INDITEX

Annual report on the proceedings of the

Remuneration Committee

FY2022

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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 pursuant to Recommendation 6 of the Good Governance Code of Listed Companies approved by the Spanish National Securities Market Commission ("CNMV") on 18 February 2015 and amended in part by a resolution of CNMV's board of directors passed 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

2.1. Origin and evolution

The current Remuneration Committee originates in the defunct Nomination and Remuneration Committee. Following recommendation 48 GGC, the Board of Directors resolved at 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, a Remuneration Committee and a Nomination Committee was finally approved.

Since then, the board of directors has been amending its corporate regulations regarding the proceedings and composition of the Remuneration Committee, in line with regulatory developments, recommendations and existing best practices in the field of corporate governance, and to align its duties and composition with the size and status of the Group and its governing bodies from time to time.

The Remuneration Committee's Regulations were amended in 2022 for the purposes of reflecting the clear separation of duties assigned to the Chair from those assigned to the CEO as chief executive of the Company, thus preventing any risk of confusion regarding the profile and role of the new non-executive Chair.

2.2. 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).

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:

- *"To propose to the Board of Directors the remuneration policy for directors and senior managers, its review and regular update.*
- *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;*
- *To propose to the Board of Directors the basic terms and conditions of the contracts of senior managers;*
- *To verify that the remuneration policy fixed by the Company is observed; and*
- *To ensure that no potential situation of conflict of interest would affect the independence of the external advice given to the Committee."*

In turn, 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:

- *To regularly review the remuneration policy for directors and senior managers, 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;*
- *To predetermine a transparent process for the drafting of the proposal of the remuneration policy for directors and senior managers;*
- *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;*
- *To guarantee that the individual remuneration for each director or senior executive is proportional to that of the remaining directors and senior managers;*
- *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;*
- *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;*
- *To assess the level of achievement of yardsticks and targets set for the previous year for the purposes of determining the proposal on individual remuneration, including the variable components thereof;*
- *To verify that the remuneration policy is duly enforced;*

- *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*
- *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 on results, where such items have been paid on the basis of information clearly shown later to be inaccurate, the termination of the relationship with the relevant director(s) and the lodging of the relevant claims*

2.3. Composition

2.3.1. Structure

Pursuant to article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and section 7 of its own 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. Its Chair shall be appointed by the board out of its independent members.

Members of the Remuneration Committee shall be in office for a 4-year term at the end of which they will be eligible for re-election.

In 2022, Mr Rodrigo Echenique Gordillo has been re-elected as member and chair of the Committee, following his re-election to the board as independent director at the Annual General Meeting.

Consequently, the composition of the Remuneration Committee as of 31 January 2023 is as follows:

Name	Position	Directorship type	Date of first appointment
Mr Rodrigo Echenique Gordillo[1]	Chair	Independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Independent	19-07-2016
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Affiliate[2]	17-07-2018
Mr José Luis Duran Schulz	Ordinary member	Independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	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.

[2] In July 2022, Mr Emilio Saracho Rodríguez de Torres ceased to be an independent director as this month marked the 12th anniversary since he was first elected as a director. The board of directors resolved at the meeting held on 7 June 2022 to retain Mr Saracho on the board as "affiliate".

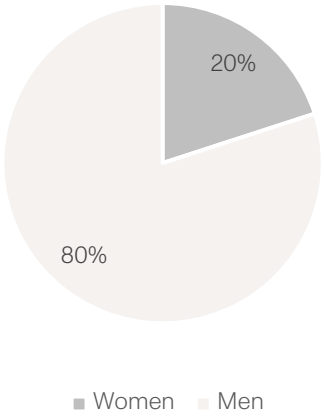
Mr Javier Monteoliva Díaz, General Counsel and Secretary of the Board, acts as Secretary non-member of the Remuneration Committee.

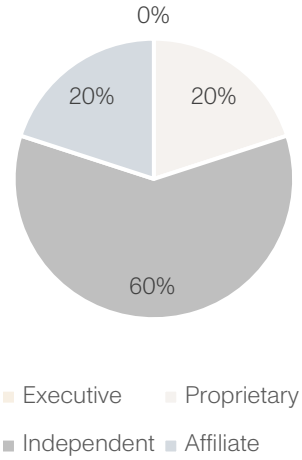
2.3.2. Diversity

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 their 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 the provisions of section 5.1.2 of the "*Diversity of Board of Directors Membership and Directors' Selection Policy*" (formerly, the "*Director Selection Policy*") and section 7.4 of the Remuneration Committee's Regulations, the Board of Directors shall encourage a diverse membership on the committee in terms of professional experience, competences, 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.

In terms of gender and directorship type diversity, the composition of the Remuneration Committee as of 31 January 2023 is as follows:





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 fashion 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 Remuneration Committee, with full information about their profile, experience and knowledge, is available on the corporate website (www.inditex.com).

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

3.1. Proceedings

The Committee shall meet at least three (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 Chair would request the issue of a report or the submission of proposals, and in any case whenever it is appropriate to be effective.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be signed by the Chair or the Secretary. A quorum for committee meetings shall be declared when at least half plus one of its members attend in person or by proxy. The committee may also pass resolutions in writing, without holding a meeting, pursuant to section 12.2 of the Remuneration Committee's Regulations.

Committee meetings may also be held via videoconference, conference call, or any other equivalent system allowing to recognize and identify attendees and for them to communicate, speak and cast vote, all of it in real time.

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 prepares an annual working plan that shall include at least the annual schedule of its 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.

3.2. Activities: meetings held, business transacted and reports

The Remuneration Committee held five (5) meetings in 2022.

Directors' attendance rate, whether in person, or by proxy, at the meetings held by the Remuneration Committee in 2022 stands at 100%.

In 2022, the Remuneration Committee has held both in-person and hybrid meetings (with some directors attending in person and others remotely). Videoconference or conference call systems were used to hold such meetings.

The duration of committee meetings was changing. 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 2022 through 31 January 2023.

4. Main action lines

In 2022, the main lines of action of the Remuneration Committee have focused on the following:

4.1. Remuneration of executive directors and Senior Managers

With regard to the outgoing Executive Chairman and CEO:

The Remuneration Committee resolved at the meeting held on 14 March 2022 to submit to the board of directors:

- The assessment on the level of achievement of the targets set for variable remuneration in FY2021 for the former Executive Chairman and CEO, Messrs. Isla and Crespo, respectively and the proposal on the aggregate remuneration earned by each of them. The board of directors approved the level of target achievement and of relevant incentive payment at its meeting held on 15 March 2022.
- With regard to the departure of the former Executive Chairman, Mr Isla, the proposal for the early settlement of: (i) the current long-term incentives, i.e. the second cycle (2020-2023) of the 2019-2023 Plan and the first cycle (2021-2024) of the 2021-2025 Plan; (ii) the annual variable remuneration for 2022 for the period running between 1 February and 31 March 2022 (after assessing the target it was tied to); and (iii) the portion of the fixed remuneration for FY2022 earned as extra wage payments (July and December).

The above referred proposals for the early settlement of incentives and other remuneration items were approved at the board meeting held on 15 March 2022.

With regard to the new CEO:

Likewise, the Remuneration Committee also resolved at the meeting held on 14 March 2022 to submit to the board of directors:

- The assessment of the level of achievement of the targets set for variable remuneration in FY2021 (approved in 2020) and the proposal on the aggregate remuneration earned by the CEO for that year.
- The proposal on the new full compensation package for the CEO for the performance of his duties and

responsibilities as the company's chief executive in the new organisational structure, including the terms of his contract, for FY2022.

The board of directors approved the proposals on Mr García's remuneration and the terms of his new contract at its meeting held on 15 March 2022.

The committee resolved at the meeting held on 12 September 2022 to submit to the board of directors the proposal on the basic terms of Mr García's new executive services contract, aligned with the Directors' Remuneration Policy as amended, approved at the Annual General Meeting on 12 July 2022. Such Policy included the new compensation package for the CEO for the performance of his functions and responsibilities as the only executive director in the new organisational structure.

The contract was approved at the board meeting held on 13 September 2022.

With regard to the remuneration of the other directors and the new non-executive Chair:

At the meeting held on 14 March 2022, the committee further resolved to submit to the board the proposal on the fixed remuneration specific to Ms Ortega for the performance of her duties as non-executive Chair of the board, considering her new functions and responsibilities.

The committee also raised to the board the proposal for increasing the maximum limit for directors' remuneration covered in the Directors' Remuneration Policy.

With regard to Senior Managers:

At the year-end meeting held in March 2022, the committee gave a favourable report to and submitted to the board the proposal on the remuneration earned by Senior Managers for FY2021 and the yardsticks to determine remuneration for FY2022.

Last, at its meeting held on 12 December 2022, the Remuneration Committee resolved to give a favourable report and submit to the board of directors the economic terms arising from Mr Crespo's termination with the Company. Such terms were approved at the board meeting held on 13 December 2022.

4.2. Powers relating to the directors' remuneration policy

The committee resolved at the meeting held on 14 March 2022 to give a favourable report to the proposal for the amendment to the Directors' Remuneration Policy for FY2021, FY2022 and FY2023 to be considered and approved by the board of directors and subsequently put to an advisory vote at the 2022 Annual General Meeting.

Such amendment was approved at the Annual General Meeting held on 12 July 2022.

4.3. Powers relating to the long-term variable remuneration

2019-2023 Long-Term Incentive Plan

The committee approved at the meeting held on 14 March 2022 the assessment of the level of target achievement for the first cycle (2019-2022) of the 2019-2023 Plan to which the CEO's remuneration for FY2022 was tied. The board of directors assessed the achievement of such targets at the meeting held on 14 March 2022.

The committee assessed the impact of the conflict between Russia and Ukraine on the terms of the Plan. Subsequently, at the meeting held on 12 December 2022, the Remuneration Committee reviewed the follow-up and evaluation of the level of achievement of targets associated with certain metrics of the second cycle

(2020-2023) of the 2019-2023 Plan.

2021-2025 Long-Term Incentive Plan

The committee approved at the meeting held on 12 December 2022 the proposals on a new peer group and the new methodology to calculate Relative TSR and the performance scales for each metric for the second cycle (2022-2025) of the 2021-2025 Plan. The committee gave a favourable report to the proposed wording of Appendix III to the Plan Regulations. The above proposals and the wording of Appendix III to the Plan Regulations, above referred, were approved at the board meeting held on 13 December 2022. In that same meeting, the committee acknowledged the list of beneficiaries of this first cycle.

4.4. 2021 Annual Report on Remuneration of Directors

The Remuneration Committee resolved at the meeting held on 13 March 2022 to raise the 2021 Annual Report on Remuneration of Directors to the board of directors for approval, which it did at the meeting held on 14 March 2022.

Said report was disclosed to CNMV as Other Relevant Information (OIR *(Spanish acronym)*) and is available on CNMV's website. Additionally, pursuant to section 541 LSC, the 2021 Annual Report on Remuneration of Directors was approved at the Annual General Meeting held on 12 July 2022, having been put to an advisory say-on-pay vote.

4.5. Internal regulations

At its meeting held on 12 May 2022, the Committee gave a favourable report to the proposal for the partial amendment to its terms of reference, to align them with the changes to the Company's organisation and ensure the clear separation of duties assigned to the Chair from those assigned to the CEO, as chief executive of the Company, thus preventing any risk of confusion regarding the profile and role of the new non-executive Chair.

Such amendment was approved at the board meeting held on that same day.

4.6. 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 12 December 2022 the schedule of dates and agenda of business to be transacted by the Committee in 2023.

4.7. Annual report on its proceedings

The Committee issued on 6 June 2022, the annual report on the proceedings it carried out throughout 2021, which is available on www.inditex.com.

5. Main relations of the Remuneration Committee

5.1. With the General Meeting of Shareholders

The Chair of the Committee attends the Annual General Meeting to answer the questions raised by shareholders regarding matters that fall within its purview.

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

5.2. 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.

5.3. With board committees

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

5.4. With the CEO and Senior Managers

For the purposes of allowing the Remuneration Committee to be directly apprised of the Company's business concerns, the CEO was in attendance at its meetings in 2022, mainly to report on the degree of achievement of the targets to which long-term variable remuneration is tied, and to review the impact the Russia and Ukraine conflict has on them. The presence at its meetings of other officers and heads of the business areas of the Company is encouraged where necessary, so that they would share their view on certain issues directly linked with its area of responsibility.

In particular, the Chief People Officer[3] regularly reports to the Committee on the changes to global compensation systems, if any, annual pay review for Senior Managers (and, if appropriate, to report on the outcome of the executive salary benchmarking) and the review of the guidelines on pay increase for each country, the summary of annual increases carried out and global talent management schemes.

In turn, the CFO is in attendance at committee meetings to report, inter alia, on the accounting aspects associated with long-term incentive plans and the level of achievement of the targets predetermined, the level of alignment of annual variable remuneration metrics with the budget, etc.

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

5.5. With the Lead Independent Director

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

5.6. 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 2022 by Willis Towers Watson, an independent consultant in the field of directors' and executives' remunerations, with regard to (i) drafting the 2021 Annual Report on

[3] Formerly known as Chief Human Resources Officer.

Remuneration of Directors, (ii) the design of the second cycle (2022-2025) of the 2021-2025 LTIP, (iii) the remuneration benchmarking for non-executive chairs of board of directors of the companies that comprise the main stock exchanges indices, and (iv) the review on the external competitiveness of the overall remuneration of the chief executive at a number of peer groups.

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* LSC, 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 2022.

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 GGC Recommendations, 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 on audit committees at public-interest entities 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 2022.

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 5 June 2023.

APPENDIX I

Meeting date	Main business transacted	Inditex occasional attendees[4]
14/03/2022	/ Directors' remuneration. / 2021 Annual Report on Remuneration of Directors. / Explanatory report in support of the motion to amend the Remuneration Policy. / Remuneration of Senior Managers. / Report of the Human Resources Department.	/ CEO[5]. / Former Executive Chairman. / Chief People Officer. / General Counsel and Secretary of the Board. / External advisors (*Willis Towers Watson).*
12/05/2022	/ Proposal to amend the Remuneration Committee's Regulations.	/ General Counsel and Secretary of the Board.
06/06/2022	/ Annual Report on the Proceedings of the Remuneration Committee.	/ General Counsel and Secretary of the Board.
12/09/2022	/ New executive director's service agreement with the CEO. / Status of the Long-Term Incentive Plan.	/ CEO. / General Counsel and Secretary of the Board.

[4] 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.

[5] Executive directors did not take part in questions relating to their remuneration.

Meeting date	Main business transacted	Inditex occasional attendees[4]
12/12/2022	/ Second cycle (2022-2025) of the 2021-2025 Long-Term Incentive Plan. / Report on the evaluation of the Remuneration Committee. / Schedule of dates and business to be transacted by the Nomination Committee in 2023.	/ CEO. / CFO. / Chief People Officer. / General Counsel and Secretary of the Board. / External advisors (*Willis Towers Watson).*

INDITEX