



**Report on the Proceedings of the  
Remuneration Committee  
of Industria de Diseño Textil, S.A. (INDITEX, S.A.)  
FY2020**

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## 1. Preliminary

This Annual Report on the Proceedings of the Remuneration Committee of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (“Inditex” or the “Company”) has been drawn up by such Committee pursuant to Recommendation 6 of the Good Governance Code of listed companies, approved by resolution of the board of directors of the Spanish National Securities Market Commission (“CNMV”) in February 2015 and amended in part by a resolution of CNMV’s board on 25 June 2020 (“GGC”), section 11 of CNMV’s Technical Guide 1/2019 on nomination and remuneration committees (“Technical Guide 1/2019”) and section 19.3 of the Remuneration Committee’s Regulations.

This report has been issued on an annual basis since FY2005 with regard to the former Nomination and Remuneration Committee. Further to the split thereof into two Committees, as explained in section 2 below, and to the assumption by the Remuneration Committee of part of its duties, the report that strictly addresses the proceedings of such Committee was issued for the first time in FY2016.

## 2. The Remuneration Committee: origin and evolution, regulations and composition

### a. Origin and evolution

The current Remuneration Committee originates in the defunct Nomination and Remuneration Committee. Following recommendation 48 GGC, the Board of Directors resolved in the meeting held on 9 June 2015 to split the Nomination and Remuneration Committee into two separate and newly formed committees: the Nomination Committee and the Remuneration Committee.

Subsequently, the Annual General Meeting held on 14 July 2015 approved the amendment to the Articles of Association in order to meet the latest regulatory development and to follow the Recommendations of GGC, and consequently the split of the Nomination and Remuneration Committee into two separate committees was finally approved.

Since then, the board of directors has been successively amending the company’s rules on corporate governance in line with the most demanding trends in the field.

The terms of reference of the Remuneration Committee were amended in 2019 for the purposes, inter alia, of aligning its provisions with the principles and recommendations set out in Technical Guide 1/2019.

### b. Regulations, mission and powers

#### Regulations

The regulation of the Remuneration Committee is provided in article 30 of the Articles of Association, section 17 of the Board of Directors’ Regulations and more specifically in its terms of reference.

The full text of the Remuneration Committee’s Regulations as amended is available on the corporate website ([www.inditex.com](http://www.inditex.com)), “Compliance” section, “Corporate Governance” sub-section.

#### Mission and powers

Section 5 of the Remuneration Committee’s Regulations covers the mission of the committee and its powers are set out in section 6.

According to section 5 above referred, the Remuneration Committee has the following basic responsibilities:

- (a) *“To propose to the Board of Directors the policies on remuneration of the directors and senior managers as well as the regular review and update thereof;*
- (b) *To propose to the Board of Directors the system and amount of the annual remuneration of directors, to be submitted to the General Meeting of Shareholders, as well as the individual remuneration of executive directors and the remaining basic terms and conditions of their contracts, including any potential compensation or severance which may be payable to them in the event of removal, pursuant to the Company’s corporate governance system and the directors remuneration policy approved by the General Meeting of Shareholders;*
- (c) *To propose to the Board of Directors the basic terms and conditions of the contracts of senior managers;*
- (d) *To verify that the remuneration policy fixed by the Company is observed; and*
- (e) *To ensure that no potential situation of conflict of interest would affect the independence of the external advice given to the Committee.”*

Meanwhile, section 6 addresses the powers of the Remuneration Committee relating to remuneration and the remuneration policy for directors and senior managers:

*“With regard to remuneration, remuneration policy for directors and senior officers, the Committee shall have the following main duties:*

- (a) *To regularly review the remuneration policy for directors and senior executives, including share based remuneration systems and the application thereof, verifying that it is consistent with the particular circumstances of the Company and that it is in line with its short, medium and long-term strategy and with market conditions, and considering whether it contributes to the sustainable creation of value and an appropriate enterprise risk management;*
- (b) *To predetermine a transparent process for the drafting of the proposal of the remuneration policy for directors and senior managers;*
- (c) *To consider whether it be advisable to hire an external advisor for the drafting of the remuneration policy and, if applicable, to properly assess its independence;*
- (d) *To guarantee that the individual remuneration for each director or senior executive is proportional to that of the others directors and senior managers;*
- (e) *To propose the individual remuneration of executive directors and the remaining terms of their contracts, to be approved by the Board of Directors, including any potential severance which may be payable in the event of early removal from office and the amounts to be paid by the Company as insurance premiums or contributions to savings schemes, pursuant to the provisions of the internal regulations of the Company and to the remuneration policy approved by the General Meeting of Shareholder;*
- (f) *To periodically review the terms of the agreements of executive directors and senior managers and verify that they are consistent with the applicable remuneration policies;*
- (g) *To assess the level of achievement in respect of the criteria and objectives set for the previous year for the purposes of determining the motion on individual remuneration, including the variable components thereof;*
- (h) *To verify that the remuneration policy is duly enforced;*

- (i) *To prepare and submit to the Board of Directors for approval the Annual Report on Remuneration of Directors, and to review the information on the remuneration of directors and senior managers provided in the corporate documents, the notes to the annual accounts and the interim financial statements of the Company; and*
- (j) *To propose to the Board of Directors the cancellation of payment or, if appropriate, the clawback of variable items which make up directors remuneration based upon results, where such items have been paid in accordance with data whose inaccuracy has been subsequently evidenced and the termination of the relationship with the relevant supervisor(s) and the lodging of the relevant claims.”*

### c. Composition

Pursuant to the provisions of article 30 of the Articles of Association, section 17 of the Board of Directors’ Regulations, and section 7 of its terms of reference, the Remuneration Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the board of directors, a majority of whom must necessarily be independent.

At present, 5 non-executive directors sit on the Remuneration Committee, 4 of whom are independent. Presence of independent directors on the committee represents 80% on total of directors.

The following proceedings relating to membership on the Remuneration Committee were carried out in 2020:

The Annual General Meeting approved on 14 July 2020, on the proposal of the Nomination Committee, the re-election of Bns. Denise Patricia Kingsmill to the Board of Directors as non-executive independent director.

The re-election of such director entailed the continuation of her membership on the Remuneration Committee, pursuant to section 23.2 of the Board of Directors’ Regulations.

Consequently, the composition of the Remuneration Committee as at 31 January 2021 is as follows:

Name	Position	Type	Date of first appointment
Mr Rodrigo Echenique Gordillo <sup>1</sup>	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	14-07-2015
Mr José Luis Durán Schulz	Ordinary member	Non-executive proprietary	14-07-2015
Mr José Arnau Sierra	Ordinary Member	Non-executive independent	14-07-2015

<sup>1</sup> Mr Echenique was appointed Chair of the Remuneration Committee on 14 July 2015 and re-elected on 17 July 2018. Mr Echenique had previously chaired the now defunct Nominatio and Remuneration Committee since 15 July 2014.

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acted as Secretary-non-member of the Remuneration Committee in 2020. The board of directors acknowledged in the meeting held on 9 March 2021 the resignation tendered by Mr Antonio Abril Abadín, who stepped down as General Counsel and Secretary of the board and its committees, and approved, following a favorable report of the Nomination Committee, the appointment of Mr Óscar García Maceiras as new General Counsel and Secretary of the board and its committees.

Upon determining committee membership, the fact that all its members, and in particular its Chair, should have appropriate knowledge, qualifications and experience including among others, on the analysis and strategic assessment of human resources and the design of remuneration policies and schemes for directors and senior managers, is considered.

Below is an overview of the experience, background and merits of members of the Remuneration Committee:

- Mr Echenique has legal training and is a State Lawyer, currently on leave. His career spans the management and executive leadership of companies mainly in the banking sector. He also has extensive experience as company director in a large number of companies of different sectors.
- Bns. Denise Patricia Kingsmill has legal training, namely in the field of labour law and competition, having advised also in relation to remuneration schemes. Additionally, she has broad experience managing and serving as an executive director of various boards of a number of international companies of different sectors, and also has background and experience in fashion and design. Her public work, in particular in the field of social action and equality, is noteworthy.
- Mr Saracho is a highly experienced expert in the financial sector, both at domestic and international level. He has a sound knowledge of topics relating to business management and administration in highly performant companies, statement and review of financial statements, risk management, and construction and application of accounting standards.
- Mr Durán has a profound knowledge of the retail sector, both in fast-moving consumer goods and in niche brands. He has spent his career mainly in the field of financial management and executive decision-making. Mr Durán has a large background in audit, construction and application of accounting regulations and risk management. In addition, he has been a member of other remuneration committees.
- Mr Arnau is a State Tax Inspector currently on leave, and his area of expertise includes tax and financial advice, both in the public and the private sector. Furthermore, he has had a long career at the Inditex Group, where he headed the Tax Department, having also held different positions in the companies of Grupo Pontegadea since 2001, which he chairs.

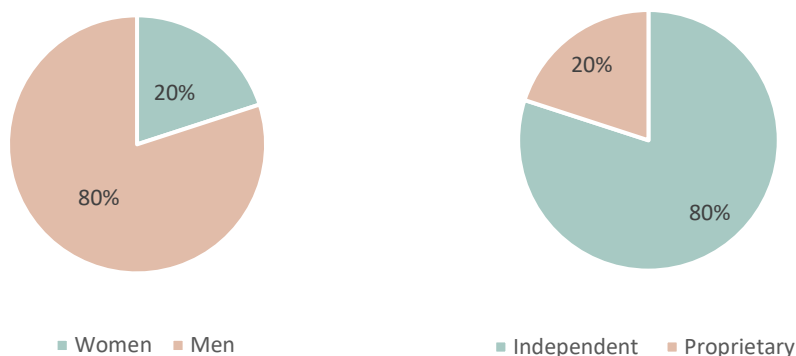
The CV of all the members of the Remuneration Committee, with full information about their profile, experience and knowledge, is available on the corporate website: ([www.inditex.com](http://www.inditex.com)).

Likewise, pursuant to section 5.1.2 of the Diversity of Board of Directors Membership and Directors' Selection Policy (formerly, the "Director Selection Policy") and section 7.2 of the Remuneration Committee's Regulations, the Board of Directors shall encourage a diverse membership on the committee as regards professional experience, competencies, personal

skills, sector-specific knowledge international experience or geographic origin, age and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Gender diversity and directorship types on the Remuneration Committee is shown in the graphs below:

Gender diversity and directorship types on the Nomination Committee is shown in the graphs below:



### 3. Proceedings of the Remuneration Committee: Meetings held, business transacted, reports and attendees

#### a. Proceedings

The Remuneration Committee shall meet at least 3 times a year, and each time that its Chair calls it. The Chair of the Remuneration Committee shall call it whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and at any rate whenever it is appropriate for the successful performance of its functions. The Chair may also arrange preparatory working meetings on specific topics besides the formal ones.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorized by the signature of the Chair. A quorum for committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance.

Pursuant to section 12.2 of its terms of reference, the Remuneration Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions. Committee meetings can be conducted via video conference or conference call systems, so that one or more directors may attend the meeting by this system.

For the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include at least the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the board thereof. Moreover, in order for the Committee to duly discharge its duties, external advisors may attend its meetings.

The Committee may call executive directors, members of Management and any employee of the Company, who shall be bound to attend its meetings and provide it with assistance and access to the information available to them when the Committee so requests.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary thereof.

**b. Activities: meetings held, business transacted, reports and attendees**

The Remuneration Committee held 4 meetings in 2020.

Directors' attendance rate, whether in person, or by proxy, at the meetings held in 2020 stands at 100%.

In view of existing restrictions to mobility arising from the extraordinary situation created by the global COVID-19 pandemic, the Remuneration Committee only held virtual meetings in 2020 via video conference or conference call system ensuring that the identification of members in attendance can be established and that they can directly communicate with each.

The average duration of each meeting has been of approximately 1 hour, and its members allocated enough time for consideration and review of agenda items.

The schedule of the meetings held and business transacted by the Remuneration Committee between 1 February 2020 and 31 January 2021 is attached hereto as [Appendix I](#).

**4. Main lines of action**

In 2020, the main lines of action of the Remuneration Committee have focused on the following:

**A. Remuneration of executive directors and Senior Managers**

The Remuneration Committee resolved in the meeting held on 16 March 2020 to submit to the board of directors the motion on the remuneration of the Executive Chairman and the CEO for 2019 for the performance of executive functions.

In that same meeting, the committee gave a favourable report to the remuneration of Senior Managers for 2019 and resolved to raise it to the board of directors.

Considering the exceptional situation caused by the COVID-19 global pandemic, the committee resolved to propose to the board of directors that the annual variable remuneration of the Executive Chairman and the CEO for 2019 be halved. In that same meeting, the committee resolved to submit to the board the motion on the remuneration of executive directors for 2020.

Both motions were approved by the Board of Directors in the meeting held on 17 March 2020.

Likewise, in the meeting held on 14 September the committee resolved to give a favourable report and raise to the board of directors a motion to update the yardsticks and terms to determine the annual variable remuneration for 2020 for Executive Directors and Senior Managers, which had been approved by the board of directors on 17 March 2020. Such update answers the need to adjust the terms of the annual variable remuneration in line with the new objectives of the revised budget of the company for the second half of the year, as a result of the extraordinary situation arising from the global COVID-19 pandemic.

**B. Share-based remuneration schemes**

On 11 December 2020, for the purposes of acknowledging the impact of COVID-19 pandemic and realigning the targets with updated and exacting business forecasts and with the updated 2020-2022 strategy announced in the first quarter of the year, the Remuneration Committee resolved to raise to the board of directors a motion on the amendment of the levels of achievement linked to EBT and Same Store Sales metrics to which the 2019-2023 Long-Term Incentive Plan is tied, approved for the first cycle (2019-2023), and a motion to approve the targets for the second cycle (2020-2023) thereof, for the purposes of ensuring in line with the



principles and goals of the Plan itself, that the input and efforts made during the crisis by the Plan beneficiaries, is duly rewarded pursuant to section 9 of the Plan's Regulations, section 17.2(c) of the Board of Director's Regulations and section 5(c) of the terms of reference of the committee.

In that same meeting, the Committee acknowledged the list of beneficiaries of the second cycle (2020-2023) of the 2019-2023 Long-term Incentive Plan. Such motion was approved by the board of directors in the meeting held on 14 December 2020.

### **C. Annual Report on Remuneration of Directors for 2019**

The Remuneration Committee resolved in the meeting held on 16 March 2020 to raise the 2019 Annual Report on Remuneration of Directors to the board of directors for approval, which it did in the meeting held on 17 March 2020.

Such report was submitted to CNMV as other relevant information and is available on [CNMV's website](#).

Additionally, pursuant to section 541LSC, the 2019 Annual Report on Remuneration of Directors was approved by the Annual General Meeting held on 14 July 2020, having been put to an advisory say-on-pay vote.

### **D. Schedule of dates and agenda of business to be transacted**

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Remuneration Committee approved on 11 December 2020 the schedule of dates and agenda of business to be transacted by the Committee in 2021.

### **E. Report on its proceedings**

The Remuneration Committee issued the annual report on its proceedings on 8 June 2020. It was published in the 2019 Annual Report and is available on the corporate website

## **5. Main relations of the Remuneration Committee**

### **A. With the General Meeting of Shareholders**

Section 18 of the Remuneration Committee's Regulations provides that the committee shall report to the General Meeting of Shareholders on the questions raised by the shareholders regarding matters that fall within its purview. The Chair of the Remuneration Committee will appear at the General Meeting to this end.

This report shall be made available to shareholders and investors with the noticing calling the Annual General Meeting.

### **B. With the board of directors**

At the beginning of each board meeting, the Chair of the Remuneration Committee reports on the main business transacted and the resolutions passed in the last meeting of the Committee.

In addition, a copy of the minutes of every committee meeting is made available to all the directors.

### **C. With board committees**

Directors sitting on the Remuneration Committee also sit on several other committees.

#### **D. With the Executive Chairman, the CEO and Senior managers**

For the purposes of ensuring due performance of its duties, the Committee is regularly in contact with the Executive Chairman, the CEO and the management, and requests their presence in its meetings when it deems it appropriate.

The Committee may call any employee or officer to its meetings and even request their presence without any officer being present.

However, efforts will be made to ensure that presence at Committee meetings of anyone other than its members is limited to such cases where it is necessary, and for the transaction of specific items on the agenda for which they were called to attend.

#### **E. With the Lead Independent Director**

Mr Echenique, Lead Independent Director, is the Chair of the Remuneration Committee.

#### **F. With the Human Resources Department**

In order to keep the Remuneration Committee duly updated at all times, the Human Resources Department regularly apprises the Committee of the changes, if any, in the global pay systems, researches on the salary market of Senior managers, annual pay review and review of the guidelines on salary increase per country, overview of annual increases carried out and global talent management programmes.

#### **G. With external advisors**

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expenses. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

The Remuneration Committee has been advised in 2020 by Willis Towers Watson, an independent consultant in the field of directors' and executives' remuneration, regarding the re-alignment of the levels of achievement in the performance scales for the first cycle (2019-2022) and the proposal of performance scales for the second cycle (2020-2023) of the Long-term Incentive Plan 2019-2023, as well as the preparation of the Annual Report on Remuneration of Directors

Other than this specific engagement, Willis Towers Watson has no business relationship with Inditex or with any company of its Group.

### **6. Evaluation of the proceedings and performance of the Remuneration Committee**

Pursuant to the provisions of section 529*nonies* of the Companies Act, Recommendation 36 GGC and section 5.3.c(v) of the Board of Directors' Regulations, the annual evaluation of the performance of the Remuneration committee and its members, as well as its effective proceedings was carried out in 2020.

The findings of the evaluation conducted in 2020 have been positive in respect of the qualifications, structure, proceedings and effectiveness of the Remuneration Committee, without any significant deficiency having been noted.

## 7. Observance of Guides

The Remuneration Committee performs its duties duly observing Recommendations of the GGC, the overarching principles and guidelines set forth in Technical Guide 1/2019 and the standards and existing best practices in the field of corporate governance.

The provisions of CNMV's Technical Guide 3/2017 and Technical Guide 1/2019 have been considered upon preparing this Report on the Proceedings of the Remuneration Committee for FY2019.

## 8. Significant deviations

No significant deviations from corporate procedures on remuneration adopted by the Company have been noted in 2020, other than what has been described in section 4(a)&(b) above relating to the adjustment of annual and long-term variable remunerations, as a result of the extraordinary situation arising from the crisis created by COVID-19.

No irregularities in the field reported in writing to the board of directors have been noted either.

## 9. Findings

Based upon the information herein reported, the composition and structure of the Remuneration Committee, its organization and proceedings as well as the duties and powers it is entrusted with, are found to meet statutory requirements, the internal regulations of the company and the recommendations of GGC, and are aligned with existing best practices in the field of corporate governance.

## 10. Date of issue and approval

This report has been issued by the Remuneration Committee on 7 June 2021.

DATE OF MEETING	MAIN BUSINESS TRANSACTED	INDITEX'S ATTENDEES <sup>2</sup>
16/03/2020	<ul style="list-style-type: none"> <li>- Report on the 2<sup>nd</sup> cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.</li> <li>- Remuneration of executive directors</li> <li>- Remuneration of Senior managers.</li> <li>- Annual report on the remuneration of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>- Executive Chairman and CEO<sup>3</sup>.</li> <li>- CFO.</li> <li>- General Counsel and Secretary of the Board</li> </ul>
08/06/2020	<ul style="list-style-type: none"> <li>- Annual Report on the proceedings and activities of the Remuneration Committee.</li> </ul>	<ul style="list-style-type: none"> <li>- General Counsel and Secretary of the Board</li> </ul>
14/09/2020	<ul style="list-style-type: none"> <li>- Variable remuneration for 2H2020.</li> <li>- Contribution social welfare scheme for the Executive Chairman.</li> </ul>	<ul style="list-style-type: none"> <li>- Executive Chairman. and CEO</li> <li>- CFO.</li> <li>- Head of Panning and Management Control</li> <li>- General Counsel and Secretary of the Board</li> </ul>
11/12/2020	<ul style="list-style-type: none"> <li>- Report on the evaluation of the Committee and the performance of its members.</li> <li>- Report of the Human Resources Department.</li> <li>- 2019-2023 Long-Term Incentive Plan Regulations. Review and approval of objectives. List of beneficiaries of the 2<sup>nd</sup> cycle.</li> <li>- Schedule of dates and agenda of business to be transacted by the Remuneration Committee in financial year 2020 (CNMV's Technical Guide 1/2019 on nomination and remuneration committees</li> </ul>	<ul style="list-style-type: none"> <li>- Executive Chairman and CEO</li> <li>- CFO</li> <li>- CHRO and a member of HR team</li> <li>- General Counsel and Secretary of the Board</li> </ul>

<sup>2</sup>Occasional attendees especially invited by the Committee for the consideration of agenda items were never present at the meeting whenever the business corresponding to the items on the agenda were subject to deliberation and put to vote.

<sup>3</sup>Executive directors did not take part in questions relating to their remuneration

		- External advisors (Willis Towers Watson)
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