REPORT ISSUED BY THE REMUNERATION COMMITTEE OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX S.A.) REGARDING THE MOTION TO AMEND THE DIRECTORS' REMUNERATION POLICY FOR FY2021 TO FY2023, APPROVED AT THE ANNUAL GENERAL MEETING ON 13 JULY 2021.

I. PURPOSE

Pursuant to section 529*novodecies*(4) of the revised text of the Spanish Companies Act ("**Companies Act**" or "**LSC**" *(Spanish acronym)*), article 30.3 (a) of the Articles of Association of Industria de Diseño Textil, S.A. ("**Inditex**" or the "**Company**"), section 17.2(a) of the Board of Directors' Regulations and sections 5.3.(a) and 6(a) of its own terms of reference, the Remuneration Committee shall propose to the Board of Directors the review and update of the directors' remuneration policy, to be submitted to the Annual General Meeting for approval.

Inditex's current directors' remuneration policy in effect for FY2021, FY2022 and FY2023 was approved at the Annual General Meeting held on 13 July 2021, following a substantiated proposal of this Committee, (the "**Remuneration Policy**" or the "**Policy**").

This document is issued pursuant to section 529*novodecies*(1) LSC, according to which any amendment to the directors' remuneration policy while it is in effect shall be previously approved at the Annual General Meeting, be substantiated and accompanied by an explanatory report issued by the Remuneration Committee.

The Remuneration Committee, in the exercise of its duties, has been advised by WTW, an independent consultant specialising in the field of compensation of directors and senior managers, in the definition and design of the Remuneration Policy.

To draft the proposed amendment to the Remuneration Policy, the committee has considered the yardsticks and requirements set out in LSC, the recommendations on remunerations of the Good Governance Code of Listed Companies (GGC) approved by the Spanish National Securities Markets Commission ("CNMV"), as well as voting recommendations of institutional investors and their proxy advisors.

II. DEVELOPMENT

Following the approval of the Remuneration Policy, the Board of Directors passed by unanimous vote in the meeting held on 29 November 2021, following a report of the Nomination Committee a number of resolutions including:

- To acknowledge the resignation tendered by Mr Pablo Isla Álvarez de Tejera as Chairman and member of the board of directors and its Executive Committee, effective as of 31 March 2022. Mr Isla will remain the Chairman of the company until that date.
- To co-opt Ms Marta Ortega Pérez to the board of directors as proprietary director, to fill the vacancy created following the resignation tendered by Mr Isla from his position as Chairman, and to appoint her (non-executive) Chair of the board of directors, effective as of 1 April 2022.

- To acknowledge the resignation tendered by Mr Carlos Crespo González from his position as CEO and member of the board of directors and its Executive Committee and to appoint him as COO & Head of Digital and Sustainable Transformation.
- To acknowledge the resignation tendered by Mr Óscar García Maceiras as General Counsel and Secretary of the board and its committees, and to co-opt him to the board as executive director and CEO.

With Mr Isla's departure and subsequent co-option of Ms Ortega to the board of directors, a generational handover, which had been in the making for a certain time will be completed, piloted by Mr Isla himself and Inditex's founder, controlling shareholder and director, Mr Amancio Ortega Gaona, who were in agreement to ensure that the succession of the Chair takes place in an orderly and planned manner.

The resulting corporate governance model, with two separate roles, that of Chair of the Board of Directors and CEO, and the position of non-executive Chair, are aligned with good corporate governance practices.

In view of the changes to the corporate organizational structure, the Remuneration Committee has deemed it appropriate to amend the Remuneration Policy for the purposes of aligning it with the new organizational structure. If the Board of Directors so resolves, the Directors' Remuneration Policy, as amended, must be approved at the Annual General Meeting as a separate agenda item pursuant to section 529*novodecies* LSC.

The proposed **significant changes to the** Remuneration Policy and the grounds supporting them are explained below:

- Setting a **fixed remuneration** for the **position of (non-executive) Chair of the Board of Directors,** to this date an unpaid position.

  Taking into account the upcoming departure of Mr Isla, and the appointment of a new non-executive Chair of the board, the Remuneration Committee has raised to the board the motion on setting a specific fixed remuneration for the position, which will now become paid, as it has been deemed appropriate that the new duties and responsibilities assumed should be reflected, inter alia, in such compensation.

  In order to propose to the Board of Directors the remuneration for the position of (non-executive) Board Chair, the Remuneration Committee has carried out a reflection exercise in financial year 2022, taking into account the following factors:

  - The intrinsic value of the person holding the position, due to her knowledge of the retail business in the fashion industry and of the Inditex Group, where she has carried out different roles and performed different duties, and her importance from an institutional perspective.

- The special responsibility of the position and the criticality of the duties inherent thereto. Specifically, in addition to the duties inherent to the position of Board Chair, the (non-executive) Chair of the Board of Directors of Inditex will have under her direct responsibility the areas of Internal Audit, General Counsel's Office, and Communication.

- Exclusive and additional dedication with respect to the members of the Board of Directors.

- Recommendations from institutional investors and proxy advisors, as well as general corporate governance recommendations.

- Market practices in relevant European countries. For this purpose, the amounts and remuneration practices for the remuneration of (non-executive) board chairs in the companies that make up the main stock market indices (Ibex-35 in Spain, CAC40 in France, FTSE MIB in Italy, DAX40 in Germany, SMI20 in Switzerland and FTSE 100 in the United Kingdom) have been analyzed.

In view of such analysis, the Remuneration Committee has proposed to the Board of Directors to establish a specific fixed remuneration for the position of (non-executive) Chair of the Board of Directors, amounting on an annualised basis to €900 thousand and which will be paid in cash.

Such remuneration shall be in effect as of the approval of the Remuneration Policy as amended, and the ratification at the Annual General Meeting 2022 of the appointment of Ms Marta Ortega Pérez to the board of directors as proprietary director (required for her to continue her tenure as non-executive Chair of the Board of Directors, effective as of 1 April 2022).

This remuneration is additional to the annual fixed remuneration that directors may receive in their status as such for board membership. No other additional remuneration element and/or compensation will be assigned to the position of non-executive Chair of the Board of Directors.

- **Adjustment** of the **maximum value** of remunerations that the Company may pay on an annual basis to **directors as a whole** in their status as such.

  The Remuneration Policy approved at the Annual General Meeting in 2021 set the current limit of €2,480 thousand as maximum amount of remuneration that may be paid annually by the Company to all directors in their status as such, based on the composition of the Board of Directors and its Committees as at the date of approval of that Remuneration Policy (13 July 2021).

  Taking into account that the position of (non-executive) Chair of the Board of Directors will become a paid position, the annual fixed remuneration being set at €900 thousand a year**,** it is appropriate to increase the **cap** to the **maximum amount** of remunerations to be paid annually to directors as a whole in their status as such to **€ 3,380 thousand**.

- Determine the **total remuneration package** for the CEO for the performance of his duties and responsibilities as chief executive in the new organizational structure of the company, including the terms and conditions of this contract.

  Pursuant to sections 249(3)6&(4), 529*quindecies*(3)(g) and 529*octodecies* LSC, article 30.3 (b) of the Articles of Association, section 17.2 (b) of the Board of Directors' Regulations and sections 5(b) and 6(b) of the terms of reference of the Remuneration Committee, this latter has raised to the board the motion on the remuneration of Mr Óscar García Maceiras for the performance of executive functions.

  In particular:

  - The remuneration package for the CEO includes the same remuneration items set out in the Remuneration Policy approved for the CEO at the Annual General Meeting on 13 July 2021, i.e.: annual fixed remuneration, annual variable remuneration and multi-year variable remuneration, in addition to remunerations in kind, in line with the general policy applicable to company's officers. On the other hand, the new CEO does not participate in any long-term savings scheme.

    This remuneration package is mainly based on two principles: competitiveness and "Pay for Performance." The remuneration package for the CEO must be competitive, neither excessive nor insufficient, to prevent taking unnecessary risks and considering peer benchmarking. At the same time, the Company must ensure that a significant part of the remuneration package is tied to variable items which link remuneration with the achievement of financial and non financial results on a year and on multi-years horizon.

    The Remuneration Committee proposes that the total remuneration of the CEO should be mid-way between the remuneration established in the Policy approved at the Annual General Meeting on 13 July 2021 for the Executive Chairman and the CEO. This level reflects the higher scope of the CEO's position in the new organizational structure versus the prior one.

    - Fixed remuneration has been reviewed to reflect the duties and responsibilities of the position within the new organizational structure. It will amount to €2,500 thousand a year. Such sum which will remain unchanged while the Policy is in effect.

      Based on such proposal, the annual fixed remuneration of the new CEO will amount to €2,500 thousand, provided that the amendment to the Directors' Remuneration Policy is approved and his co-option to the board as executive director is ratified at the 2022 Annual General Meeting. (required for him to continue his tenure as CEO, effective as of last 29 November 2022).
    - The specific amount of the annual variable remuneration (expressed as a percentage of annual fixed remuneration) and the amount of the long-term incentive have remained the same as those set for the CEO in the Remuneration Policy approved at the Annual General Meeting held in 2021.

If the sum of the reviewed fixed remuneration, maximum annual variable remuneration and maximum long-term variable remuneration for a cycle is considered (in accordance with the vesting of the cycle which began in 2021), the total remuneration of the CEO has been reduced by close to 30% compared to that of the former chief executive.

- The terms of the CEO's contract have been updated.

  In the context of Mr Isla's departure from the company, and in order to strengthen the protection of the Company's legitimate interests, the board of directors resolved in the meeting held on 14 December 2021, to submit to the Annual General Meeting, the motion to extend the scope of the post-contractual non-compete obligation provided in the Remuneration Policy, and the related increase of his compensation further to such extension.

  The Remuneration Committee has deemed it appropriate to update as well the terms of Mr García's contract as CEO, as regards the golden parachute and post-contractual non competition clause, to align it to the above referred reality, taking into account:

  - The risks identified in assessing the terms and conditions stipulated for Mr Isla in his initial 2005 contract and in the Remuneration Policy approved at the Annual General Meeting in 2021 for post-contractual non-compete purposes and which have been determined to be insufficient to protect the interests of Inditex.
  - The guidelines of institutional investors and proxy advisors, as well as recommendation 64 of the Good Governance Code of Listed Companies in Spain.
  - Ibex-35 market practice in relation to severance payments and post-contractual non-compete clauses. It was noted in this regard that the most common practice is to provide severance payments equivalent to 2 years of fixed and variable annual remuneration.

  Consequently, the Remuneration Committee has proposed that gross severance pay applicable in the scenarios identified in the Remuneration Policy should be set in an amount equal to the remuneration for 2 years, calculated on the basis of the sum of the CEO's fixed remuneration and annual variable remuneration respectively for the current year. The compensation for post-contractual non compete obligation is deemed to be included in the severance pay for termination.

  The caps to maximum termination payments for executive directors provided in the GGC recommendations are considered in such severance pay.

III. OTHER CONSIDERATIONS

The Remuneration Policy, as amended, **would maintain the fundamental lines** followed in the current remuneration policy, approved at the Annual General Meeting on 13 July 2021 with 98.42% of the votes in favour, and in the former policy, approved at the Annual General Meeting held on 17 July 2018 with 99.38% of votes in favour.

The first directors' remuneration policy was approved in 2005. Since then, the yardsticks of such policy have been taken into account and described in great detail in the Annual Reports on Remuneration of Directors. Likewise, Remuneration Policies have been widely endorsed by shareholders at the advisory say-on-pay votes, and by institutional investors and proxy advisors.

In particular, to draw up the motion on the amendment to the Remuneration Policy, the feedback received from the main shareholders of the company in the regular consultation process that it carries out, as well as their votes and views on the Annual Reports on Remuneration of Directors, has been taken into account.

The Company strives to reach maximum levels of compliance in the field of corporate governance and to align with the interests of its stakeholders.

IV. FINDINGS

The Remuneration Committee considers that the motion to amend the Remuneration Policy is aligned and consistent with regulations, recommendations and best corporate governance practices existing in the market in the field of compensation.

The remuneration of Inditex directors proposed in the motion on the Remuneration Policy (i) is reasonably in proportion to the importance of the Company, is in line with its financial situation and is consistent with market standards at comparable companies; (ii) provides ways to prevent taking unnecessary risks and to effectively manage them; and, (iii) is aligned with the long-term strategic priorities of the Group and the interests of its shareholders and other stakeholders.

Based on the foregoing, the Committee deems it appropriate to raise to the board the motion on the partial amendment to the Remuneration Policy and submit it to the Annual General Meeting for approval as a separate agenda item. The motion on the amendment is attached hereto as Appendix I.

The revised text of the Remuneration Policy, as amended, will supersede that approved at the Annual General Meeting held on 13 July 2021.

The revised text of the 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.

Pursuant to section 529*novodecies*(1) LSC, the Committee draws up this explanatory report on the motion on the partial amendment to the Remuneration Policy, to be submitted to shareholders at the Annual General Meeting.

In Arteixo (A Coruña), on 14 March 2022