REPORT DRAWN UP BY THE BOARD OF DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) REGARDING THE SUBSTANTIATED PROPOSAL ON THE DIRECTORS' REMUNERATION POLICY FOR FY2021, FY2022 AND FY2023 INCLUDED AS AGENDA ITEM 9 OF THE ANNUAL GENERAL MEETING CALLED TO BE HEL DON 13 OR 14 JULY 2021 ON FIRST AND SECOND CALL, RESPECTIVELY.

I. FOREWORD

This report is drawn up by the Board of Directors of Industria de Diseño Textil, S.A. ("**Inditex**" or the "**Company**") in furtherance of section 529*novodecies*(2) of the revised text of the (Spanish) Companies Act ("**Companies Act**" or **"LSC**" [*Spanish acronym*]), approved by *Real Decreto Legislativo* 1/2010, of 2 July, relating to the new directors' remuneration policy for FY2021, FY2022 and FY2023 (the "**Remuneration Policy**"), following a substantiated proposal made by the Remuneration Committee subject to the relevant report dated 7 June 2021.

The board of directors has considered the report issued by the Remuneration Committee wherein the overarching principles of the Remuneration Policy are described, in addition to the most significant developments introduced to the current remuneration policy approved by the Annual General Meeting on 17 July 2018, following a substantiated proposal made by the Remuneration Committee. Such policy was valid for FY 2019, FY2020 and FY2021.

The proposed Remuneration Policy which is submitted to the shareholders at the Annual General Meeting for approval shall be valid for FY2021, FY2022 and FY2023. Following its approval, it shall be effective as of 1 February 2021. Thus, the current remuneration policy shall no longer be in force.

As provided in the above referred report, upon drafting its substantiated proposal, the Remuneration Committee has seized the opportunity raised by the approval of the new policy (taking into account that current policy is about to expire) to include in the new policy the Group's long-term strategic priorities, as well as the required editorial improvements to reinforce its alignment with the interests of shareholders and the remaining stakeholders of the company, voting guidelines of institutional investors and their proxy advisors, as well as recommendations and best corporate governance practices in the field of remuneration, both domestically and at international level. The Remuneration Committee has further taken into account the statutory requirements introduced by Act 5/2021, of 12 April, amending the revised text of the Companies Act approved by *Real Decreto Legislativo* 1/2010, of 2 July and other financial regulations, as regards encouragement of long-term shareholder engagement in listed companies.

The Remuneration Committee has further considered that the remuneration of Inditex directors under the proposed Remuneration Policy (i) is reasonably proportional considering the Company's weight, its financial standing and market standards for comparable companies; (ii) establishes the channels to prevent assumption of unnecessary risks, allowing an appropriate and effective risk management; and, (iii) is aligned with the long-term strategic priorities of the Company and the interests of shareholders and the remaining stakeholders.

Based on the foregoing, in furtherance of section 529*novodecies*(2) LSC, the board of directors fully endorses the considerations of the Remuneration Committee on the proposed Remuneration Policy, as set out in the relevant report dated 7 June 2021 (attached hereto for all relevant purposes).

This substantiated proposal on the Remuneration Policy and the specific report issued by the Remuneration Committee shall be made available to shareholders on the corporate website as of the date the Annual General Meeting is called.

Done in Arteixo (A Coruña), on 8 June 2021

REPORT ISSUED BY THE REMUNERATION COMMITTEE OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) REGARDING THE MOTION TO APPROVE THE DIRECTORS' REMUNERATION POLICY FOR FY2021, FY2022 AND FY2023 INCLUDED AS ITEM 9 ON THE AGENDA OF THE ANNUAL GENERAL MEETING CALLED TO BE HELD ON 13 AND 14 JULY 2021, ON FIRST AND SECOND CALL, RESPECTIVELY.

I. PURPOSE

In the meeting scheduled to be held on 8 June 2021, the Board of Directors of Industria de Diseño Textil, S.A. ("**Inditex**" or the "**Company**") intends to submit to the shareholders at Annual General Meeting for approval the draft Directors' Remuneration for financial years 2021, 2022 and 2023 (the "Remuneration Policy") attached hereto as Appendix I, pursuant to section 529 *novodecies* of the revised text of the Companies Act ("**LSC**" [*Spanish acronym*] or the "**Companies Act**"), and article 31 of the Articles of Association.

Pursuant to article 30.3(a) of the Articles, section 17.2(a) of the Revised Text of the Board of Directors' Regulations, and section 5(a) of the Remuneration Committee's Regulations, the Committee is responsible for proposing to the Board of Directors the Directors' Remuneration Policy, to be submitted to the shareholders at the Annual General Meeting for approval.

This document is also issued in accordance with section 529 *novodecies*(2) LSC, which sets forth that the directors' remuneration policy shall be reasoned and accompanied by an explanatory report of the Remuneration Committee.

In the discharge of its duties, the Remuneration Committee has been advised by Willis Towers Watson, an independent consultant in the field of compensation of directors and senior managers, regarding the definition and design of the Remuneration Policy, and by law firm Uría Menendez Abogados S.L.P. with regard to the applicable legal issues.

The proposed Remuneration Policy and this report will be made available to shareholders on the Company's corporate website as of the date the Annual General Meeting is called.

The current directors' remuneration policy was approved by the Annual General Meeting on 17 July 2018 for the following three financial years, i.e., 2019, 2020 and 2021 (and amended in part by the Annual General Meeting held on 16 July 2019). Therefore, the policy is set to expire on 31 January 2022.

The proposed Directors' Remuneration Policy submitted to shareholders for approval at the Annual General Meeting shall be in effect for FY2021, FY2022 and FY2023. Following its approval, it shall be in effect from 1 February 2021, date on which the current remuneration policy will cease to be in effect.

II. OVERARCHING PRINCIPLES OF THE REMUNERATION POLICY

The Remuneration Policy seeks to drive and support the success of the business model, setting levels of reward consistent with each situation. Thus, as a general principle, the Remuneration Policy seeks the achievement of the Group's strategic priorities in the long term, sustainable value creation for shareholders, sustainability of business results over time, and in essence, the alignment with the long-term interests of the Company and its stakeholders.

In this regard, the Remuneration Policy has been defined based upon the following yardsticks

✓ **With regard to remuneration of executive directors**

- Linkage to Group's strategy and Pay for Perfomance: a significant portion of the remuneration is linked to the achievement of the objectives which make up the Group's strategy.

- Alignment with stakeholders, sustainability and environmental commitment: the design of the Remuneration Policy is regularly reviewed to ensure that target achievement is aligned with sustainable value creation for shareholders.

  Progress in ESG (Enviromental, Social and Governance) goals and environmental commitment are relevant levers of Inditex's compensation scheme.

  In addition, the interests of all employees and other stakeholders are considered upon determining remuneration of executive directors.

- Long-term: the Remuneration Policy is aligned with the values and long-term objectives of the Company.

- Competitiveness: remuneration must be such as to attract and retain the most talented and suitable professionals to achieve Inditex's strategic objectives, 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.

- Strict procedures and informed decisions: the targets to which variable remuneration is tied must be established at the beginning of the year and assessed by the Remuneration Committee at the end thereof. This is assessed based upon the information and results provided by different Departments which are first reviewed by the Audit and Compliance Committee and/or the Sustainability Committee, as the case may be.

  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

✓ **With regard to the remuneration of directors in their status as such**

- 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.

- Appropriateness: the Remuneration Policy for directors standing as such is appropriate considering board membership and it sufficiently compensates them for their qualification, dedication and responsibility, ensuring their loyalty and attachment to the company, without compromising the independent judgement of its members.

- Transparency: information on remuneration is in line with the best practices in the area of corporate governance for the purposes of building trust among shareholders, investors and generally, the remaining stakeholders.

- Commitment to investors and shareholders: the Remuneration Committee acts in a proactive manner to understand shareholders and investors' preferences and to explain remuneration policies and practices in a transparent manner.

III. OUTLINES OF THE REMUNERATION POLICY

The Remuneration Policy meets all the requirements laid down in LSC. Thus:

- Pursuant to section 529 *octodecies* LSC, the Remuneration Policy establishes the following structure regarding the remuneration of executive directors for the performance of executive functions while the Remuneration Policy is in effect:

    - the amount of the annual fixed remuneration;
    - the different parameters to determine the variable components; and
    - the main terms and conditions of their contracts. Namely, their term, severance pay in case of early termination or termination of the contractual relationship and covenants or agreements on exclusivity, non-competition after termination of the agreement and tenure or loyalty.

  In this regard the compensation package for the executive directors ensures an appropriate balance between fixed and variable items of their remuneration:

    - Fixed remuneration:

        - Executive Chairman: €3,250,000. This amount has remained unchanged since FY2013, and at the request of the Executive Chairman, it will not be updated while the Policy is in effect.

        - CEO: €1,500,000.

      These amounts represent a sufficient part of the aggregate remuneration for the sake of achieving an appropriate balance between the fixed and variable remuneration components and are competitive compared to peer companies in the market.

    - The annual variable remuneration is linked to the achievement of specific pre-established and quantifiable quantitative and qualitative targets, aligned with the mid to long-term strategy of the Company.

Quantitative objectives may include metrics which ensure an appropriate balance between financial and operational aspects of corporate management. They may also include non-financial metrics representing at least 30% of the aggregate incentive (e.g., strategic development of the company, progress in respect of the corporate social sustainability and environmental sustainability policies, progress in implementation of diversity and compliance programmes, personal performance, etc.,)

A performance scale is associated, where reasonably possible, to financial and non-financial objectives. Such scale, fixed at the beginning of each financial year, includes a minimum threshold below which no incentive is paid, a level of achievement on target, which corresponds to the standard level of achievement of objectives, and a maximum level of achievement, above which the incentive is not increased.

The actual level of achievement reached is reported every year in the relevant Annual Report on Remuneration of Directors.

In addition, incentive may be paid in cash and/or include award of shares.

- Long-term variable remuneration seeks to drive the achievement of the Group's strategic priorities in the long-term, sustainability of business results over time and sustainable value creation for shareholders. In addition, to offer a competitive remuneration package that contributes to retain key profiles within the organization.

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

  These targets may include metrics which ensure an appropriate balance between financial and operational aspects of corporate management and metrics of shareholders value creation. Such metrics will weight at least 60% on the aggregate incentive. They may also include non-financial metrics.

  Likewise, some of such metrics may be relatively measured against a benchmark group of peer companies.

  A maximum level for each cycle is provided for in the Policy.

  The relevant incentive may be paid in cash and/or include the award of shares, share options or remuneration rights linked to the value of shares, provided that the fixed objectives are achieved. Awarded shares stemming from the plan shall be retained for at least one year.

Performance measurement period will be at least 3 years. To achieve this, long-term incentive plans remain in effect within the Company, divided into performance cycles.

Targets must be approved at the beginning of each cycle, in addition to the performance scale determined for each metric, to calculate the payout percentage for each level of target achievement. Each performance scale will include a minimum threshold below which no incentive is paid, and a level of overachievement, where maximum incentive is paid. The actual level of achievement reached is reported every year in the relevant Annual Report on Remuneration of Directors.

- Long-term savings systems:

  The Executive Chairman is the only beneficiary of a long-term saving system. From 2011 through 31 January 2015, the Executive Chairman was the beneficiary of a defined Money Purchase Pension Scheme Plan, implemented through a Group Life insurance policy taken out by Inditex with a renowned insurance carrier in Spain

  The possibility of making new contributions to such Pension Scheme Plan is covered in the proposed Policy.

- Certain additional forms of remuneration are provided, such as insurance coverage and other remuneration items in cash or deferred, such as a severance pay in case of early termination.

Variable remuneration items to compensate executive directors, tied to Group's targets achievement, are flexible enough to allow their shaping, to the extent that the possibility exists that no variable remuneration is paid under certain circumstances. In such case, fixed remuneration would represent 100% of total remuneration.

Likewise, a "malus" and "clawback" clause is included in the contracts executed with the executive directors regarding cancellation before payment or refund of the variable items of their remuneration (i) in the event of occurrence of certain circumstances; or (ii) when such items have been paid on the basis of information later shown clearly to be inaccurate.

Executive directors have pledged to maintain in their personal wealth, while they remain in office, a number of shares in a value equivalent to at least 2 years of fixed remuneration.

The CEO has pledged to retain, at least for 3 years, net shares that he may receive, if any, from any variable remuneration scheme, for as long as he does not become the holder of a number of shares in a value equivalent to at least 2 years of fixed remuneration.

- Likewise, pursuant to section 529*septdecies* LSC, the Remuneration Policy provides the maximum amount of the annual remuneration to be paid to directors standing as such.

  The remuneration for directors consists of an annual fixed remuneration for each of them, on the basis of their membership and the offices held in the Board and its Committees. The amount of the annual fixed remuneration will be decided by the Annual General Meeting for each financial year, or for the number of years that the General Meeting may determine. Such amount is expressly provided in the Remuneration Policy, this being the only remuneration paid to directors for their membership on the board of directors and its committees.

It should be mentioned that in line with best practices, the Remuneration Policy provides the necessary yardsticks to be considered to determine the maximum annual amount for directors as whole, irrespective of the directorship type.

Such remuneration system, set out in the Remuneration Policy, is also consistent with article 31 of the Articles.

On the other hand, the Policy provides the possibility for the Company to take out a public liability insurance policy on the directors, the executives and staff with similar duties at the Company.

Considering the foregoing, it can be concluded that upon preparing the Remuneration Policy, the Remuneration Committee has taken into account both the yardsticks and requirements of the Companies Act, and the recommendations on remuneration of the Good Governance Code of Listed Companies approved by the Spanish National Securities Market Commission ("CNMV") as well as the voting guidelines of institutional investors and their proxy advisors.

IV. DEVELOPMENTS

The proposed new Remuneration Policy maintains the fundamental lines applied in the current policy, encompassing, however, certain amendments to reinforce its alignment with the Company's strategic priorities, with recommendations and best practices on remuneration, and with the regulatory developments introduced by Act 5/2021, of 12 April, amending the revised text of the Companies Act, approved by *Real Decreto Legislativo* 1/2010, of 2 July, and other financial regulations as regards the enhacement of long term shareholder engagement in listed companies, which have been taken into account to prepare this draft (in terms of enhancing transparency and alignment with the remuneration structure for the rest of the employees).

The significant amendments with regard to executive directors in the new Remuneratio Policy and the grounds thereof are detailed below:

ANNUAL VARIABLE REMUNERATION	
Amendment / Development	**Ground**
Target annual variable remuneration of executive directors has increased from 100% to 120% of their fixed remuneration. Likewise, the maximum amount has	- Higher weight is given to variable remuneration, to reinforce the "Pay for Performance" equation.

increased from 120% to 125% of target amount.	- Alignment of Inditex's Remuneration Policy with market practice and recommendations on corporate governance. Market remuneration information for chief executives in companies components in the Stoxx Europe 50 and Dow Jones Titans Retail 30 indexes and in large companies in Ibex-35 index has been considered in the decision-making. The resulting target aggregate remuneration, once the proposed increase is applied, maintains its positioning vs. the market and alignment is enhanced in terms of remuneration mix.
Possible increase of the weight of non-financial targets to which annual variable remuneration is tied.	Remuneration system is aligned with Inditex's environmental and sustainability commitment
LONG-TERM VARIABLE REMUNERATION	
Amendment / Development	**Ground**
Update of the long-term variable remuneration's maximum, expressed as a percentage of fixed remuneration.	- Reflecting in the Policy the incentive levels of the 2019-2023 Long-Term Incentive Plan and of future plans. - Updating the percentage it represents on fixed remuneration without leading to any changes to the absolute maximum amount per cycle.
Possible increase of the weight of non-financial targets to which long-term variable remuneration is tied.	Alignment of the remuneration system with Inditex's environmental and sustainability commitment.

SHARES RETENTION	
CEO's commitment to share retention in a number of shares with a value equivalent to 2-year fixed remuneration. The CEO is committed to retaining for at least 3 years, net shares up to the above referred limit, which he may receive from any variable remuneration scheme.	- Alignment of CEO's remuneration with the new recommendation 62 GGC - Fostering the CEO's long-term engagement.

Likewise, in accordance with section 529*septdecies* LSC, the value of remunerations that the Company may pay on an annual basis to directors in their status as such, has been aligned with the current board and committee's membership. This amount is fixed at €2,480, 000.

V. OTHER CONSIDERATIONS

No significant variations from the current remuneration policy, approved with 99.38% of votes for, are expected in the proposed Remuneration Policy.

In this regard, mention should be made of the fact that since the approval in 2015 of the first Directors' Remuneration Policy, the Annual Reports on Remuneration of Directors for FY2016, FY2017, FY2018 and FY2019 have taken into account and described in detail its features, having been broadly supported by shareholders on the occasion of the advisory say-on-pay vote, and also by institutional investors and proxy advisors.

In particular, to prepare the draft of the new Remuneration Policy, the feedback of Inditex's main shareholders, received in the course of the periodic consultations that the company conducts, and their votes and views on the Annual Reports on Directors Remuneration, has been taken into account. In addition, the board of directors has also considered the evaluation of the performance of the Executive Chairman and the CEO in 2020, which have been rated as outstanding, as in previous years.

Ultimately, the Company strives to reach the highest levels of compliance on corporate governance in the field of remuneration, and to align with the interests of its stakeholders.

VI. FINDINGS

The Remuneration Committee considers that the proposed Remuneration Policy is aligned and consistent with regulatory provisions, recommendations and best practices on good governance existing in the market in the field of remuneration.

Ultimately, the remuneration for Inditex's directors envisaged in the proposed Remuneration Policy (i) is reasonably proportional to the importance of the Company, its financial situation and the market standards of comparable companies; (ii) establishes the channels to prevent taking unnecessary risk, thus permitting an appropriate and effective risk management; and (ii) is aligned with the Company's long-term strategic objectives and the interests of its shareholders and remaining stakeholders.

Considering the foregoing, pursuant to section 529*novodecies*(2) of the Companies Act, the Remuneration Committee issues this explanatory report on the proposed Remuneration Policy, to be submitted to the shareholders at the Annual General Meeting.

Done in Arteixo (A Coruña), on 7 June 2021