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

Pursuant to the provisions of sections 61*ter* of Act 24/1988,of 28 July on the Securities Market ("LMV", *Spanish acronym*) and 28, paragraphs 3 and 4 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 12 June 2012, to approve, at the behest of the Nomination and Remuneration Committee, this annual report on the compensation policy for its members for fiscal year 2011.

This report shall be made available to the shareholders together with the notice of the upcoming Annual General Meeting of Shareholders which is slated to be held on 17 July 2012 on first call, and it shall be put to the advisory vote of the AGM, as a separate item of the agenda.

A.- Overview on the Director´s Compensation 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. Inditex prefers this system, where the General Meeting of Shareholders plays the most prominent role thus ensuring the highest transparency regarding the items and amounts of directors´ compensation, to other systems wherein directors´ compensation relies on profit sharing

With this respect, section 33 of the Articles of Association reads as follows:

> *"1.- 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. Likewise, the General Meeting of Shareholders may assign per diems for attendance to the meetings of the Board of Directors or of its delegated or consultative Committees and set the amount thereof.*
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> *2.-Additionally, systems of remuneration of directors linked to the share prices or which entail the granting of shares or stock options, can be established. The application of said retribution systems must be agreed by the General Meeting of Shareholders, which shall determine the value of the shares that it takes as a reference, the number of shares to be given, the exercise price of the stock options, the*

duration of this remuneration system and other conditions that it considers appropriate.

Likewise, and after having met the requirements laid down by the Law, similar remuneration systems may be established for the personnel, whether management or not, of the Company and of the companies in its group.

3.-The remuneration foreseen in this section 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 labor (common or special senior management relationship), mercantile or of rendering of services. Said relationship shall be compatible with the condition of member of the Board of Directors.

4.-The Company may take out public liability insurance for its Directors".

Meanwhile, section 28 of the Board of Directors´ Regulations reads as follows:

"1.- Directors shall be entitled to receive the remuneration fixed by the General Meeting of Shareholders in accordance with provisions of the corporate bylaws and of these Regulations and in accordance with the instructions of the Nomination and Remuneration Committee.

2.-The Board shall endeavor for the remuneration of directors to be reasonable according to market demands. Likewise, 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.

3.- A report on the remuneration policy shall be approved every year by the Board, on the proposal of the Nomination and Remuneration Committee, and it shall cover at least the issues of fixed and variable remuneration, as well as the remaining relevant terms of the employment agreements of those who discharge senior management duties as executive directors The report shall focus on the remuneration policy approved by the Board for the year in course, and, where appropriate, on the one expected for years to come, especially pointing out the most significant changes of said policy as regards the one for the previous year.

4.- The report referred in item 3 above will be published on the corporate web page and shall be made available to all shareholders upon holding the Annual General Meeting, but any issue which might entail the disclosure of sensitive business information shall be eliminated thereof".

The Nomination and Remuneration Committee plays a relevant role in defining the directors´ compensation policy. Namely, section 32 of the Articles of Association and section 15 of the Board of Directors´ Regulations assign the following duties, among others, to the Nomination and Remuneration Committee:

"….To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company.

To report to the Board, before it holds its meeting, on those contracts of the personnel that include golden-parachute clauses, for those cases that imply dismissal or changes in control.

To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements"

As at 31 January 2012, fiscal year end, the Nomination and Remuneration Committee consisted of the following members, all of them independent directors, pursuant to the criteria set forth in the Board of Directors´ Regulations of the Company:

Name	**Office**
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Chairman
Mr Nils Smedegaard Andersen	Ordinary member
Mr Francisco Luzón López	Ordinary member
Ms Irene Ruth Miller	Ordinary member
Mr Emilio Saracho Rodríguez de Torres	Ordinary member
Mr Juan Manuel Urgoiti López de Ocaña	Ordinary member

<u>B.- Remuneration of directors for the performance of their responsibilities as such.</u>

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 section 28.2 of the Board of Directors´ Regulations. 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 section 33.1 of the Articles of Association, the Annual General Meeting held on 19 July 2011 resolved to amend the directors´ remuneration, which had been fixed in a resolution passed by the AGM held on 18 July 2006- amended in part further to the resolution passed by the AGM held on 15 July 2008-, effective as of 1 February 2011 and with indefinite validity until a later General Meeting should resolve otherwise. The remuneration of Inditex´s directors is set forth below, the amounts stated in each paragraph being below totally independent and fully compatible with each other:

(a) Each director shall receive a fixed annual amount of Euro one hundred thousand (€100,000.00) for the tenure of their office;

(b) The Deputy Chairman or Deputy Chairmen of the Board of Directors shall also receive an additional fixed annual amount of Euro eighty thousand (€80,000.00);

(c) The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed annual amount of Euro fifty thousand (€50,000.00); and

(d) 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 Euro fifty thousand (€50,000.00).

The amendment of such remuneration has not been submitted to the AGM for FY2012; therefore, Directors shall receive such amounts for FY2012, on account of the different offices they hold in the Board of Directors and in the Committees in the year in course. The Directors´ compensation policy of the company for future years is expected, in the short term, to be in line with the one implemented in FY2011.

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. With this respect, 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 on which they serve.

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 worldwide. Mr Pablo Isla Álvarez de Tejera, Inditex´ s Chairman and Chief Executive Officer, is the only executive director on the Board.

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 2011 the fixed remuneration of the executive director for the performance of senior management duties amounted to €2,454K. During fiscal year 2012, the fixed remuneration shall be determined in accordance with similar parameters to those of FY2011.

C.2 Short-term variable remuneration .

During fiscal year 2011, the variable remuneration of the executive director has consisted of the payment of his relevant annual variable remuneration established in accordance with the global results of the Inditex Group and the performance of the beneficiary director.

This remuneration amounted to €1,725K during FY2011. During FY2012, the annual variable remuneration shall be determined in accordance with similar parameters to those of FY2011. According to the provisions of section 32.e) of the Articles of Association and section 15.f) of the Board of Directors´ Regulations, the performance of the duties by the Chief Executive Officer is assessed on an annual basis by the Nomination and Remuneration Committee, which reports such assessment to the Board of Directors.

C.3 Long term variable remuneration.

Inditex approved in FY2010 a Long Term Incentive Plan addressed to members of the management team and other key employees of the Inditex Group, consisting of a pluri annual cash bonus, wherein, once a certain period of time has elapsed and the achievement of some specific goals is verified, the Assigned Incentive shall be paid, in full or in part, based upon the degree of goal attainment. Goal attainment is assessed through certain metrics. The metrics considered in the Plan are: a) EBIT growth and b) same stores sales (SSS) growth. An attainment scale applies to such metrics in order to determine the achievement of the goals fixed. Once the Company has determined the achievement coefficient attained for each of the metrics, such coefficient is weighted with the percentage of each metric in order to get the global Achievement Coefficient which permits to estimate the global incentive attained, once such coefficient is applied to the Assigned Incentive.

The inception date of such Plan is 1 February 2010 and the completion date is 31 February 2013. Such Plan revolves around two payment periods: the first payment period, which shall expire on 31 January 2012 and the final payment period, which shall expire on 31 January 2013.

In order to be entitled to the initial and the final payments, in addition to fulfilling the remaining terms of the Plan, beneficiaries are required to remain employed with Inditex or with any company within the Inditex Group from 1 February 2010 until the expiry date of each of the above mentioned periods, except in case of early settlement (e.g.: death, retirement, permanent disability or wrongful dismissal), whereby the assigned incentive which such beneficiary is entitled to receive shall be calculated on a pro rata basis in accordance with the real period of service as of the commencement date in respect of the whole term thereof, or, in the event the initial payment has been made, in respect of the duration of this period.

The amount accrued by the Executive Director in FY2011 with regard to such Plan, and received in 2012, the Company having verified that 100% of the Achievement Coefficient for both metrics has been attained, amounted to €2,000K.

C.4. Shares Award Plan.

During FY2011, Inditex approved a Restricted Shares Award Plan addressed to Mr Pablo Isla Alvarez de Tejera, Inditex´s Chairman and C.E.O. Such Plan aimed at awarding a one-off incentive to Mr Isla, further to his appointment as Chairman of Inditex by the Board of Directors held on 19 July 2011. The number of shares subject matter of the Plan amounted to two hundred and twenty-one thousand two hundred and sixty-four (221,264) ordinary shares out of the treasury stock directly held by the Company, comprising two different groups: a) 41,000 shares acquired at an average cost of EUR 2.18 per share, and b) 180,264 shares acquired at a cost of EUR 2.93 per share.

The Annual General Meeting of Shareholders held on 19 July 2011 passed a resolution approving such Plan

C.5. Risk and benefit coverage

Executive directors may be the beneficiaries, as part of their payment in kind, of pension/retirement plans. Such payment in kind is carried out as a routine practice in the market.

It was resolved by the Board of Directors held on 14 June 2011, to take out a Money Purchase Pension Scheme for the Chairman and C.E.O., as part of his remuneration on account of the performance of his senior management duties. This scheme is a defined contribution pension, which shall be implemented through a Group Life insurance policy taken out by Inditex with a carrier of repute in Spain. Annual contributions to such Scheme shall be made by Inditex, in the month of September. The amount of the annual contributions each year is tantamount to 50% of the assessment base remuneration paid by Inditex for the Chairman and C.E.O for the year before that when the contribution is made. During FY2011, contributions made by Inditex to such Scheme amounted to €1,500K. For FY2012, contributions to the Scheme in line with similar parameters as those of FY2011 are expected.

C.6 Executive directors´ compensation policy for future years

Although as at the date hereof, no resolution has been passed regarding this issue other than the one referred to in section C.3 above regarding the Long Term Incentive Plan, the executive directors´ compensation policy of the Company for future years is expected to be in line with the one implemented in FY2011.

C.7 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 sec. 28.3 of the Board of Directors Regulations, 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), the executive director shall be entitled to receive compensation in an amount equivalent to two years of his aggregate remuneration, calculated on the basis of the pay of the last year he worked for the company.

(iv) Non-competence agreement and exclusivity

For as long as the 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 position of independent director in other companies which do not compete with Inditex, within the limits provided in the Board of Directors´ Regulations and after authorisation of the Board of Directors).

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 category. Notwithstanding this, it is also provided in the same section that the Board of Directors may exempt the outgoing director from this obligation or shorten the length of the period.

D. Directors´remuneration for FY2011. Detail of Individual Remunerations

Fixed remuneration of directors on account of their serving on the Board of Directors and its Committees, and considering the offices held has already been addressed in section B above.

For the purposes of achieving the utmost transparency, the individual remuneration received by each director serving on Inditex´s Board is broken down below, as well as each remuneration item:

DIRECTORS´ REMUNERATION – FY 2011

Name	Type	Remuneration Board of Directors	Remuneration Deputy Chairmanship Board of Directors	Remuneration for serving on Committees	Remuneration for chairing Committees	Fixed Remuneration	Variable Remuneration	Total 2011
Pablo Isla Álvarez de Tejera	Executive	100	19	8	-	2454	1725	4306
Carlos Espinosa de los Monteros Bernaldo de Quirós	Independent	100	80	108.4	50	-	-	338.4
Irene R. Miller	Independent	100	-	100	50	-	-	250
Nils Smedegaard Andersen	Independent	100		108.4	-	-	-	208.4
Francisco Luzón López	Independent	100		108.4	-	-	-	208.4
Emilio Saracho Rodríguez de Torres	Independent	100		108.4	-	-	-	208.4
Juan Manuel Urgoiti López de Ocaña	Independent	100	-	108.4	-	-	-	208.4
GARTLER, S.L. (1)	Proprietary	100	-		-	-		100
Amancio Ortega Gaona	Proprietary	378						378
TOTAL		1178	99	650	100	2454	1725	6206

NOTES:

Amounts in EUR thousand
(1) Represented by Ms Flora Pérez Marcote

The chart above was attached as Schedule II to the Annual Corporate Governance Report for FY 2011.