ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC COMPANIES

ISSUER IDENTIFICATION

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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 February 2017 through 31 January 2018 (financial year 2017). Detailed information about the remuneration policy of the Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.), (hereinafter, "**Inditex**", the "**Company**" or the "**Group**", indistinctly) is hereunder provided.

This report has been prepared by the Remuneration Committee, pursuant to the provisions of section 541 of the Spanish Companies Act (hereinafter, "**LSC**" [*Spanish acronym*]); Order EEC/461/2013 of 20 March, whereby the contents and structure of the annual corporate governance report, the annual report on remuneration and of other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined, as amended by Order EEC/2515/2013 of 26 December; Circular 4/2013 of 12 June of the Comisión Nacional del Mercado de Valores [*Spanish SEC*] (hereinafter, "**CNMV**" [*Spanish acronym*]) regarding the annual report on remuneration of directors of listed public companies, amended by CNMV's Circular 7/2015 of 22 December; section 30 of the Board of Directors' Regulations and section 6 of the Remuneration Committee's Regulations of Inditex.

This Annual Report on Remuneration of Directors for FY2017 was approved by Inditex's Board of Directors in the meeting held on 13 March 2018, on the proposal of the Remuneration Committee. This Annual Report is expected to be submitted to the advisory say-on-pay vote of the next Annual General Meeting as a separate item on the Agenda.

Pursuant to the provisions of section 529 *novodecies* LSC and Transitional Provision of Act 31/2014 of 3 December, whereby the Companies Act is amended to improve corporate governance (hereinafter, "**Act 31/2014**"), the Annual Report on Remuneration of Directors for FY2014, which sets out the remuneration policy for directors for the following three years, was approved further to an advisory say-on-pay vote, by the Annual General Meeting held on 14 July 2015.

A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the remuneration policy of the company. Information regarding the following issues 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 financial year, as well as any amendments made during the year to the terms for exercising options already granted.**
- **Criteria used to set the remuneration policy of the company.**
- **Relative significance of the variable items of remuneration versus fixed ones and criteria followed for determining the different components of the directors' compensation package (*remuneration mix*).**

Explain the remuneration policy

A.1.1. General principles and grounds of the remuneration policy

The remuneration policy for directors seeks to compensate them in accordance with the responsibility they have assumed and the dedication in their mandates, and endeavors for this remuneration to be reasonable in accordance with market demands, as provided in article 31 of the Articles of Association and section 30 of the Board of Directors' Regulations. In addition, and specifically regarding non-executive directors, it is provided that "*the Board of Directors (…) 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 Executive Chairman are:

- Link to Group's strategy: a portion of the remuneration must be linked to the achievement 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 objectives of the Company.

- Competitiveness: the remuneration of the Executive Chairman must be such as to attract and retain the most talented and appropriate professionals to achieve the strategic objectives 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 Remuneration Committee at the end thereof. 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 quantitative and qualitative assessment of results.

- Commitment to shareholders: the 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

No significant changes to the remuneration policy are expected to take place in FY2018 as compared to that applied in 2017.

The remuneration policy for Inditex's directors, herein contained, was approved by the Annual General Meeting on 14 July 2015, for the following three years. Therefore, such policy will expire on 31 January 2019.

The Board of Directors will put forward the new remuneration policy, effective for financial years 2019, 2020 y 2021, to the Annual General Meeting for approval in July 2018.

In this respect, no significant changes are expected regarding such Policy.

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.

The Board of Directors takes into account, on the proposal of the Remuneration Committee, the following issues upon setting the remuneration policy:

a) The provisions of the Articles of Association, the Board of Directors' Regulations and the Remuneration Committee's Regulations.

b) The following principles and criteria:

  - Moderation: remuneration is 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 remuneration is in line with the best practices in the area of corporate governance.

  - Alignment with the strategic objectives of the Group based upon two components of variable remuneration, one on the short-term and the other on the long-term.

  - Good Corporate Governance, social and environmental sustainability: progress in these fields is a relevant yardstick within Inditex's remuneration scheme.

  - Alignment with shareholders' interests.

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

c) Applicable regulations.

d) Market data, guidelines provided by institutional investors and proxy advisors, and the recommendations of the Good Governance Code of Listed Companies (hereinafter, "**Good Governance Code**" or "**CBG**" *(Spanish acronym)*).

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

Remuneration of directors as such is fully comprised of fixed components.

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

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

In a scenario of achievement of objectives on target, the weight of annualised variable remuneration would be around 60% of aggregate compensation. Approximately 20% of the total variable remuneration would be delivered in shares.

In a scenario of over-achievement of objectives, annualised variable remuneration would represent around 70% of aggregate compensation, with a higher weight of the long-term element. Upwards of 25% of the total variable remuneration would be delivered in shares.

This distribution of remuneration mix and the different remuneration scenarios based upon objectives, ensure that the fixed remuneration would represent a significant part of aggregate compensation, for the purposes of preventing taking any unnecessary risks. It also ensures that variable remuneration compensates performance, based upon achievement of the Group's objectives, 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 class 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 Remuneration Committee and its involvement in establishing the remuneration policy and mandate given to the Remuneration Committee.

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

In FY2017 and current year 2018 to the date this report is approved, the most relevant business transacted by the Remuneration Committee regarding the remuneration policy have been the following:

- In the meeting held on 13 March 2017:

- The evaluation of the degree of achievement of the objectives linked to the annual variable remuneration of the Executive Chairman for FY2016. The achievement of such objectives was assessed by the Board of Directors in the meeting held on 14 March 2017.

- The motion submitted to the Board of Directors on the remuneration of the Executive Chairman for the discharge of senior management duties for FY2017, with regard to the amount and the remaining terms thereof. The Board of Directors approved such motion during the meeting held on 14 March 2017.

- The proposed Annual Report on Remuneration of Directors for FY2016. Further to the approval thereof by the Board of Directors in the meeting held on 14 March 2017, said Annual Report was put to the advisory say-on-pay vote of the Annual General Meeting held on 18 July 2017 as a separate item on the Agenda (item 6), and was voted for with a 98.63% affirmative vote.

- The report on the Extraordinary plan for employees participating in the economic benefits of the Inditex Group. The Board of Directors approved in the meeting held on 14 March 2017, the results of the second calculation period of the Plan and its extraordinary increase, as well as the extension of its duration for two additional financial years.

- During the meeting held on 18 July 2017, the report on the settlement of the second cycle (2014-2017) of the 2013-2017 Long-term Performance Shares Plan.

- During the meeting held on 18 September 2017, the acknowledgement of the grant and the list of the beneficiaries of the second cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.

- During the meeting held on 12 December 2017, the report on the performance of the Remuneration Committee and its members, that such Committee tabled to the Board of Directors to carry out the annual evaluation.

- During the meeting held of 12 March 2018:

  - The evaluation of the degree of achievement of the objectives linked to the annual variable remuneration of the Executive Chairman for FY2017. The Board of Directors assessed the achievement of such objectives in the meeting held on 13 March 2018.

  - The motion submitted to the Board of Directors regarding the remuneration of the Executive Chairman for the discharge of senior management duties for FY2018, with regard to the amount and the remaining terms thereof. Such motion was approved by the Board of Directors on 13 March 2018.

  - The proposed Annual Report on Remuneration of Directors for FY2017, to be submitted to the Board of Directors for approval and to be subsequently put to the advisory say-on-pay vote of the Annual General Meeting. Such report was approved by the Board of Directors on 13 March 2018.

The information on the remaining activities of the Remuneration Committee in FY2017 will be included in the Annual Corporate Governance Report and/or in the Annual

Activities Report of the Remuneration Committee, which will be published in July as part of the Annual Report for FY2017.

A.2.2. Composition of the Remuneration Committee

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

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

As at 31 January 2018 and as at the date of this report, the composition of the Remuneration Committee is as follows:

- Chair: Mr Rodrigo Echenique Gordillo (non-executive independent).
- Ordinary members: Mr José Arnau Sierra (non-executive proprietary), Ms Denise Patricia Kingsmill (non-executive independent), Mr Carlos Espinosa de los Monteros Bernaldo de Quirós (non-executive affiliate), Mr Emilio Saracho Rodríguez de Torres (non-executive independent) and Mr José Luis Durán Schulz (non-executive independent).
- Secretary non-member: Mr Antonio Abril Abadín.

The Remuneration Committee meets whenever it is deemed appropriate 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 Remuneration Committee shall hold a regular meeting every year to prepare the information on the remuneration of Directors, which the Board of Directors has to approve and include as part of its annual public documentation.

The Remuneration Committee met 5 times in FY2017, with the attendance of all its members (either in person or by proxy). This represents a 100% attendance.

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

According to the calendar scheduled for FY2018, the Remuneration Committee is expected to meet at least 4 times.

A.2.3. External advice

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

The Remuneration Committee has been advised by Willis Towers Watson, an independent consultant in the field of compensation of directors and senior executives, regarding the definition and design of the remuneration policy for directors and the preparation 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

Pursuant to section 529 *septdecies* LSC, the maximum amount of the annual remuneration to be paid to all the directors as such must be necessarily included in the remuneration policy for directors. It is incumbent on the Board of Directors to determine the remuneration for each director.

According to article 31 of the Articles of Association, the remuneration of directors shall consist of an annual fixed remuneration for each director, the amount of which shall be determined by the Annual General Meeting for each financial year, or which shall be valid for the number of financial years that the General Meeting would establish. This system means that the General Meeting of Shareholders is recognized 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. This entails that, while the remuneration policy is in effect, any increase in the remuneration of directors as such shall be resolved by the Annual General Meeting. Thus, in FY2005, FY2006, FY2008 and FY2011, the above referred remuneration was approved by the Annual General Meeting with the following affirmative vote (in percentage terms): a) 2005: 99.98%; b) 2006: 99.99%; c) 2008: 99.96%; and d) 2011: 99.59%

At the present time, the resolution passed by the Annual General Meeting held on 19 July 2011, whereby the remuneration of Directors was fixed, remains in effect. Such resolution was approved with 99.59% of votes for:

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

Except for the remuneration of the Executive Chairman 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 company. No per diem allowances, benefits or variable remuneration are paid, without prejudice to the refund to the directors of any traveling and accommodation fees incurred upon attending the meetings of the Board of Directors or of the Committees where they sit.

Meanwhile, as stated above, the Executive Chairman is paid a fixed remuneration for the performance of senior management duties. Such 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.

Fixed remuneration is not expected to change while the remuneration policy addressed herein is in effect.

Namely, the Board of Directors resolved on 13 March 2018, on the proposal of the Remuneration Committee, that fixed remuneration for FY2018 be established in the amount of €3,250k. This sum has remained unchanged since FY2013.

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

Namely:

- **Identify each of the remuneration plans in which the directors are beneficiaries, their scope, date of approval, date of implementation, dates of effectiveness and also their main features. In the case of share option plans and other financial instruments, the general features 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 classes of directors (executive directors, non-executive proprietary directors, non-executive independent directors or other affiliate directors) who are beneficiaries of remuneration systems or plans that incorporate a variable remuneration.**

- **The rationale 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 not, 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 items 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. There is no remuneration under a profit-sharing scheme, nor any remuneration systems or schemes covering a variable remuneration. As regards the Executive Chairman, the variable items of his remuneration for the performance of senior management duties are the following: **(i) Short-term or annual variable remuneration** It is linked to the achievement of the annual quantitative and qualitative objectives set by the Company, which are consistent with the medium to long-term strategy. Quantitative objectives represent, at least 50% of the aggregate incentive. They consist of metrics which ensure an appropriate balance between financial and operational elements of the management of the Company. Qualitative objectives represent at least 30% of the aggregate incentive. The performance scale, fixed at the beginning of each financial year, includes a minimum threshold below which no incentive is paid, a level of achievement on target, which corresponds to the standard level of achievement of objectives, and a maximum level, specific for each metric. The Remuneration Committee is charged with approving the objectives, at the beginning of each financial year, and assessing the achievement thereof, at year end. This evaluation is done based upon the results, provided by the Financial Division, which are reviewed first by the Audit and Control Committee, as well as upon the degree of achievement of such objectives. After such review, the Remuneration Committee drafts a proposal regarding the annual variable remuneration which is submitted to the Board of Directors for approval. With regard to such proposal, the Remuneration Committee also takes into account the quality of results in the long-term, as well as any associated risk. For the purposes of ensuring that the annual variable remuneration is effectively in line with the performance of the Executive Chairman, any positive or negative economic effects arising from any extraordinary events which might introduce distortions into the results of the evaluation, may be removed upon determining the level of achievement of the objectives. According to the remuneration policy for directors, effective until the expiry of FY2018,

the objective amount of the annual variable remuneration of the Executive Chairman, i.e., the one which corresponds to a level of achievement of the objectives on target, shall be tantamount to 100% of the fixed remuneration. A performance scale shall be associated with objectives, which allows rewarding over-achievement up to a certain limit; therefore, annual variable remuneration might reach up to 120% of fixed remuneration.

The terms of the annual variable remuneration system which apply to the Executive Chairman, including the structure, maximum levels of remuneration, objectives established and the weight of each of them, are reviewed every year by the Remuneration Committee, considering the Company's strategy, its needs and the business status. Such terms are submitted to the Board of Directors for approval.

Namely, for FY2018, the Board of Directors has resolved, on the proposal of the Remuneration Committee, that the annual variable remuneration be determined in accordance with the following yardsticks:

- 70% based upon the net sales and the contribution margin, in equal proportion, with the same yardsticks as those established for senior executives according to the budget of the Company;

- 15% based upon the following yardsticks: the personal performance of the Executive Chairman and the strategic development of the Company, in terms of the boost of store and online integration, through the development and implementation of new processes and tools allowing to provide to the customers a differentiated shopping experience, pursuant to the Groups' objectives;

- And the remaining 15% based upon the following yardsticks: the progress in the corporate social sustainability policy and the environmental policy, in terms of the number of new stores which meet eco-efficiency parameters and the number of audits and control of discharges at dyeing facilities (wet processes), in the framework of the Commitment to Zero Discharge of Hazardous Chemicals; the progress in the area of corporate governance, in terms of the degree of compliance with the recommendations of the Good Governance Code of Listed Companies and the alignment with international best practices, and the progress in implementing compliance and diversity programmes, in terms of approval of internal regulations and the degree of international roll-out.

For FY2018, this short-term variable remuneration in respect of results achieved in FY2017 shall be paid in cash.

Pursuant to the resolution passed by the Board of Directors on 13 March 2018, on the proposal of the Remuneration Committee, in a scenario of achievement on target of objectives, the annual variable remuneration for FY2018 would amount to 100% of the fixed remuneration for the performance of senior management duties, i.e., €3,250k. In the event of over-achievement, annual variable remuneration may reach up to 120% of fixed remuneration for the performance of senior management duties.

(ii) Pluri-annual or Long-term variable remuneration

The 2016-2020 Long-term Incentive Plan approved by the Board of Directors on 8 March 2016 on the proposal of the Remuneration Committee, and by the Annual General Meeting on 19 July 2016, remains in effect in FY2018.

The Plan consists of the combination of a pluri-annual bonus in cash and the promise to deliver free shares which, once a specific period of time has elapsed and the achievement of some specific objectives has been verified, shall be paid to the beneficiaries of the Plan, either in full or in the relevant applicable percentage. The Executive Chairman is included among the beneficiaries of such Plan.

The total duration of the Plan is 4 years. It is structured in 2 independent cycles. The first cycle of the Plan runs from 1 February 2016 through 31 January 2019. The second cycle runs from 1 February 2017 through 31 January 2020.

The Plan is linked to critical business metrics and the external metric of shareholder value. Upon expiry of the measurement period for each cycle, the Remuneration Committee shall assess the level of achievement in respect of each of the metrics and of all them in the entire cycle, considering the information provided by the Company, and it shall propose to the Board of Directors for approval the levels of incentive associated to achievement, based upon the performance scales set, and certain extraordinary factors, as the case may be, which may have occurred during the measurement period of the Plan's objectives.

Under such Plan, the Executive Chairman will receive, if appropriate, an incentive which will materialize as follows: 60% in shares and 40% in cash.

Further to the reduction of the maximum incentive assigned to the Executive Chairman for the 2016-2020 Long-term Incentive Plan, resolved at the behest of the Executive Chairman himself, following a favourable report of the Remuneration Committee, for a level of achievement on target, the aggregate amount of the maximum incentive assigned to the Executive Chairman for the two cycles of the Plan is €6,167k, equivalent to an annualised sum of €1,542k (47% of the annual fixed remuneration). In a scenario of over-achievement, the maximum incentive assigned for the two cycles of the Plan would amount to 187% of the incentive for a level of achievement on target (which annualised, would represent 89% of the annual fixed remuneration).

With regard to each cycle of the Plan, for a level of achievement on target, the aggregate amount of the incentive per cycle is €3,083k (95% of the annual fixed remuneration). In a scenario of over-achievement, the incentive for the first cycle of the Plan would amount to 187% of the incentive for a level of achievement on target (177% of the annual fixed remuneration.

With regard to 60% of the maximum incentive assigned which would, if appropriate, materialize in shares, the maximum number of shares to be delivered will be determined based upon the average weighted closing price of the Inditex share on the 30 trading days immediately prior to the latest trading day (inclusive) of the week immediately prior to that during which the meeting of the Board of Directors approved the notice calling the Annual General Meeting for FY2016 (as regards the first cycle of the Plan) and for FY2017 (as regards the second cycle). At the end of each cycle, the Remuneration Committee will assess the level of achievement of the objectives and propose the number of shares to be delivered.

The achievement of the objectives shall be assessed through identifiable and quantifiable parameters called metrics. The incentive to be delivered will depend upon the following metrics, each with a 1/3 weigh:

- EBIT Growth: defined as the growth of the value of earnings, before interest and taxes, in a certain period of time.

- Same-store sales Growth (MMTT): defined as the growth of sales in comparable physical and online stores, according to the information released by the Company, expressed in percentage terms.
- Relative Total Shareholder Return (TSR), defined as the comparison of the evolution of an investment in Inditex's shares with the evolution of an investment in shares of any of the companies included in the Benchmark Group of companies (as defined below), determined by the ratio (expressed as a percentage) between the final value of an hypothetical investment in shares (reinvesting the dividends from time to time) and the initial value of that same hypothetical investment.

In order to calculate the payout coefficient achieved by the Executive Chairman for each level of achievement of objectives, a Maximum Incentive Assigned and a performance scale will be determined for each metric, as detailed below:

(i) With regard to EBIT and MMTT Growth, the performance scale is as follows:

- A below 50% level of achievement of objectives entails that no incentive is paid.
- A 50% level of achievement of objectives ("minimum level of achievement") represents a payout percentage of 50% of the Maximum Incentive Assigned.
- A 75% level of achievement of objectives ("level of achievement on target") represents a payout percentage of 75% of the Maximum Incentive Assigned.
- A 100% level of achievement of objectives ("maximum level of achievement") represents a payout percentage of 100% of the Maximum Incentive Assigned.
- An above 125% level of achievement of objectives ("over-achievement) represents a payout percentage of 125% of the Maximum Incentive Assigned.

Intermediate figures are calculated by linear interpolation.

(ii) With regard to the evolution of the relative TSR:

- The Benchmark Group is made up of the companies included in the Dow Jones Retail Titans 30 index as at 1 February 2016, for the first cycle, and as at 1 February 2017, for the second 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 in the 30 Trading Days immediately prior to 1 February 2016 (excluded), for the first cycle, and prior to 1 February 2017 (excluded), for the second cycle).
- For the purposes of Inditex's TSR and the TSR of each of the companies included in the Benchmark Group, Final Value shall be understood as the average weighted closing price of the share of each company in the 30 Trading Days immediately prior to 31 January 2019 (inclusive) for the first

cycle, and to 31 January 2020 (inclusive) for the second cycle.

- To this end, 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 the gross amount thereof (before taxes) would have been reinvested in more shares of the same class on the first date on which the dividend or any similar amount is payable to the shareholders and at the closing price of the share on that date.

- At the end of each cycle, Inditex’s TSR and the TSR of each of the companies included in the Benchmark Group will be calculated. The companies within such Benchmark Group will be ranked in descending order, in accordance with the highest or the lowest TSR corresponding to each of them. Afterwards, Inditex’s TSR will be compared with the TSR of the companies within the Benchmark Group to identify between which positions Inditex is ranked. Subsequently, the portion of the incentive to be delivered shall be calculated, interpolating between the payout coefficients of such positions, according to the difference between the values of TSR.

- A payout coefficient is assigned to each position in the ranking, in accordance with the following payout scale:

  - For a position below median within the Benchmark Group, the payout percentage will be 0% of the Maximum Incentive Assigned.

  - For a position at the median within the Benchmark Group (ranked 15th) (“minimum level of achievement”), the payout percentage will be 30% of the Maximum Incentive Assigned.

  - For a position at the 75th percentile within the Benchmark Group but below 90th percentile (ranked 5th to 8th), the payout percentage will be 100% of the Maximum Incentive Assigned.

  - For a position at 90th percentile or above within the Benchmark Group (ranked 1st to 4th) (“over-achievement”), the payout percentage will be 125% of the Maximum Incentive Assigned.

  - For intermediate positions, between median and 75th percentile within the Benchmark Group, the payout percentage will be calculated by linear interpolation.

The delivery shall take place within the month following the publication of the annual accounts for FY2018, with regard to the first cycle, and within the month following the publication of the annual accounts for FY2019, with regard to the second cycle.

The Executive Chairman must retain a number of shares equivalent to the incentive received in shares, net of any applicable taxes, for the 2 years following delivery thereof. Additionally, the Executive Chairman has committed to the Company to maintain in his own assets, while he remains in office, a number of shares equivalent to at least 2 years of fixed remuneration.

With regard to the Executive Chairman, the Company may cancel and/or claim refund of the long-term incentive paid, in full or in part, (clawback) in the event that any of the following circumstances would occur during the 2 years following the delivery of the incentive for the proceedings of each cycle:

- Losses in the Group (negative EBIT) in the 2 years after the ending date of each cycle, attributable to management decisions made in the performance period of each cycle;

- Material restatement of the Group's financial statements, when so considered by the external auditors, except where this is appropriate pursuant to a change in accounting standards;

- Serious breach of the internal regulations on the part of the beneficiary, as accredited by the Committee of Ethics.

In order for the Company to count on the necessary number of shares to be delivered to the beneficiaries of the Plan and within the scope of the authorizations for the derivative acquisition of own shares granted to the Board of Directors by the Annual General Meetings held on 16 July 2013 and 19 July 2016, the Company has, as at 31 January 2018 an aggregate number of 2,950,143 own shares, representing 0.095% of the share capital.

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

The first and second cycles of the Plan rolled-out in FY2016 and FY2017, respectively.

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 Executive Chairman, directors are not beneficiaries of any long-term saving system, including retirement or any other survivor benefit, partly or wholly funded by the Company. From 2011 through 31 January 2015, the Executive Chairman has been 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"). Contributions to such Money Purchase Pension Scheme Plan were made by Inditex in

the month of September of each of the years referred to in the paragraph above. The amount of the annual contributions each year was equivalent to 50% of the fixed salary paid each financial year by Inditex to the Executive Chairman.

In FY2017, no contributions were made to the Money Purchase Pension Scheme for the Executive Chairman, without prejudice to the fact that new contributions may be made throughout FY2018, further to a resolution of the Board of Directors.

In case of termination at Inditex prior to the retirement age, the Executive Chairman will keep 100% of the entitlement to the accumulated funds under the Policy. However, this being a pension commitment, the Executive Chairman or his successors, as the case may be, may not materialize such rights until any of the contingencies covered by the Policy would occur. General contingencies covered are retirement (regular or early), permanent disability while in performance of professional duties (ranked as Total/Absolute and Severe Disability) and death while in performance of professional duties. As an exception, acute illness and long-term unemployment will also be considered.

Pursuant to the provisions of *Real Decreto* 681/2014 of 1 August 2014, whereby the Regulations on Pension Plans and Funds approved by *Real Decreto* 304/2004 of 20 February were amended, the Policy also covers the possibility of receiving retirement benefit upon attaining 65 years where the National Social Security retirement benefit is not available, as well as receiving the retirement benefit in advance on account of termination of the employment agreement and joining the ranks of unemployed following the loss by the company of its legal personality, collective dismissal, dismissal on objective grounds and insolvency proceedings. These benefits are separate from any other to which the Executive Chairman may be entitled on other grounds.

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

Explain the indemnity payment
No indemnity payments have been agreed in case of termination of duties as director, except for that provided in the next section for the Executive Chairman 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

Pursuant to the provisions of sections 249 and 529 *octodecies* LSC and section 30.3 of the Board of Directors' Regulations, the relevant terms of the contract entered into with the executive who performs senior management duties as Executive Chairman are detailed below:

(i) Term

The contract executed with the Executive Chairman is for an indefinite period.

(ii) Notice period

Both in case of termination of the contract on account of certain grounds attributable to Inditex, and on account of voluntary resignation of the Executive Chairman, notice shall be given at least three months in advance. Such notice may be replaced with an amount equivalent to the fixed remuneration of the non-observed term of notice.

(iii) Severance or golden parachute clause

The Executive Chairman shall be entitled to receive gross compensation in an amount equal to the remuneration of two years calculated based upon the fixed remuneration established for the year in course, where the contract is terminated by unilateral decision of the Company, and in case of resignation tendered by the Executive Chairman under certain premises (among which is the succession in the company or a change in control in the Company that affects more than 50% in the share capital or 50% of the voting rights, provided that a significant renewal of the governing bodies of the Company or a change in the contents or purpose of the main activity of the Company takes place at the same time, if such request for termination takes place within six months of the occurrence of such succession or change. For such purposes, no succession or change in control shall be deemed to have taken place in the event of direct or indirect family succession in the ownership of the Company).

Meanwhile, apart from the Executive Chairman, golden parachute clauses are provided in the contracts executed with 21 senior executives and officers, in the event that their contractual relationship, whether ordinary or senior management, is terminated further to withdrawal by Inditex, wrongful or unreasonable dismissal, or resignation based upon certain grounds, pursuant to the terms and conditions of their contracts. In such cases, the senior executive or officer shall be entitled to receive gross compensation in an amount equivalent to the remuneration of two years, calculated on the basis of the fixed and variable remuneration established for the year in course.

(iv) Non-competition agreement and exclusivity

For as long as his contractual relationship with Inditex remains in force, the Executive Chairman shall perform senior management duties exclusively for the Company and the Inditex Group, and he shall refrain from working either directly or indirectly for any third parties, or for his own account, even where the activities he may carry out would not compete with those of the Inditex Group.

This provision does not apply to the office of non-executive director on the board of other companies which do not compete with Inditex, subject to the restrictions set out in the Board of Directors' Regulations.

With regard to the post-employment non-competition agreement and as regards all members of the Board of Directors, regardless of their classification as director, section 24.3 of the Board of Directors' Regulations provides that *"the director who ends his/her mandate or for any other cause should cease to hold his/her office may not render service in another entity having a corporate purpose that is similar to that of the company for a period of two years".*

(v) Clawback provision

Pursuant to the provisions of section A.13 below, should (i) any event or circumstance occur that would result in the negative change or variation, in final terms, of the financial statements, results, economic data, performance data or otherwise, upon which the accrual and payment to the Executive Chairman of any amount in terms of variable remuneration would have been based, and, (ii) should such change or variation determine that, if they had become known at the date when the accrual or payment would become due, the Executive Chairman would have received a lesser sum than the one initially paid, the Company shall be entitled to claim from him the refund of any excess paid.

Additionally, as explained in section A4 above, the Company may cancel and/or claim the refund of the long-term incentive paid to the Executive Chairman, in full or in part, in the event of occurrence of certain circumstances during the 2 years following the delivery of the incentive.

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
No supplementary remuneration other than the one explained above is provided in the remuneration policy. As at the date of this Report, no supplementary remuneration has been accrued to directors in consideration for services rendered other than those inherent in their office.

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

Explain advanced payments, credits and guarantees granted
The granting of advanced payments, loans or guarantees to directors is not provided in the remuneration policy. As at the date of this Report, no advanced payment, loans or guarantees have been

granted to any director.

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

Explain remunerations in kind
No remunerations in kind exist other than the delivery of shares referred to under section A4 above.

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
As at the date of this Report, no remuneration of this kind has been accrued.

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
As at the date of this Report, no additional remuneration item other than those addressed in the sections above is provided in the remuneration system in respect of directors.

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 items 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 items 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
Courses of action taken to ensure that long-term results of the Company are considered in the remuneration policy are described below: - The aggregate compensation of the Executive Chairman comprises different remuneration elements, mainly consisting of: (i) a fixed remuneration, (ii) a short-term variable remuneration (annual), and (iii) a long-term variable remuneration (pluri-annual). This long-term element represents approximately 20% of aggregate compensation (fixed + short-term variable + long- term variable remuneration) for a scenario of performance on target, and 30% for a scenario of over-achievement. - 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 the Executive Chairman and of the officers are aligned with those of the shareholders. - The Executive Chairman shall retain a number of shares equivalent to the incentive received in shares, net of any applicable taxes, for the 2 years following delivery thereof. Additionally, the Executive Chairman has committed to the Company to maintain in his own assets, while he remains in office, a number of shares equivalent to at least 2 years of fixed remuneration. These courses of action result in a better alignment of the interests of the Executive Chairman with those of the shareholders. The remuneration policy strikes an appropriate balance between fixed and variable items of the remuneration as described below: - The design of the remuneration scheme shows an efficient balance between fixed and variable items, as described in section A.1.4 above. - 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. - No guaranteed variable remunerations exist. The measures with regard to those members of staff whose professional activity has a material impact on the risks profile of the Company are shown below: - The Remuneration Committee is responsible for considering and reviewing the remuneration policy for directors and senior executives and for enforcing it. Those professionals whose activity may have a material impact on the risks' profile of the Company are included in this group. - Members of the Remuneration Committee also sit on the Audit and Control Committee. Therefore, the Chair of the Remuneration Committee is a member of the Audit and Control Committee and in turn, the Chair of the Audit and Control Committee sits on the Remuneration Committee. This ensures that risks associated to remuneration are considered in the course of the debates of the Remuneration Committee and of the Audit and Control Committee and in the submission of motions

by said Committees to the Board of Directors, both regarding the determination and the process to assess annual and pluri-annual incentives.

With regard to clawback provisions in order to be entitled to claim the refund of variable items of the remuneration that are based on results, when these items have been paid on the basis of information later shown clearly to be inaccurate:

- A clawback provision is included in the contract executed with the Executive Chairman; additionally, the Company may cancel and/or claim the refund of the long-term incentive paid to the Executive Chairman, in full or in part, upon occurrence of certain circumstances, as descried in section A.7 above.

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

With regard to the measures set to detect, determine and resolve any potential conflicts of interest situations, the conflict of interest scenarios are defined in section 34 of the Board of Directors' Regulations which also provides the rules which govern such conflicts. Sections 33 and 35 to 37 thereof cover the obligation of non-competition, the use of corporate assets, the use of non-public information for private purposes and the taking advantage of business opportunities corresponding to the Company. Meanwhile, section 39 covers such specific issues that directors must report to the Company.

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

Moreover, with regard to significant shareholders, section 40 of the Board of Directors' Regulations provides the rules governing "Transactions with Directors and significant shareholders". One of the duties assigned to the Audit and Control Committee consists of reporting on related-party transactions. In light of such report, it falls on the Board of Directors to approve such transaction, if appropriate.

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

B REMUNERATION POLICY FORECAST FOR FUTURE YEARS

This section has been repealed pursuant to the terms of the Single Transitional Provision of Circular 7/2015 of 22 December of CNMV, amending Circular 5/2015 of 12 June which provides the standard forms of the annual report on corporate governance of listed companies, savings banks and other entities which issue securities admitted to trading in official securities markets, as well as Circular 4/2013 of 12 June which provides the standard forms of the annual report on director remuneration of listed public companies, and on the remuneration of members of the board of directors and of the supervisory committee of savings banks which issue securities admitted to trading in official securities markets.

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 financial 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 for Directors for the discharge of their supervisory and collective decision-making functions.

The remuneration policy for directors as such applied in 2017 fully matches that described under section A.3 hereof.

In FY2017, the aggregate sum accrued to directors as such for the discharge of their supervisory and collective decision-making functions has amounted to €2,030k out of which €100k were received by the Executive Chairman.

C.1.2. Remuneration policy for the Executive Chairman for the performance of senior management duties.

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

a) Fixed remuneration or salary

The fixed remuneration of the Executive Chairman for the performance of senior management duties was resolved by the Board of Directors on 14 March 2017 on the proposal of the former Nomination and Remuneration Committee.

In FY2017 the fixed remuneration of the Executive Chairman for the performance of senior management duties amounted to €3,250k, which represents a significant portion of his aggregate remuneration.

b) Short-term or annual variable remuneration

The performance of the Executive Chairman is assessed on an annual basis by the Board of Directors following a report of the Nomination Committee, pursuant to the provisions of sections 5.3 and 16.2.of the Board of Directors' Regulations and section 7 of the Nomination Committee's Regulations.

In addition, based upon the evaluation of the Board of Directors, the Remuneration Committee also assesses the performance of the Executive Chairman, the results provided by the Financial Division, which are first reviewed by the Audit and Control Committee, and the degree of achievement of the objectives. After such review, the Remuneration Committee drafts a proposal regarding the annual variable remuneration which is submitted to the Board of Directors for approval. In the proposal on variable remuneration, the Remuneration Committee also takes into account, the quality of results in the long- term as well as any risk associated thereto.

As provided in section A.4 of the Annual Report on Remuneration of Directors for FY2016, the Remuneration Committee has considered, in the course of the assessment process to determine the annual variable remuneration for FY2017, the following yardsticks:

- 70% based upon the net sales and the contribution margin, in equal proportion, with the same yardsticks as those established for senior executives according to the budget of the Company;

- 15% based upon the following yardsticks: the strategic development of the

Company, the personal performance of the Executive Chairman and the observance of the expansion plans, in terms of increase of retail floor area in square meters, pursuant to the Groups' objectives;

- and the remaining 15% based upon the following yardsticks: the progress in social sustainability and environmental policies, in terms of the number of new stores which meet eco-efficiency parameters and the number of audits and control of discharges at dyeing facilities (wet processes), in the framework of the Commitment to Zero Discharge of Hazardous Chemicals; the progress in the area of corporate governance, in terms of the degree of compliance with the recommendations of the Good Governance Code of Listed Companies and the alignment with international best practices, and the progress in implementing compliance and diversity programmes, in terms of approval of internal regulations and the degree of international roll-out.

Further to the assessment of the degree of achievement of objectives, the Board of Directors resolved on 13 March 2018, on the proposal of the Remuneration Committee, a 99.1% overall level of achievement of objectives, equivalent to an annual variable remuneration for FY2017 in the sum of €3,220k. The detail is shown in section D.2 below.

c) Pluri-annual or Long-term variable remuneration

The 2013-2017 Long- term Performance Shares Plan has expired in FY2017. Such Plan was approved by the Board of Directors on 12 March 2013 on the proposal of the former Nomination and Remuneration Committee, and by the Annual General Meeting on 16 July 2013, for the following 4 years. Such Plan was addressed to members of the management, including the Executive Chairman and other employees of the Inditex. Group. Its main description was:

It was a pluri-annual shares bonus which revolved around two independent three-year performance cycles. Both the first cycle, which run from 1 July 2013 through 30 June 2016, and the second cycle, which run from 1 July 2014 through 30 June 2017, have already accrued and been settled. Namely, the incentives for the first and the second cycle of the Plan were paid during the second half of the years 2016 and 2017, respectively.

The number of shares delivered to each beneficiary depended 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.

Below is a summary of the yardsticks considered upon calculating the number of shares to be delivered under the second cycle of the 2013-2017 Long-term Performance Shares Plan, which expired in 2017:

- The benchmark group was made up of the companies included in the Dow Jones Retail Titans 30 index as at 1 July 2014.

- For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, Initial Value was understood as the average weighted closing price of the share of each company on the 30 Trading Days immediately prior to 1

July 2014 (excluded).

- For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, Final Value was understood as the average weighted closing price of the share of each company on the 30 Trading Days immediately prior to 30 June 2017 (inclusive).

- For such purposes, for calculating such Final Value, the dividends or other similar amounts received by the shareholder on said investment during the respective period of time were considered as if their gross amount (before taxes) 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 the second performance cycle of the Plan (30 June 2017), Inditex's TSR and the TSR of each of the companies included in the Benchmark Group was calculated. The companies within the Benchmark Group, excluding Inditex, were ranked in descending order, in accordance with the highest or the lowest TSR corresponding to each of them. Then Inditex's TSR was compared to the TSR of the companies in the Benchmark Group. The percentage of shares to be delivered was calculated pursuant to the following parameters:

    - If Inditex's TSR was the same or above the 75th percentile within the Benchmark Group, the percentage of shares to be delivered would be 100%.

    - If Inditex's TSR was at least the same as the TSR of the median company within the Benchmark Group, the percentage of shares to be delivered would be 30%

    - If Inditex's TSR was between the TSR of the median company within the Benchmark Group and the TSR of the 75th percentile within the Benchmark Group, the percentage of shares to be delivered would be calculated by linear interpolation between the relevant TSR values.

    - If Inditex's TSR was below the TSR of the median company within the Benchmark Group, the percentage of shares to be delivered would be 0%

- In order to be eligible to receive the shares of the 2013-2017 Long-term Performance Shares Plan, the Beneficiary was required to 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 the relevant performance cycle of the Plan.

- The status of the Executive Chairman as beneficiary (of the second cycle, was recognized further to a resolution of the Board of Directors dated 16 September 2014, after favourable report of the former Nomination and Remuneration Committee.

- Under the second cycle of the 2013-2017 Long-term Performance Shares Plan, the Executive Chairman might receive up to 122,180 shares.

As stated in section A.4 above, the Company has relied on the required number of shares to be delivered to the beneficiaries of the Plan.

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

In accordance with the foregoing, the second cycle of the Long-term Performance Shares Plan expired on 30 June 2017; such cycle run from 1 July 2014 through 30 June 2017.

Having considered the level of achievement of the objectives set for the second cycle of the Long-term Performance Shares Plan, the Board of Directors established on 18 July 2017, on the proposal of the Remuneration Committee, an overall level of achievement standing at 100% of objectives (determined pursuant to the above referred metrics and payout scale).

Consequently, In FY2017 a long-term incentive in shares accrued to the Executive Chairman, equivalent to 122,180 shares in the gross amount of €4,120k. After the relevant withholding tax was applied, the Executive Chairman received an aggregate number of 67,333 shares. Further information on this topic can be found in sections D.a.ii) "*Share-based remuneration systems*" and D.2 *"Report on …."* below.

d) Benefits

In FY2017 Inditex has made no contribution to the Money Purchase Pension Scheme Plan.

D DETAIL OF INDIVIDUAL REMUNERATIONS ACCRUED TO EACH DIRECTOR

Name	Type	Accrual period FY2017
Mr Pablo Isla Álvarez de Tejera	Executive	From 01/02/2017 to 31/01/2018
Mr José Arnau Sierra	Proprietary	From 01/02/2017 to 31/01/2018
Mr Amancio Ortega Gaona	Proprietary	From 01/02/2017 to 31/01/2018
Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote)	Proprietary	From 01/02/2017 to 31/01/2018
Ms Denise Patricia Kingsmill	Independent	From 01/02/2017 to 31/01/2018
Mr José Luis Durán Schulz	Independent	From 01/02/2017 to 31/01/2018
Mr Rodrigo Echenique Gordillo	Independent	From 01/02/2017 to 31/01/2018
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Affiliate	From 01/02/2017 to 31/01/2018
Mr Emilio Saracho Rodríguez de Torres	Independent	From 01/02/2017 to 31/01/2018

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	Salary	Fixed remuneration	Per diem allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board's committees	Indemnity	Other grounds	Total FY2017	Total FY2016
Mr Pablo Isla Álvarez de Tejera	3,250	100	0	3,220	0	0	0	0	6,570	6,977
Mr José Arnau Sierra	0	100	0	0	0	150	0	80	330	330
Mr Amancio Ortega Gaona	0	100	0	0	0	0	0	0	100	100
Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote)	0	100	0	0	0	0	0	0	100	100
Ms Denise Patricia Kingsmill	0	100	0	0	0	150	0	0	250	134
Mr José Luis Durán Schulz	0	100	0	0	0	150	0	50	300	277
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	0	100	0	0	0	150	0	0	250	250
Mr Rodrigo Echenique Gordillo	0	100	0	0	0	150	0	50	300	300
Mr Emilio Saracho Rodríguez de Torres	0	100	0	0	0	150	0	50	300	300

ii) Share-based remuneration systems

<table>
<tr><td colspan="11">Mr Pablo Isla Álvarez de Tejera
Remuneration system: Second cycle of the 2013-2017 Long-term Performance Shares Plan</td></tr>
<tr><td rowspan="2">Implementation date</td><td colspan="4">Ownership of options at the beginning of FY2017</td><td colspan="6">Options allocated in FY2017</td></tr>
<tr><td>No. options</td><td>No. affected shares</td><td>Strike price (€)</td><td colspan="3">Strike period</td><td colspan="2">No. options</td><td>No. affected Shares</td><td>Strike price (€)</td><td>Strike period</td></tr>
<tr><td>16/09/2014</td><td>122,180</td><td>122,180</td><td>0</td><td colspan="3">3 years</td><td colspan="2">0</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td colspan="11">Conditions for exercise of options: Those set forth in section C.1.2 hereof</td></tr>
<tr><td colspan="3">Shares delivered in FY2017</td><td colspan="4">Options exercised in FY2017</td><td>Op due and not exercised</td><td colspan="4">Options as at FY2017 end</td></tr>
<tr><td>No. shares</td><td>Price</td><td>Amount</td><td>Strike price (€)</td><td>No. options</td><td>No. affected Shares</td><td>Gross Profit (€k)</td><td>No. options</td><td>No. options</td><td>No. affected Shares</td><td>Strike price (€)</td><td>Strike period</td></tr>
<tr><td>122,180</td><td>33.72</td><td>4,120</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>0</td><td>0</td><td>0</td><td>-</td></tr>
<tr><td colspan="12">Other requirements for exercise: see detail in sections C.1.2 and D.2 hereof</td></tr>
</table>

Mr Pablo Isla Álvarez de Tejera
Remuneration system: First cycle of the 2016-2020 Long-term Incentive Plan

Implementation date	Ownership of options at the beginning of FY2017				Options allocated in FY2017			
	No. options	No. affected Shares	Strike price (€)	Strike period	No. options	No. affected Shares	Strike price (€)	Strike period
20/09/2016	119,754	119,754	0	3 years	-	-	-	-

Conditions for exercise of options: Those set forth in section A.4 hereof

Shares delivered in FY2017			Options exercised in FY2017				Op due and not exercised	Options at FY2017 end			
No. shares	Strike price	Amount	Strike price (€)	No. options	No. affected shares	Gross Profit (€k)	No. options	No. options	No. affected shares	Strike price (€)	Strike period
-	-	-	-	-	-	-	-	119,754	119,754	0	3 years

Other requirements for exercise

Mr Pablo Isla Álvarez de Tejera Remuneration system: Second cycle of the 2016-2020 Long-term Incentive Plan								
Implementation date	Ownership of options at the beginning of FY2017				Options allocated in FY2017			
	No. options	No. affected Shares	Strike price (€)	Strike period	No. options	No. affected Shares	Strike price (€)	Strike period
19/09/2017	95,651	95,651	0	3 years	-	-	-	-
Conditions for exercise of options: Those set forth in section A.4 hereof								

Shares delivered in FY2017			Options exercised in FY2017				Op due and not exercised	Options at FY2017 end			
No. shares	Strike price	Amount	Strike price (€)	No. options	No. affected shares	Gross Profit (€k)	No. options	No. options	No. affected shares	Strike price (€)	Strike period
-	-	-	-	-	-	-	-	95,651	95,651	0	3 years
Other requirements for exercise											

iii) Long-term saving systems

Name	Contribution for the year by the company (€k)		Amount of accumulated funds (€k)	
	FY2017	FY2016	FY2017	FY2016
Mr Pablo Isla Álvarez de Tejera	0	0	7,939	7,611

iv) Other benefits (€k)

Name	Remuneration in the form of advanced payments, loans granted		
	Interest rate on the transaction	Main description of the transaction	Amounts eventually repaid
-	-	-	-

Name	Life insurance premiums		Severance or golden parachute clause agreed by the Company for directors	
	FY2017	FY2016	FY2017	FY2016
-	-	-	-	-

b) Remuneration earned by directors of the company for their directorship in other group companies:

i) Payment in cash (€k)

Name	Salary	Fixed remuneration	Per diem allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership on Board Committees	Indemnity	Other items	Total FY2017	Total FY2016

ii) Share-based remuneration systems

Name								
Implementation date	Ownership of options at the beginning of FY2017				Options allocated in FY2017			
	No. options	No. affected Shares	Strike price (€)	Strike period	No. options	No. affected Shares	Strike price (€)	Strike period
-	-	-	-	-	-	-	-	-

Shares delivered in FY2017			Options exercised in FY2017				Op due and not exercised	Options as at FY2017 end			
No. shares	Price	Amount	Strike price (€)	No. Options	No. affected options	Gross Profit (€k)	No. options	No. options	No. affected shares	Strike price (€)	Strike period
-	-	-	-	-	-	-	-	-	-	-	-
Other requirements for the exercise											

iii) Long-term saving systems

Name	Contribution for the year by the company (€k)		Amount of accumulated funds (€k)	
	FY2017	FY2016	FY2017	FY2016

iv) Other benefits (in €k)

	Remuneration in the form of advanced payments, loans granted		
Name	Interest rate on the transaction	Main description of the transaction	Amounts eventually repaid
-	- -	- -	- -

Name	Life insurance premiums		Severance or golden parachute clause agreed by the Company for Directors	
	FY2017	FY2016	FY2017	FY2016
-	-	-	-	-

c) Summary of remunerations (€k):

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to each director (in €k). Where there are long-term Saving Systems, include the contributions or endowments made to these types of system shall be included.

	Remuneration accrued in the Company				Remuneration accrued in Group companies				Totals		
Name	Total cash remuneration	Amount of shares granted	Gross profit of options exercised	Total FY2017 company	Total cash remuneration	Amount of shares granted	Gross profit of options exercised	Total FY2017 group	Total FY2017	Total FY2016	Contribution to the savings systems during the year
Mr Pablo Isla Álvarez de Tejera	6,570	4,120	0	10,690					10,690	10,372	0
Mr José Arnau Sierra	330	0	0	330					330	330	0
Mr Amancio Ortega Gaona	100	0	0	100					100	100	0
Pontegadea Inversiones, S.L. (repersented by Ms Flora Pérez Marcote)	100	0	0	100					100	100	0
Ms Denise Patricia Kingsmill	250	0	0	250					250	134	0
Mr Jose Luis Durán Schulz	300	0	0	300					300	277	0
Mr Rodrigo Echenique Goardillo	300	0	0	300					300	300	0
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	250	0	0	250					250	250	0
Mr Emilio Saracho Rodríguez de Torres	300	0	0	300					300	300	0
Total:	8,500	4,120	0	12,620					12,620	12,302[1]	0

[1] Included in this amount is the sum of €139k as remuneration of former director Ms Irene Ruth Miller

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.

The sums provided 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 Chairman 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 any system based on results or other indicators to measure performance of the company.

Certain items of the remuneration of the Executive Chairman for the performance of senior management duties are linked to results and other Company performance indicators, as it has been described in sections C.1.2.b) and c) above.

i) Short-term or annual variable remuneration

As stated in section C.1.2.b) above, the Remuneration Committee has considered the following yardsticks:

a) 70% based upon the net sales and the contribution margin, in equal proportion, with the same yardsticks as those established for senior executives according to the budget of the Company;

b) 15% based upon the following yardsticks: the strategic development of the Company, the personal performance of the Executive Chairman and the observance of the expansion plans, in terms of increase of retail floor area in square meters, pursuant to the Groups' objectives;

c) and the remaining 15% based upon the following yardsticks: the progress in social sustainability and environmental policies, in terms of the number of new stores which meet eco-efficiency parameters and the number of audits and control of discharges at dyeing facilities (wet processes), in the framework of the Commitment to Zero Discharge of Hazardous Chemicals; the progress in the area of corporate governance, in terms of the degree of compliance with the recommendations of the Good Governance Code of Listed Companies and the alignment with international best practices, and the progress in implementing compliance and diversity programmes, in terms of approval of internal regulations and the degree of international roll-out.

In the consideration of the above mentioned yardstick, for the purposes of determining the annual variable remuneration for FY2017, the Remuneration Committee has taken into account the following issues:

(i) Inditex Group's net sales amounted to €25.336bn in FY2017, which represents a 93.4% level of achievement of objectives.

(ii) The contribution margin has reached €4.314bn in FY2017, with represents a 95.4% level of achievement of objectives.

(iii) With regard to the remaining objectives, the Remuneration Committee has considered the following:

- The findings of the evaluation of the performance of the Executive Chairman carried out by the Board of Directors in the meeting held on 12 December 2017 following a report of the Nomination Committee and which was qualified as excellent, in line with the evolution of the Company.

- The strategic development progress. Further progress has been made by the Company upon rolling out its fully integrated store and online business strategy, with the incorporation of technological elements, such as the progressive implementation of RFID technology, online sale devices at stores or automated processes to collect online orders at the stores (click & collect), for a continuous improvement of the shopping experience of its customers. One example of such initiatives is the Zara pop-up store in Stratford (United Kingdom), opened while the existing physical store was being refurbished and extended, which has allowed the company to continue offering a differentiated shopping experience to its customers, not only regarding the collection of online orders, but also as a physical window for the online business, thanks to intelligent mirrors, tablets and mobile devices, or the possibility of paying with the mobile.

  Moreover, the expansion of the company's online business has continued in 2017, with the launching of online sales in the following new markets: Singapore, Malaysia, Thailand, Vietnam and India. Additionally, the group has reached a new market, with store openings in Belarus.

- The observance of the expansion plans. Total retail floor areas has reached upwards of 4.7 million m^2, which represents a 7.5% increase, in the upper range of the objectives set for FY2017. The Company's global expansion process has continued, with 524 net openings in 58 markets in the year. Contemporaneously, an active policy for optimising the retail floor area has been implemented, mainly focused on primer locations.

- The progress in social sustainability policies. Progress has continued in respect of traceability of production, by promoting the use of the "Orders Management·in the Suppliers Portal" application, as has the monitoring level of the production units which are part of the supply chain, through the Compliance Programme, which is part of the "2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain". 4,215 social audits were conducted in FY2017. The pre-assessment audits procedure has been updated and 2,252 pre-assessment audits were conducted. 2017 marks the 10th Anniversary of the Global Framework Agreement executed with IndustriALL, and a "Public-Private Partnership" has been entered into with the International Labour Organisation (ILO), aimed at promoting the fundamental rights at work in the cotton sector. As for the proceedings regarding the "Ready to Manufacture" manufacturing code and the commitment to eliminate APEOs and PFCs, in 2017 this standard was implemented in 814 suppliers by means of 97 training sessions run to suppliers of fabric, and with 1,735 audits conducted at facilities where wet processes are carried out. The scope of production control in the chemical industry has been extended to 22 suppliers who commercialise some 19,780 chemical products. This represents upwards of 85 % of the market share in Inditex clusters. "Inditex Precautions and Limits for Users Safety", the first version of the health standard for cosmetic (i+COSMETIC) and for food contact materials (i+FCM) has been completed. The scope of social programmes implemented through activities related to humanitarian relief, promotion of education and social welfare has increased.

- The progress in environmental sustainability policies. The implementation of the 2016-2020 Environmental Strategic Plan has continued. The Join Life labeling programme has been implemented and 73,653,702 units were offered on the market labelled under such standard. Inditex has continued supporting BC cotton farming communities projects led by BCI and Farm Investment. Upon implementing the Forest Product Policy, Inditex, has closely worked with Canopy Planet in respect of the Textile Leaders Group for Forest Protection initiative, to protect primary and HCV forests through the textile chain. Progress has been made in the implementation of the Green to Wear programme (www.wateractionplan.com). From the beginning of the programme, Inditex has carried out 1,075 audits and control of discharges at dyeing facilities (wet processes) in the framework of the Commitment towards Zero Discharge of Hazardous Chemicals. Inditex has worked with China's Institute of Public and Environmental Affairs (IPE) towards improving the environmental management of its supply chain, and together with NRDC in the Clean By Design (CBD) programme that seeks to encourage sustainability in textile production in such country. With regard to the PFC-free Policy, Inditex has been ranked as global leader in Detox Catwalk 2016. To improve the efficiency of logistics operations, Inditex has implemented the Green to Pack Programme. In 2017, Inditex's eco-efficient stores stood at 5,068 and 4 stores have been awarded the LEED Gold certificate: Zara Compostela in the city of A Coruña; Zara Castellana 79 in Madrid; and the refurbished Zara Opera Paris in Paris, and Oysho Galleria Colonna in Rome. Containers have been placed at logistics centres and headquarters and in 598 Zara stores in 14 different markets. Partnership agreements have been entered into with MIT and Lenzing to make progress in textile recycling processes and technologies that contribute to circular economy. With regard to e-commerce, Zara has launched a programme to manufacture boxes for its online orders, based upon its own recycled boxes, and a new service to pick up at the customers' home, free of charge, used garments.

- The progress in corporate governance. In FY2017, the Audit and Control Committee carried out a review of the appropriateness of the Corporate Governance system, and the result of such evaluation has been positive, as the Committee considered that the Company fully complies with all the regulatory requirements laid down in the applicable regulations, and is almost fully compliant, as regards the recommendations of the Good Governance Code of Listed Companies, approved by CNMV in February 2015. This is likewise covered in section *G "Degree of conformance to the Good Governance recommendations*" of the 2017 Annual Corporate Governance Report.

- The progress in the roll-out of the diversity and compliance programmes. As part of the process to roll-out the Model of Compliance implemented during financial year 2017, the Model of Criminal Risk Prevention of the Inditex Group, has been reviewed, assessed and redefined. Such process ended with a reasonable assurance review of the Model, aimed at confirming the effectiveness and appropriate operation of the controls included in the Scoping

Matrix, and that the Model conforms to the requirements laid down in the Criminal Code and in UNE 19601 standard. Likewise, the Committee of Ethics has approved a Training Scheme for FY2018 (that includes training on Criminal Risk Prevention). During 2017, the following corporate policies, of a global scope, were approved by the Board of Directors, for the purposes of bringing Inditex's internal regulations into line with certain regulatory development existing in the different, markets, standards and international best practices, and with recommendations on Corporate Governance and Corporate Compliance: (i) the so-called Integrity Policies, composed of:_(a) the Policy on Gifts and Business Courtesies; (b) the Policy on Donations and Sponsorships; and (c) the Policy on Dealings with Civil Servants; and (ii) the Diversity and Inclusion Policy. Additionally, the Procedure for Limiting Payments in Cash at Stores has been approved by the General Counsel – Chief Compliance Officer. Special mention should be made of the progress achieved regarding the implementation of diversity programmes within the Group, further to the approval of the above mentioned Diversity and Inclusion Policy, whose scope is global and enforced on the entire work environment, regardless of the job positions and levels within the company, and which marks Inditex's zero tolerance policy against any kind of discrimination.

- Significant progress is also noted regarding the international roll-out of the Corporate Compliance Model. Special mention should be made of the following milestones: the appointment of Chief Compliance Officers in America, Asia and Europe and of 34 local Delegates charged with compliance functions in 59 countries in such continents. Additionally, several local policies have been implemented to comply with legal requirements and existing recommendations in the different jurisdictions, such as, the Chop Policy and the Travel Policy in Asia (China), and the Personal Information Policy, the Personal Information Saveguard Procedure, and the Antitrust and Unfair Competition Policy in the US. Additionally, a new Code of Conduct has been drafted for the US and Puerto Rico, in line with the regulations and existing best practices in the field in the United States.

The Group's entire workforce has reached the number of 171,839 employees, 9,389 new jobs having been created during the year. Employment has grown in all the geographical areas where the Group operates, and stable employment agreements clearly dominate.

Having assessed all the foregoing objectives as a whole, the Remuneration Committee has considered a 99.1% overall level of achievement. Consequently, the Board of Directors has resolved, on the proposal of the Remuneration Committee, an annual variable remuneration in the amount of €3,220k.

ii) Pluri-annual or Long-term variable remuneration

As provided in sections C.1.2.c) "Pluri-annual or Long-term variable remuneration" and D.a.ii) "Share-based remuneration systems" above, the second cycle of the 2013-2017 Long-term Performance Shares Plan expired on 30 June 2017. Having evaluated the level of achievement of the relevant objectives, the Board of Directors established on 18 July 2017, on the proposal of the Remuneration Committee, a 100% overall level of achievement of such objectives.

Consequently, a long-term incentive in shares accrued to the Executive Chairman, equivalent to 122,180 shares (in the gross amount of €4,120k. After the relevant withholding tax was applied, the Executive Chairman received an aggregate number of 67,333 shares. Further information on this topic can be found in sections C.1.2 c) "Pluri-annual or Long-term variable remuneration", and D.a.ii) "Share-based remuneration systems" above.

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 Remuneration of Directors for FY2016 was put to the advisory say-on-pay vote of the Annual General Meeting last 18 July 2017, as item number six on the Agenda, with the following outcome:

	Number	% on total
Votes cast	2,721,334,48	87.32%

	Number	% on votes cast
Against	29,148,169	1.07%
For	2,684,026,220	98.63%
Abstentions	8,160,070	0.30%

No blank votes were cast.

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.

This annual remuneration report has been approved by the Board of Directors of the Company on 13 March 2018.

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
-	-	-