



**Annual Report on the Proceedings of the
Remuneration Committee
of Industria de Diseño Textil, S.A. (INDITEX, S.A.)
FY2021**

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1. Foreword

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.

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 adhere to GGC Recommendations, 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.

In particular, 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, and subsequently in 2021 for the purposes of (i) relaxing the system to hold meetings, expressly including the possibility of virtual-only meetings; (ii) extending diversity yardsticks to be considered for its membership, in line with the terms of reference of the remaining board committees.

b. Regulation, 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).

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.

The Remuneration Committee has not been assigned any powers other than those expressly entrusted by statute, and the Recommendations set forth in the Good Governance Code.

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 remaining 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 Shareholders;*
- (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

Structure

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.

The following proceedings relating to membership on the Remuneration Committee were carried out in 2021: the re-election of Mr José Arnau Sierra to the board of directors as non-executive proprietary director was approved at the Annual General Meeting held on 13 July 2021. Further to his re-election to the board, he will continue sitting 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 2022 is as follows:

Name	Position	Directorship type	Date of first appointment
Mr Rodrigo Echenique Gordillo ¹	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 Duran Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015

¹ 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 Nomination and Remuneration Committee since 15 July 2014.

As for the Secretary of the Committee, 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 favourable report of the Nomination Committee, the appointment of Mr Óscar García Maceiras as new General Counsel and Secretary of the board and its committees.

At a later stage, the board of directors resolved in the meeting held on 29 November 2021, to appoint Mr Javier Monteoliva Díaz as General Counsel and Secretary of the board and its committees, replacing Mr García, whose resignation to the position was also acknowledged in such meeting.

Diversity

Pursuant to its own terms of reference, the Remuneration Committee shall be composed of a majority of independent directors, who shall be appointed, as a whole, and in particular its Chair, considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge, including among others, the analysis and strategic assessment of human resources and the design of remuneration policies and schemes for directors and senior managers.

Meanwhile, 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:



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 in 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 and compensation schemes. Additionally, she has chaired and served on a number of remuneration committees in different global companies. 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 is noteworthy, in particular in the field of social action and equality, having led several work groups relating to human capital management or women remuneration.
- 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. He has also served on 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 Pontegadea Group, of which he has been the chief executive since 2001.

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

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

a. Proceedings

The Committee shall meet at least 3 times a year, and each time that its Chair calls it. The Chair of the Nomination 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.

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 or the Secretary. A quorum for committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance.

The Remuneration Committee may also pass resolutions in writing without holding a meeting, pursuant to statutory provisions. Committee meetings can be conducted via videoconference or conference call systems, so that one or more directors may attend the meeting by this system.

The Chair may arrange working meetings to prepare committee meetings on specific topics apart from the formal meetings of the Committee.

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. The committee may rely on external advisors to duly perform the duties it has been entrusted with.

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 3 meetings in 2021.

Directors' attendance rate, whether in person, or by proxy, at the meetings held by the Remuneration Committee in 2021 stands at 100%.

In 2021, the Remuneration Committees held hybrid meetings (with some directors attending in person and others remotely). Videoconference or conference call systems were used to hold such meetings.

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

Attached hereto as [Appendix I](#) is the schedule of meetings held and business transacted by the Remuneration Committee from 1 February 2021 through 31 January 2022.

4. Main action lines

In 2021, 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 8 March 2021 to give a favourable report and submit to the board of directors:

- The proposal on the remuneration of the former Executive Chairman and the former CEO for the performance of executive functions in 2021, with regard to the amount and the remaining terms thereof. Such proposal was approved by the Board of Directors on 9 March 2021.

- The assessment of the level of achievement of the targets tied to the annual variable remuneration of the former Executive Chairman and the former CEO for financial year 2020. The Board of Directors assessed the achievement of such targets in the meeting held on 9 March 2021, considering the extraordinary situation derived from the global COVID-19 pandemic.
- The basic terms of the employment contract of Mr Óscar García Maceiras in his former position as General Counsel and Secretary of the Board and to submit it to the board for approval. The Board of Directors approved such contract on 9 March 2021.

Likewise, in the meetings held on 8 March and 7 June 2021, the committee resolved to give a favourable report and submit to the board of directors the economic terms of the termination of 2 senior managers' employment relationship.

Last, in the meeting held on 13 December 2021, the committee resolved to give a favourable report and submit to the board of directors:

- The proposal to novate Mr Pablo Isla Álvarez de Tejera's contract in order to strengthen the post-contractual non-compete clause therein included and to compensate him for his departure. The Board of Directors approved such motion at its meeting held on 14 December 2021 and further resolved to submit the offer of novation of such contract to Mr Isla and, if accepted, to submit it to the shareholders for approval at the Annual General Meeting in 2022.
- The proposal on the basic conditions of the new executive services contract of the current Chief Executive Officer.

Both proposals were approved by the Board of Directors in the meeting held on 14 December 2021.

B. Duties relating to the remuneration and the remuneration policy for directors and senior managers

The committee resolved in the meeting held on 7 June 2021 to give a favourable report to the proposal on the new Remuneration Policy for Directors for FY2021, FY2022 and FY2023, to be assessed and approved by the board of directors and subsequently put to an advisory say-on-pay vote at the 2021 Annual General Meeting.

The Policy was approved at the Annual General Meeting held on 13 July 2021.

C. Share-based remuneration schemes

In the meeting held on 7 June 2021, the Remuneration Committee reviewed the following up and the evaluation of the level of achievement of targets associated with certain metrics of the 2019-2023 Long-Term Incentive Plan.

In that same meeting, the Remuneration Committee further resolved to give a favourable report and submit the proposal on the design of the 2021-2025 Long-Term Incentive Plan, for evaluation and approval by the Board of Directors and subsequent submission to the binding vote at the Annual

General Meeting in 2021. The Plan was approved by the board of directors in the meeting held on 8 June 2021 and at the Annual General Meeting held on 13 July with 99.43% of votes in favour.

In this regard, the committee resolved in the meeting held on 13 December 2021 to give a favourable report and submit to the board for approval, the proposal on the performance scales for the first cycle (2021-2024) of the 2021-2025 Long-Term Incentive Plan for each metric and the favourable report to the draft Plan Regulations. Such Plan Regulations were approved by the board of directors in the meeting held on 14 December 2021. In that same meeting, the committee acknowledged the list of beneficiaries of such first cycle.

D. Annual Report on Remuneration of Directors for 2020

The Remuneration Committee resolved in the meeting held on 8 March 2021 to raise the 2020 Annual Report on Remuneration of Directors to the board of directors for approval, which it did in the meeting held on 9 March 2021.

Such report was submitted to CNMV as a relevant fact and is available on CNMV's website.

Additionally, pursuant to section 541 LSC, the 2020 Annual Report on Remuneration of Directors was approved at the Annual General Meeting held on 13 July 2021, having been put to an advisory say-on-pay vote.

E. 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 13 December 2021 the schedule of dates and agenda of business to be transacted by the Committee in 2022.

F. Report on its proceedings

The Remuneration Committee issued the annual report on its proceedings on 7 June 2021. It was published in the 2020 Annual Report and is available on the corporate website.

5. Main relations of the Remuneration Committee

A. With the General Meeting of Shareholders

The Committee reports to the General Meeting of Shareholders on the questions raised by the shareholders regarding matters that fall within its purview. The Chair of the Nomination Committee will appear at the General Meeting to this end.

In addition, this Report is made available to shareholders at the time the Annual General Meeting is called.

B. With the Board of Directors

At the beginning of each meeting of the Board of Directors, 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.

Likewise, pursuant to the Group's internal regulations, the Remuneration Committee works jointly with the Audit and Compliance and the Sustainability Committees, mainly in the assessment of the achievement of targets relating to variable remuneration.

D. With the Chair, the CEO and Senior Managers

For the purposes of allowing the Nomination Committee to be directly apprised of the major business concerns, the Committee encourages the presence in its meetings of the former Executive Chairman, the outgoing and the current CEO and the officers and heads of the business areas of the Company, so that they would explain their view on certain issues directly linked with its area of responsibility.

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, research 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 2021 by Willis Towers Watson, an independent consultant in the field of directors' and executives' remunerations, regarding the preparation of the Annual Report on Remuneration of Directors for 2020, the design of the 2021-2025 Long-Term Incentive Plan and the consideration of remuneration implications resulting from the departure of the Executive Chairman. With regard to this last issue, the Remuneration has also been advised by Uria Menéndez law firm, which has provided legal advice on corporate governance and post-contractual non-compete agreements.

Other than this specific engagement, Willis Towers Watson and Uría Menéndez have 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 529nonies 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 2021.

The findings of the evaluation conducted in 2021 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 Annual Report on the Proceedings of the Remuneration Committee.

8. Significant deviations

No significant deviations from corporate procedures on remuneration adopted by the Company have been noted in 2021.

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 GGC recommendations, and are aligned with existing best practices in the field of corporate governance.

10. Date of issue

This report has been issued by the Remuneration Committee on 6 June 2022.

MEETING DATE	MAIN BUSINESS TRANSACTED	INDITEX OCCASIONAL ATTENDEES ²
8 March 2021	<ul style="list-style-type: none"> - Basic terms and conditions of the senior management contract to be executed with the new General Counsel and Secretary of the Board (sec. 5 3(c) of the Remuneration Committee's Regulations and sec. 17.2(c) of the Board of Directors' Regulations. - Remuneration of executive directors. - Remuneration of Senior Managers. - Annual Report on Remuneration of Directors. 	<ul style="list-style-type: none"> - Executive Chairman and CEO³. - CHRO. - General Counsel and Secretary of the Board.
7 June 2021	<ul style="list-style-type: none"> - Motion on the new Directors' Remuneration Policy for FY2021, FY2022 and FY2023 and explanatory report. - 2019-2023 Long-term Incentive Plan. Targets amendment. - Motion on the new 2021-2025 Long-Term Incentive Plan. - Terms of termination of senior manager employment agreement. - Internal regulations: Report on the motion to amend the Remuneration Committee's Regulations. 	<ul style="list-style-type: none"> - Executive Chairman and CEO. - CFO. - General Counsel and Secretary of the Board. - CHRO.
13 December 2021	<ul style="list-style-type: none"> - Report on the evaluation of the Committee and the performance of its members. - Termination of contracts and new contracts resulting from the Company's reorganization, as resolved by the 	<ul style="list-style-type: none"> - Executive Chairman and CEO. - CFO. - CHRO.

² 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.

³ Executive directors did not take part in questions relating to their remuneration.

	<p>Board of Directors in the meeting held on 29 November 2021</p> <ul style="list-style-type: none"> - 2021-2025 Long-term Incentive Plan. Draft Regulations. Delegation of powers. - List of beneficiaries of the first cycle (2021-2024) of the 2021-2025 Long-term Incentive Plan addressed to members of management, including executive directors, and other Inditex Group employees. - Schedule of dates and business to be transacted by the Remuneration Committee in 2022. 	<ul style="list-style-type: none"> - General Counsel and Secretary of the Board. - External advisors (<i>Willis Towers Watson</i>).
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