REPORT REGARDING AGENDA ITEM 7 OF THE ANNUAL GENERAL MEETING CALLED TO BE HELD ON 12 JULY 2022 ON FIRST CALL AND ON 13 JULY 2022 ON SECOND CALL

The Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) ("**Inditex**" or the "**Company**") issues this report regarding the approval of the novation of the post-contractual non-compete agreement with the former Executive Chairman, which is submitted to shareholders at the Annual General Meeting as agenda item 7 on the proposal of the Remuneration Committee.

This explanatory report intends to give shareholders a better understanding of such agreement. Thus, the report is divided into two parts: (i) the justification and scope of the post-contractual non-compete agreement; and (ii) the legal grounds of the agreement.

I. JUSTIFICATION AND SCOPE OF THE NOVATION OF THE FORMER EXECUTIVE CHAIRMAN'S POST-CONTRACTUAL NON-COMPETE AGREEMENT

Further to the former Executive Chairman's departure from the company (Mr Pablo Isla Álvarez de Tejera), the board of directors approved in its meeting held on 13 December 2021 an offer to novate the Executive Service Agreement that the company entered into with Mr Isla in 2005 (the "**Contract**"), aimed at updating the post-contractual non-compete obligation therein provided.

The Contract included a non-compete obligation whereby Mr Isla agreed not to carry out any activity competing with those of the Company or any other company of the Inditex Group for a 2-year period from the termination of his contractual relationship, in exchange for a consideration set in an amount equal to 1 year of fixed remuneration. This non-compete clause included Mr Isla's obligation to refund such consideration as well as the same amount as penalty in the event of breach of such non-compete obligation.

The Remuneration Committee reviewed such contractual terms and found that both the current compensation and the scope of the non-compete obligation agreed when Mr Isla joined the Company in 2005, which have remained unchanged since then, are outdated in view of the most generalised practices in the market. This entailed a risk for the Company.

In such analysis the Committee considered, on the one hand the evolution of the retail business in the fashion sector, particularly with regard to the irruption of online business, the application of technology to customer relations as well as the incorporation of a new class of competitors in the sector, such as marketplaces, new logistics and distribution systems, etc., - On the other hand, throughout the years, Inditex Group has embarked on a process of global expansion of its different commercial formats with a presence in the five continents and has carried out a process of digital transformation through an integrated offer of online and face-to-face marketing. Moreover, the Company has spent several years adapting its supply chain to the most stringent sustainability standards. Mr Isla's direct involvement in the aforementioned development has positioned him as one of the world's leading experts in the fields of these business areas, and his experience is extremely attractive to any competing company. As evidence of this, Mr. Isla has been recognised as best CEO in the world in 2017 and 2018 by the renowned Harvard Business Review magazine and best CEO of the decade in 2020 by Forbes magazine. In the view of the

Remuneration Committee, if the contractual conditions initially agreed in this respect remain unchanged, a serious strategic risk for the Company will ensue.

Consequently, the Committee considered in the best interest of the Company, to toughen up the terms of the post-contractual non-compete agreement for the purpose of increasing its deterrent effect and better protect the legitimate interests of shareholders.

Within the scope of its duties, the Remuneration Committee has been advised by WTW, an independent consultant in the field of compensation of directors and senior managers, regarding the review of the non-compete agreement, and by law firm Uría Menendez Abogados S.L.P. with regard to the applicable legal issues.

The board of directors resolved in the meeting held on 14 December 2021, on the proposal of the Remuneration Committee, to submit to Mr Isla the offer of Novation of the Contract with the aim of updating the post-contractual non-compete agreement, both in terms of a broader definition of Mr Isla's negative obligation and, commensurately, in respect of the compensation in consideration for this obligation and the multiple applicable to the penalty in the event of breach of such obligation. In particular:

(a) The scope of the non-compete obligation is more broadly defined, to include within the banned activities those that the Company has deemed appropriate including marketing of the same, similar or supplementary range of products as those marketed by the Inditex Group, through online channels and logistic services;

(b) Mr Isla's compensation for his extended non-compete obligation is increased to an amount equal to two (2) years of his aggregate remuneration, calculated on the basis of the fixed remuneration, the annual variable remuneration and the long-term variable remuneration in annualized terms, in accordance with the latest long-term incentive approved, both of them at target level.

    It should be noted that such compensation and the severance pay combined should never be in excess of an amount equal to Mr Isla's maximum aggregate remuneration for two (2) years.

(c) The penalty applicable, together with the refund of the compensation should Mr Isla fail to entirely comply with the non-compete agreement is increased to twice the amount of the compensation received.

The foregoing is understood as "**Novation of the Contract**".

Consequently, the aggregate amount to be paid by the Company in consideration of his post-contractual non-compete obligation amounts to nineteen million seven hundred forty thousand euro (€19,740,000.00) out of which: a) he was paid the sum of three million two hundred fifty thousand euro (€3,250,000.00) within fifteen (15) days of the termination of his contract, i.e. between 1 and 15 April 2022; and b) the remaining amount, i.e., sixteen million four hundred ninety thousand euro (€16,490,000.00) will be paid within fifteen (15) days of the date of the

Annual General Meeting, provided however, that the Novation of the Contract is approved by shareholders.

In any case, the compensation for the non-compete agreement provided in the Novation of the Contract is within the limits of maximum severance pay for termination of the executive directors' relationship with the company provided in the Good Governance Code of Listed Companies approved by CNMV's board on 18 February 2015 and reviewed by such board on 26 June 2020.

II. GROUNDS FOR THE PROPOSED AGREEMENT

Since the amount considered in the Novation of the Contract is higher than the severance pay for termination of executive directors provided in the current Remuneration Policy for FY2021, FY2022 and FY2023 in section 3.5 "Contractual terms" thereof, the proposal on the offer of Novation of Contract, accepted by Mr Isla on 15 March 2022, must be submitted to shareholders at the Annual General Meeting for approval, in accordance with section 529*novodecies*(5) LSC.

Considering the foregoing, the board of directors resolved by unanimous vote to approve this report which will be submitted to shareholders regarding agenda item 7 of the Annual General Meeting called to be held on 12 July 2022 on first call, or on 13 July 2022 on second call.

Done in Arteixo (A Coruña), on 7 June 2022.