of the Chairman and Executive Director for the performance of senior management duties, the amounts herein shown represent the only remuneration paid to Directors of the Company for their membership on the Board of Directors of Inditex or of any Group companies. No sitting fees, benefits or variable remuneration are paid, subject to the refund to all non-executive directors of any traveling and accommodation fees incurred upon attending the meetings of the Board of Directors or of the Committees where they sit.

Additionally, the fixed remuneration of the Chairman and Executive Director for the performance of senior management duties for FY2014 was approved by the Board of Directors on 18<sup>th</sup> March 2014, on the proposal of the Nomination and Remuneration Committee, in the amount of €3,250k, the same sum approved for FY2013.

This fixed remuneration is determined based upon the following criteria:

- The experience and personal contribution to the office.
- The consistency with the responsibility and leadership within the organization and in line with the remuneration paid in the market by comparable companies. This fixed remuneration must represent a sufficient part of the aggregate remuneration for the sake of achieving an appropriate remuneration

balance.

- The fixed remuneration established for FY2014 is the same as that established for FY2013.

#### A.4 Explain the amount, nature and the main description of the variable components of remuneration system

Namely:

- Identify each of the remuneration plans in which the directors are beneficiaries, their scope, date of approval, date of implementation, period of validity and also their main characteristics. In the case of share option plans and other financial instruments, the general characteristics of the plan will include information on the conditions established in each plan for exercising these options or financial instruments for each plan.
- State any remuneration made under profit-sharing or bonus schemes, and the reason why they were granted.
- Explain the basic parameters and grounds for any annual bonus scheme.
- The types of directors (executive directors, non-executive proprietary directors, non-executive independent directors or other non-executive directors) who are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.
- The basis for these variable remuneration systems or plans, the criteria selected for assessing performance, and also the assessment components and methods for determining whether these assessment criteria have been complied with or otherwise and an estimate of the absolute amount of the variable remunerations to which the proposed remuneration plan would give rise, according to the level of compliance with the hypotheses or targets taken as a reference.
- Where appropriate, give information on deferred payment periods that have been established and/or holdback periods for shares or other financial instruments, if any.

#### Explain the variable components of the remuneration systems

The amounts provided in section A.3 above are the only remuneration paid to Directors of the Company for their membership on the Board of Directors of Inditex, or of any Group companies, except for the remuneration of the Chairman and Executive Director for the performance of senior management duties. There is no remuneration under a profit-sharing scheme, nor any remuneration systems or schemes covering a variable remuneration.

The variable components of the remuneration of the Chairman and Executive Director for the performance of senior management duties are the following:

##### **1. Short term variable remuneration (annual)**

It is designed to encourage attainment of the annual quantitative and qualitative goals set by the Company, which are consistent with the medium to long term

strategy.

The Board of Directors has resolved, on the proposal of the Nomination and Remuneration Committee, that the annual variable remuneration for FY2014 be determined in accordance with the following yardsticks: net sales and the contribution margin, reaching in equal proportion, the sales and contribution margin objectives set pursuant to the yardsticks established for senior managers of the Company according to the budget, the strategic development of the company, the personal performance of the Chairman and CEO, the observance of the expansion plans, in terms of increase of retail floor area in square meters, pursuant to the Group's goals, the progress in corporate social responsibility policies and the progress in environmental policies, in terms of the number of new stores which meet eco-efficiency parameters and the number of audits and control on wet processes, within the Zero Discharge of Hazardous Chemicals Plan.

Upon expiry of FY2014, the Nomination and Remuneration Committee will assess the fulfillment of such yardsticks and submit to the Board of Directors a motion regarding the determination of the exact amount of the annual variable remuneration.

This short-term variable remuneration is paid in cash.

As per the resolution of the Board of Directors dated 18<sup>th</sup> March 2014, on the proposal of the Nomination and Remuneration Committee, in a scenario of achievement of 100% of objectives, the annual variable remuneration for FY2014 will amount to 100% of the fixed salary, i.e., €3,250k. In the event of overachievement, annual variable remuneration may reach up to 120% of fixed salary.

## **2. Pluri-annual variable remuneration (long term)**

On 12<sup>th</sup> March 2013, the Board of Directors approved, on the proposal of the Nomination and Remuneration Committee, a deferred remuneration or long term incentive plan, for the next four years, addressed to members of management, including the Chairman and Executive Director, and other key employees of the Inditex Group, consisting of a Long Term Performance Cash Plan (whose main features are covered in section 2.1 above) and a Long Term Performance Shares Plan (whose main features are covered in section 2.2 above) and it resolved to submit the Long Term Performance Shares Plan to the Annual General Meeting of Shareholders which approved it in 16<sup>th</sup> July 2013.

2.1. Long Term Performance Cash Plan: its main features are:

- It is a pluri-annual cash bonus which, once three years have elapsed and the achievement of some specific objectives is verified, will be paid, in full or in a given percentage, depending on the level of achievement of said objectives. Such percentage may be 0% if minimum objectives set are not reached.
- The plan will have two periods of calculation (from 1<sup>st</sup> February 2013

through 31<sup>st</sup> January 2015 and from 1<sup>st</sup> February 2013 through 31<sup>st</sup> January 2016.

- There will be only one overall award that will be delivered in two payments: an initial payment in May 2015 and a final payment in May 2016.
- The attainment of the objectives shall be measured by means of two identifiable and measurable metrics:
  - EBIT Growth: value of earnings, before interest and taxes, during a certain period of time.
  - Same Stores Sales Growth: information posted by the Company, expressed in percentage terms, showing the increase in operating revenue under a constant perimeter.
- A 50% weight will apply to each metric.
- In order to calculate the Payout Coefficient based on performance for the Chairman and Executive Officer, a Payout Scale has been established for each metric, as follows:
  - A 50% level of attainment of objectives (“minimum level of attainment”) represents a payment of 50% of incentive (€3,000k).
  - A 75% level of attainment of objectives (“level of attainment on target”) represents a payment of 75% of incentive (€4,500k).
  - A 100% level of attainment of objectives (“maximum level of attainment”) represents a payment of 100% of incentive (€6,000k).
  - A 125% level of attainment of objectives (“overachievement”) represents a payment of 125% of incentive (€7,500k).

Intermediate figures are calculated by linear interpolation.

- For the Chairman and Executive Director, the annualized remuneration for a level of attainment on target would amount to €1,500k.
- For the rights awarded to the Plan Beneficiaries to vest, a period of continued employment in the Company until completion of the Plan is required, as a general rule.

## 2.2. Long Term Shares Performance Plan: Its main features are:

- It is a pluri-annual shares bonus which revolves around two independent 3-year performance cycles. The first performance cycle runs from 1<sup>st</sup> July 2013 through 30<sup>th</sup> June 2016. The second cycle runs from 1<sup>st</sup> July 2014 through 30<sup>th</sup> June 2017.
- The number of shares to be delivered to each beneficiary will depend on the comparison of the Total Shareholder Return (“TSR”) performance of Inditex with that of a comparator group of companies (the “benchmark group”). TSR will be determined by the difference (expressed as a percentage) between

the final value of an hypothetical investment in shares and the initial value of that same hypothetical investment.

- The benchmark group is made up of the companies included in the Dow Jones Retail Titans 30 as at 1<sup>st</sup> July 2013, with regard to the first performance cycle and as at 1<sup>st</sup> July 2014, with regard to the second performance cycle.
- For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, Initial Value shall be understood as the average weighted closing price of the share of each company on the 30 Trading Days immediately prior to 1<sup>st</sup> July 2013 (excluded) (for the first performance cycle of the Plan) and 1<sup>st</sup> July 2014 (excluded) (for the second performance cycle of the Plan).
- For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, Final Value shall be understood as the average weighted closing price of the share of each company on the 30 Trading Days immediately prior to 30<sup>th</sup> June 2016 (inclusive) (for the first performance cycle of the Plan) and 30<sup>th</sup> June 2017 (inclusive) (for the second performance cycle of the Plan).
- For calculating such Final Value, the dividends or other similar amounts received by the shareholder on said investment during the respective period of time will be considered as if their gross amount (before taxed) would have been reinvested in more shares of the same type on the first date on which the dividend or any similar amount is payable to the shareholders and at the closing price of the share on that date.
- At the expiry of each performance cycle of the Plan (30<sup>th</sup> June 2016 for the first cycle and 30<sup>th</sup> June 2017 for the second), Inditex's TSR and the TSR of each of the companies included in the Benchmark Group will be calculated. The companies within the Benchmark Group, excluding Inditex, will be ranked in descending order, in accordance with the highest or the lowest TSR corresponding to each of them. Then Inditex's TSR will be compared to the TSR of the companies in the Benchmark Group and the Payout percentage will be calculated pursuant to the following parameters:
  - Should Inditex's TSR be the same or above the 75<sup>th</sup> percentile within the Benchmark Group, the Percentage payout will be 100%.
  - Should Inditex's TSR be at least the same as the TSR of the median company within the Benchmark Group, the Percentage payout will be 30%.
  - Should Inditex's TSR be between the TSR of the median company within the Benchmark Group and the TSR of the 75<sup>th</sup> percentile within the Benchmark Group, the Percentage payout will be calculated by linear interpolation between the relevant TSR values.
  - Should Inditex's TSR be below the TSR of the median company within the Benchmark Group, the Percentage payout will be 0%.

- In order to be eligible to receive the shares of the Plan, the Beneficiary must have been actively employed by Inditex or a company belonging to its Group for an uninterrupted period from the date he/she receives notice of his/her Beneficiary status until the expiry date of each performance cycle of the Plan.
- Under the Long Term Performance Shares Plan, the Chairman and Executive Director might receive a maximum incentive of 60,000 shares, out of which a maximum number of 26,000 shares correspond to the first performance cycle of such Plan.
- A resolution of the Board of Directors dated 13<sup>th</sup> September 2013 acknowledged, after favorable report of the Nomination and Remuneration Committee, the status of the Chairman and Executive Director as Beneficiary of the Long Term Performance Cash Plan and of the first cycle of the Long Term Performance Cash Plan. In the course of 2014, the second performance cycle of the Long Term Performance Shares Plan is expected to begin.

In order for the Company to count on the necessary number of shares to be delivered to the beneficiaries of the first cycle of the Long Term Performance Shares Plan and within the scope of the authorization for the derivative acquisition of own shares granted to the Board of Directors by the Annual General Meeting of Shareholders held on 16<sup>th</sup> July 2013, the Company has acquired 450,000 own shares representing 0.072% in the share capital.

No deferred payment periods have been established, and no holdback periods for shares or other financial instruments exist.

**A.5 Explain the main features of the long-term saving systems, including retirement and any other survivor benefit, partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their value or equivalent annual cost, stating the type of plan, whether it is a defined contribution or benefit type, the conditions for the vesting of economic rights in favor of the directors and their compatibility with any other type of severance payment for early cancellation or termination of the contractual relationship between the company and the director.**

**Also state the contributions made in favor of the director to defined contribution pension schemes; or the increase in the director's vested rights, in case of contributions to defined benefit plans.**

Explain the long term saving systems

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

Since 2011, the Chairman and Chief Executive Officer is the beneficiary of a

defined Money Purchase Pension Scheme Plan, implemented through a Group Life insurance policy taken out by Inditex with a carrier of repute in Spain (hereinafter, the "Policy").

Annual contributions to such Money Purchase Pension Scheme Plan are made by Inditex in the month of September of each year. The amount of the annual contributions each year is equivalent to 50% of the fixed salary paid each year by Inditex to the Chairman and Executive Director.

Should he leave Inditex prior to the age of retirement (whether voluntarily or otherwise), the Chairman and Executive Director will keep 100% of the entitlement to the accumulated funds under the Policy. However, this being a pension commitment, the Chairman and Executive Director or his beneficiaries, as the case may be, may not materialize such right 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.

These benefits are separate from any other to which the Chairman and Executive Director may be entitled on other grounds.

**A.6 State any indemnity payments that are agreed or paid in the event of termination of duties as a director.**

Explain the indemnity payment

There are no indemnity payments agreed in case of termination of duties as director, except for that provided in the next section for the Chairman and Executive Director for the discharge of senior management duties.

**A.7 State the conditions that must be respected in the contracts of those who perform senior management duties as executive directors. Among other things, information will be given regarding the duration, limits to indemnity amounts, tenure clauses, notice periods and also payment as substitution for the above-mentioned notice period, and any other clauses relating to contract signing bonuses, as well as severance or golden parachute in case of early cancellation or termination of the contractual relationship between the company and the executive director. Include, among others, covenants or agreements on non-competition, exclusivity, tenure or loyalty and non-competition after termination of a contract.**

Explain the terms of the agreements entered into with executive directors

Next, pursuant to the provisions of section 28.3 of the Board of Directors'



Regulations, the relevant terms and conditions of the agreements entered into with directors who perform senior management duties as executive directors are detailed below:

(i) *Term*

Senior management agreements are for an indefinite period.

(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 senior manager or 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), the senior manager or executive director shall be entitled to receive compensation in an amount equivalent to two years of his/her aggregate remuneration, calculated on the basis of the pay of the last year he/she worked for the company. As at the date of approval of this report, this type of clause was included in the employment agreements entered into with 12 senior managers, including the Chairman and Executive Director.

(iv) *Non-competition agreement and exclusivity*

For as long as the senior manager or executive director would remain in the employment of Inditex, he shall perform his senior management duties exclusively for the Company and shall refrain from working either directly or indirectly for any third parties, or for his own account, even where the activities carried out by him would not compete with those of the Inditex Group, except for the office of non-executive director in other companies which do not compete with Inditex, within the limits provided in the Board of Directors' Regulations.

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

**A.8 Explain any supplementary remuneration paid to the directors as consideration for services rendered other than those that are inherent in their office.**

Explain supplementary remuneration
Not applicable.

**A.9 State any remuneration in the form of advanced payments, credits and guarantees granted, with an indication of the interest rate, their essential features and the possible amounts returned, as well as the obligations assumed on their behalf as guarantee**

Explain advanced payments, credits and guarantees granted
Not applicable.

**A.10 Explain the main features of remunerations in kind.**

Explain remunerations in kind
Not applicable.

**A.11 State the remuneration accrued to the director by virtue of payments made by the listed company to a third party in which the director provides services, when such payments are intended to remunerate the director's service in the company.**

Explain the remuneration accrued to the director by virtue of payments made by the listed company to a third party in which the director provides services
Not applicable.

**A.12 Any other remuneration item other than the above, whatever its nature or the group entity that pays it, particularly when it is considered a related-party transaction or its issue distorts the true image of the total remuneration accrued to the director**

Explain other remuneration items
Not applicable.

**A.13 Explain the actions taken by the company as regards the remuneration system for reducing exposure to excessive risks and adapting it to the long-term goals, values and interests of the company which will, where appropriate, include a reference to: steps to be taken to guarantee that attention is paid in the remuneration policy to the long-term results of the**

company, measures that establish an appropriate balance between the fixed and variable components of remuneration, measures adopted in relation to the categories of staff whose professional activities have a material impact on the company's risk profile, formulas or clauses for recovery in order to be able to claim the return of variable components of the remuneration that are based on profits when these components have been paid on the basis of information later shown clearly to be inaccurate and measures to be taken to avoid conflicts of interest, where appropriate.

Explain the measures taken to reduce risks
<p>Courses of action taken to ensure that long term results of the Company are considered in the remuneration policy are described below:</p> <ul style="list-style-type: none"> <li>- The aggregate compensation of the Chairman and Executive Director comprises different remuneration elements, mainly consisting of (i) a fixed remuneration, (ii) a short term variable remuneration (annual), and (iii) a mid-to-long term variable remuneration (pluri-annual). This long term element represents 26% of aggregate compensation (fixed + short term variable + mid-to-long term variable remuneration) for a scenario of on target performance, and 37% for a scenario of overachievement.</li> <li>- Medium and long term variable remuneration plans are part of a pluri-annual framework to ensure that the assessment process is based upon long term results and that the underlying economic cycle of the Company is considered therein. Part of this remuneration is allocated and paid in shares, based upon value creation, so that the interests of executives are aligned with those of the shareholders.</li> </ul> <p>The remuneration policy strikes an appropriate balance between fixed and variable components of the remuneration as described below:</p> <ul style="list-style-type: none"> <li>- The design of the remuneration scheme shows an efficient balance between fixed and variable components, as described in section A.1.4 above.</li> <li>- Variable remuneration items are flexible enough to allow their shaping, to the extent that it is likely that no amount is paid on the grounds of variable remuneration; in such case, fixed remuneration would represent 100% of aggregate compensation.</li> <li>- No guaranteed variable remunerations exist.</li> </ul> <p>Below are shown the measures with regard to those members of staff whose professional activity has a material impact on the risks profile of the Company:</p> <ul style="list-style-type: none"> <li>- The Nomination and Remuneration Committee is responsible for considering and reviewing the remuneration policy with regard to Directors and Senior Managers and its enforcement. Those professionals whose activity may have a material impact on the risks' profile of the entity are included in this group.</li> <li>- The Nomination and Remuneration Committee is made up of six Directors,</li> </ul>

five independent Directors and the Deputy Chairman, who also sit on the Audit and Control Committee. Therefore, the Chairman of the Nomination and Remuneration Committee sits on the Audit and Control Committee and in turn, the Chairwoman of the Audit and Control Committee sits on the Nomination and Remuneration Committee. This ensures that risks associated to the remunerations are considered in the course of the debates of the Nomination and Remuneration Committee and of the Audit and Control Committee and in the submission of proposals by said Committees to the Board of Directors, both in the determination and in the process to assess annual and pluri-annual incentives.

With regard to formulas or clauses for recovery in order to be able to claim the return of variable components of the remuneration that are based on profits when these components have been paid on the basis of information later shown clearly to be inaccurate:

- The Nomination and Remuneration Committee may propose to the Board of Directors and this latter resolve, the cancellation of payment of variable remuneration, under any of the above circumstances.
- Likewise, the Committee may propose, even in the occurrence of any exceptional circumstances as those mentioned above, the termination of the relationship with the relevant supervisors and the commencement of any relevant judicial proceedings.

With regard to measures set to detect, determine and resolve any potential conflicts of interest, section 32 of the Board of Directors' Regulations ([www.inditex.com](http://www.inditex.com)) defines the cases of "conflicts of interests" and provides the rules which govern such conflicts. Sections 31, 34 and 35 thereof cover the provision of professional services in competitor entities, the use of corporate assets, the use of non-public information and the taking advantage of business opportunities corresponding to the Company. Meanwhile, section 37 ("Duties of information of Directors") covers specific issues that Directors must report to the Company.

Likewise, section 1 of the Board of Directors' Regulations provides that the rules of conduct for Directors shall apply, insofar as these rules are compatible with their specific nature, to Senior Managers of the Company, and specifically, the following sections shall apply to them, subject to adjustment: 30 (duty of confidentiality); 32 (conflicts of interest), with regard to the duty to inform the Company; 33 (use of corporate assets); 34 (non-public information); 35 (business opportunities), and 36 (prohibition to make undue use of the office).

Moreover, with regard to significant shareholders, section 38 of the Board of Directors' Regulations provides the rules governing "Transactions with Directors and significant shareholders".

Among the powers assigned to the Nomination and Remuneration Committee is that of reporting on such transactions which entail or may entail any conflicts of interest, transactions with related parties or which involve the use of corporate assets, and generally, on the issues covered in Chapter IX of the Board of Directors' Regulations. In light of such report, it falls on the Board of Directors to

approve such transaction, if appropriate.

On the other hand, section 5.1 of the Internal Regulations of Conduct regarding Transactions in Securities lists the general principles of conduct of the affected persons with regard to conflicts of interest (independence, abstention and confidentiality) and provides that such persons must undertake in writing to act independently in their activities and to report to the Code Compliance Office such conflicts of interest to which they are subject with suppliers, agents and franchisees, external advisors, etc., due to their activities outside the INDITEX Group, their family, their personal assets, or any other grounds .

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

## **B** REMUNERATION POLICY FORECAST FOR FUTURE YEARS

### **B.1 Give a general forecast of the remuneration policy for future years describing this policy as regards: fixed components and per diem allowances and salaries of a variable nature, relationship between remuneration and results, benefit systems, terms and conditions of the executive directors' contracts, and forecast of most significant changes in the remuneration policy in relation to previous years**

#### General forecast of the remuneration policy

As at the date hereof, no variation is expected regarding the overarching principles of the remuneration policy in respect of Directors for the discharge of their supervisory and decision-making duties, nor of the remuneration policy in respect of the Chairman and Executive Director described above, which will apply in future exercises, unless the relevant governing bodies would resolve any amendment thereto in light of any unexpected circumstance, whether for regulatory, economic, strategic, governance reasons or otherwise. For such purpose, the Board of Directors and the Nomination and Remuneration Committee will continue reviewing, within their remit and on a regular basis, the principles of the remuneration policy of the Company.

Specifically, with regard to the components of the remuneration of the Chairman and Executive Director for the performance of senior management duties:

#### a) Fixed remuneration

Fixed remuneration will continue representing a significant part of aggregate remuneration, as provided in section A.3 of the Report.

#### b) Annual variable remuneration

Annual variable remuneration shall be approved by the Board of Directors every

year, on the proposal of the Nomination and Remuneration Committee, based upon the yardsticks which have been detailed under item 1: “Annual variable remuneration” of section A.4 hereof.

c) Pluri-annual variable remuneration

Pluri-annual variable remuneration will still consist of the Long Term Performance Cash Plan and the Long Term Performance Shares Plan, whose description has been provided under section A.4 hereof.

d) Benefits

No variation is expected regarding the policy of contributions to the defined Money Purchase Pension Scheme Plan described under section A.5 hereof.

**B.2 Explain the decision-making process for setting up the remuneration policy planned for future years, and the role played, where appropriate, by the Remuneration Committee**

Explain the decision-making process for establishing the remuneration policy

As at the date hereof, no significant variation is expected in the decision-making process described in section A.2 above, with regard to the shaping of the remunerations policy for future years, unless the relevant governing bodies would resolve any amendment thereto in light of any unexpected circumstance, whether for regulatory, economic, strategic, governance or other reasons

**B.3 Explain the incentives created by the company in the remuneration system in order to reduce excessive risk exposure and adapt it to the long-term targets, values and interests of the company**

Explain the incentives created to reduce risks

Pluri-annual variable remuneration comprises the Long Term Performance Cash Plan and the Long Term Performance Shares Plan, running three and four years, respectively, whose description has been provided in section A.4 above. Both Plans are management tools and mechanisms used to link remuneration with success of the business model strategy, shareholders’ interests and foster long term value building.

Likewise, the Long Term Performance Shares Plan will encourage conducts which prevent excessive risks assumption, as the price of the share shows not only the evolution of the Company but also a forecast of growth and risks that the Company must face.

With regard to incentives created by the company to reduce excessive risk

exposure, please refer to the provisions of section A.13 above.

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

- C.1 Briefly explain the main description of the structure and remuneration items of the remuneration policy applied during last fiscal year ended resulting in the breakdown of the individual remunerations accrued to each of the directors listed in Section D in this report, as well as a summary of the resolutions passed by the board to implement these items.**

Explain the structure and remuneration items of the remuneration policy applied during the year

**C.1.1. Remuneration policy in respect of Directors for the discharge of their supervisory and collective decision-making functions.**

The remuneration policy in respect of Directors for the discharge of their supervisory and collective decision-making functions applied in 2013 fully matches that described under section A.3 hereof.

In FY2013, the aggregate sum received by Directors for the discharge of their supervisory and collective decision-making functions has amounted to €1,760k out of which €100k were received by the Chairman and Executive Director.

**C.1.2. Remuneration policy in respect of the Executive Director for the performance of senior management duties.**

With regard to the remuneration of the Chairman and Executive Director for the performance of senior management duties:

a) Fixed remuneration

The fixed remuneration of the Chairman and Executive Director for the performance of senior management duties was resolved by the Board of Directors on 11<sup>th</sup> June 2013 on the proposal of the Nomination and Remuneration Committee.

During FY2013, the fixed remuneration of the Chairman and Executive Director for the performance of senior management duties has amounted to €3,250k, which represents a significant share of his aggregate remuneration.

b) Short-term variable remuneration (annual)

Pursuant to article 32.e) of the Articles of Association and section 15.2.f) of the Board of Directors' Regulations, the performance of the Chairman and Executive Director is assessed on an annual basis by the Nomination and Remuneration Committee, which advises the Board of Directors on such assessment. To carry out such assessment, the Nomination and Remuneration Committee relies on the support of the Financial Division. As recorded in the Annual Report on the Remuneration of Inditex's Directors dated 11 June 2013, the Nomination and Remuneration Committee has considered, in the course of such assessment, the following yardsticks: the attainment of the objectives linked to net sales and the contribution margin, in equal proportion, fixed in the Company's budget; strategic development of the Company; the personal performance of the Chairman and Chief Executive Officer; the observance of the expansion plans and the progress in environmental and corporate social responsibility policies.

Further to the assessment of the degree of fulfillment of objectives, it was resolved by the Board of Directors on 18<sup>th</sup> March 2014, on the proposal of the Nomination and Remuneration Committee, to determine the annual variable remuneration for FY2013 to be in the amount of €3,000, as recorded in section D hereof.



c) Pluri-annual variable remuneration

During FY2013, no pluri-annual variable remuneration has been accrued.

d) Benefits

Contributions made by Inditex to the Money Purchase Pension Scheme Plan in FY2013 amounted to €1,625k.

**D** **DETAIL OF INDIVIDUAL REMUNERATIONS ACCRUED TO EACH DIRECTOR**

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

**a) Remuneration accrued in the company covered by this report:**

**i) Payment in cash (in €K)**

Name Type Accrual Period year t	Salary	Fixed remuneration	Per diempayments	Short-term variable remuneration	Long-term variable remuneration	Remuneratio n for membership on Board Committees	Indem nity	Other items	Total year t	Total year t-1
Mr Pablo Isla Álvarez de Tejera / Executive / 01- 02-2013 to 31- 01-2014	3,250	100	0	3,000	0	0	0	0	6,350	
Mr José Arnau Sierra / Proprietary / 01- 02-2013 to 31- 01-2014	0	100	0	0	0	100	0	80	280	
Mr Amancio Ortega Gaona / Proprietary / 01- 02-2013 to 31- 01-2014	0	100	0	0	0	0	0	0	100	
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós / Independent / 01-02-2013 to 31-01-2014	0	100	0	0	0	100	0	50	250	
Mr Emilio Saracho Rodríguez de Torres / Independent / 01-02-2013 to 31-01-2014	0	100	0	0	0	100	0	0	200	
Gartler, S.L. / Proprietary / 01- 02-2013 to 31- 01-2014	0	100	0	0	0	0	0	0	100	

Ms Irene Ruth Miller / Independent / 01-02-2013 to 31-01-2014	0	100	0	0	0	100	0	7	207	
Mr Juan Manuel Urgoiti López de Ocaña / Independent / 01-02-2013 to 31-01-2014	0	100	0	0	0	100	0	43	243	
Mr Nils Smedegaard Andersen / Independent / 01-02-2013 to 31-01-2014	0	100	0	0	0	100	0	0	200	

## ii) Share-based remuneration systems

Name Type Accrual Period year t	Name of Plan and implementation date	Ownership of options at the beginning of year t				Options allocated during year t					Shares vested during year t
		No. options	No. affected Shares	Strike price (€)	Strike period	No. options	No. affected Shares	Strike price (€)	Strike period	Conditions for exercise of options	No. Price Amount
Mr Pablo Isla Álvarez de Tejera / Executive / 01-02-2013 to 31-01-2014	Remuneration system: First cycle of the Long term Performance Shares plan	-	-	-	-	-	26,000	-	3 years	Those provided in section A.4 of this report.	-

Name Type Accrual Period year t	Name of Plan and implementation date	Options exercised in the year t				Options due and not exercised	Options at end of year t				
		No. options	No. affected Shares	Strike price (€)	Gross profit (€)	No. options	No. options	No. affected Shares	Strike price (€)	Strike period	Other requirements for the year

## iii) Long-term saving systems

Name/ Type/total of accrual period in years	Contribution for the year by the company (€k)		Amount of accumulated funds (€k)	
	Year t	Year t-1	Year t	Year t-1
Mr Pablo Isla Álvarez de Tejera / Executive / 01-02-2013 to 31-01-2014-	1,625		5,103	

## iv) Other benefits (€k)

	Remuneration in the form of advances, loans granted
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Name/ Type	Interest rate on the transaction	Main description of the transaction	Amounts eventually repaid		
-	-	-	-	-	-

Name/ Type	Life insurance premium		Severance or golden parachute clause agreed by the Company for Directors	
	Year t	Year t-1	Year t	Year t-1
-	-	-	-	-

**b) Remuneration accrued to the directors of the company for their directorship in other group companies:**

**i) Payment in cash (€k)**

Name Type Accrual Period year t	Salary	Fixed remuneration	Per diem payments	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board Committees	Indemnity	Other items	Total year t	Total year t-1
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós / Independent / 01-02-2013 to 31-01-2014	0	80	0	0	0	0	0	0	80	-

**ii) Share-based remuneration systems**

Name Type Accrual Period year t	Ownership of options at the beginning of year t				Options allocated in the year t					Shares vested in year t
	No. options	No. affected Shares	Strike price (€)	Gross profit (€)	No. options	No. affected Shares	Strike price (€)	Strike period	Conditions for exercise of options	No. Price Amount
-	-	-	-	-	-	-	-	-	-	-

Name Type Accrual Period year t	Options exercised in the year t				Options due and not exercised	Options at the end of year t				
	No. options	No. affected Shares	Strike price (€)	Gross profit (€)	No. options	No. options	No. affected Shares	Strike price (€)	Strike Period	Other requirements for the year
-	-	-	-	-	-	-	-	-	-	-

**iii) Long-term saving systems**

Name/ Type/total of accrual period in years	Contribution for the year by the company (€k)		Amount of accumulated funds (€k)	
	Year t	Year t-1	Year t	Year t-1
-	-	-	-	-

**iv) Other benefits (in €k)**

Remuneration in the form of advances, loans granted			
Name/ Type	Interest rate on the transaction	Main description of the transaction	Amounts eventually repaid
-	-	-	-

Name/ Type	Life insurance premium		Severance or golden parachute clause agreed by the Company for Directors	
	Year t	Year t-1	Year t	Year t-1
-	-	-	-	-

### c) Summary of remunerations (€k):

The summary must include the amounts corresponding to all the remuneration items included in this report that have been accrued to the director, in thousand euro (€k):

Where there are long- term Saving Systems, the contributions or endowments made to these types of system shall be included.

Name/Type	Remuneration accrued in the Company				Remuneration accrued in Group companies				Total		
	Total cash remuneration	Value of shares granted	Gross profit on options exercised	Total year t company	Total cash remuneration	Value of shares granted	Gross profit on options exercised	Total year t group	Total year t	Total year t-1	Contribution to savings system during the year
Mr Pablo Isla Álvarez de Tejera / Executive	6,350	0	0	6,350	0	0	0	0	6,350		1,625
Mr José Arnau Sierra / proprietary	280	0	0	280	0	0	0	0	280		0
Mr Amancio Ortega Gaona / proprietary	100	0	0	100	0	0	0	0	100		0
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós / independent	250	0	0	250	80	0	0	80	330		0
Mr Emilio Saracho Rodríguez de Torres / independent	200	0	0	200	0	0	0	0	200		0
Gartler, S.L. (represented by Ms Flora Pérez Marcote) / proprietary	100	0	0	100	0	0	0	0	100		0
Mrs. Irene Ruth Miller / independent	207	0	0	207	0	0	0	0	207		0
Mr. Juan Manuel Urgoiti López de Ocaña / independent	243	0	0	243	0	0	0	0	243		0
Mr Nils Smedegaard Andersen / independent	200	0	0	200	0	0	0	0	200		0
<b>Total:</b>	<b>7,930</b>	<b>0</b>	<b>0</b>	<b>7,930</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>80</b>	<b>8,010</b>		<b>1,625</b>

## D.2 Give information on the relationship between the remuneration received by directors and the results or other company performance indicators,

**explaining, where appropriate, how variations in the company's performance may have been able to influence the variation in directors' remunerations.**

Amounts reported in section A.3 are the only remuneration received by Directors of the Company for their membership on the Board of Directors of Inditex or of any Group company, except for the remuneration of the Executive Director for the performance of senior management duties. No remuneration exists on the grounds of profit-sharing schemes or bonus, nor remuneration systems or plans which include variable remuneration, nor are based on results or other indicators to measure performance of the company.

Certain components of the remuneration of the Chairman and Executive Director for the performance of senior management duties are linked to results and other indicators of the performance of the Company, as it has been described in the foregoing section C.1.2.b) of this Report.

**D.3 Give information on the outcome of 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 cast against, if any:**

The Annual Report on Directors' Compensation for FY2012 was put to the advisory say-on-pay vote of the Annual General Meeting last 16<sup>th</sup> July 2013, as item number seven of the Agenda, with the following outcome:

	Number	% on total
Votes cast	535,020,391	85.83 %

  

	Number	% on votes cast
Against	4,312,633	0.81 %
For	527,173,494	98.53 %
Abstentions	3,534,264	0.66 %

**E OTHER INFORMATION OF INTEREST**

**If there are any relevant issues relating to directors' remuneration that you have not been able to address in the previous sections of this report, but which are necessary to provide more comprehensive and fully reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.**

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This annual remuneration report has been approved by the Board of Directors of the company on 18<sup>th</sup> March 2014.

State whether any director has voted against or abstained with respect to the approval of 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, abstain, not in attendance)	Explain the reasons
-	-	-