

**REMUNERATION COMMITTEE'S REGULATIONS**

**INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.)**

**APPROVED BY THE BOARD OF DIRECTORS ON 16  
JULY 2019**

**TABLE OF CONTENTS**

**CHAPTER I. PRELIMINARY..... 3**

    Section 1. Nature and purpose..... 3

    Section 2. Priority and interpretation..... 3

    Section 3. Approval and amendment..... 3

    Section 4. Compliance and dissemination..... 3

**CHAPTER II. MISSION AND POWERS OF THE COMMITTEE ..... 4**

    Section 5. Mission of the Committee ..... 4

    Section 6. Powers relating to remuneration and remuneration policy for Directors and Senior Executives ..... 5

**CHAPTER III. COMPOSITION OF THE COMMITTEE ..... 6**

    Section 7. Composition and offices..... 6

    Section 8. Terms of office ..... 7

    Section 9. Dismissal ..... 7

**CHAPTER IV. PROCEEDINGS OF THE COMMITTEE..... 7**

    Section 10. Committee Meetings ..... 7

    Section 11. Quorum..... 8

    Section 12. Place of meeting ..... 8

    Section 13. Attendance ..... 9

    Section 14. Resolutions ..... 9

**CHAPTER V. POWERS OF THE COMMITTEE AND DUTIES OF ITS MEMBERS ..... 9**

    Section 15. Powers and Advice ..... 9

    Section 16. Duties of Committee members..... 10

    Section 17. Conflicts of interest ..... 10

**CHAPTER VI. RELATIONS OF THE COMMITTEE ..... 10**

    Section 18. Relations with the General Meeting of Shareholders..... 10

    Section 19. Relations with the Board of Directors ..... 10

    Section 20. Relations with the Chairman of the Board of Directors and with the Chief Executive ..... 11

## **CHAPTER I. PRELIMINARY**

### **Section 1. Nature and purpose**

1. These Regulations seek to determine the guidelines for action of the Remuneration Committee within the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (the “**Company**”), the basic rules of its organization and proceedings and the standards of conduct for its members.
2. Pursuant to the Company’s corporate governance system, the Board of Directors has set up the Remuneration Committee (the “**Committee**”), a permanent internal consulting and advisory body, without executive duties, with information, oversight, advisory and proposal-making powers within its scope of action, which shall be governed by the provisions set forth in statute, the Articles of Association, the Board of Directors’ Regulations and in these Remuneration Committee’s Regulations, (the “**Regulations**”).

### **Section 2. Priority and interpretation**

1. These Regulations further develop and complement the provisions of statute, the Articles of Association and the Board of Directors’ Regulations which apply to the Committee and which shall prevail in case of inconsistency with the provisions of the former.
2. These Regulations shall be construed pursuant to statute, the Articles of Association and the Board of Directors’ Regulations, as well as to the recommendations on corporate governance of Spanish listed companies and the best corporate governance practices applied in the countries around Spain, from time to time in force.
3. In the absence of a specific rule and to the extent that they are not incompatible with the nature of the Committee, the provisions of the Board of Directors’ Regulations regarding the proceedings of the Committee and namely, calling of the meetings, granting of proxy to another director, quorum, conduct of meetings and system for passing resolutions, casting of votes in writing without a meeting, and approval of the minutes shall apply to the Committee.
4. The settlement of any doubts arising from or in connection with the enforcement of these Regulations falls on the Board of Directors pursuant to the general criteria used for the interpretation of legal rules and taking into account the purpose of the Committee.

### **Section 3. Approval and amendment**

1. The power to approve or amend these Regulations falls on the Board of Directors, at its own behest, at the behest of its Chairman or at the behest of the Committee.

2. The motion to amend these Regulations at the behest of the Committee shall be accompanied by the relevant memorandum in support of such amendment.
3. The text of the motion approved and, where appropriate, the memorandum in support drafted by the Committee shall be made available to the directors prior to the meeting of the Board of Directors in which the amendment of these Regulations is to be deliberated on.

#### **Section 4. Compliance and circulation**

1. Committee members, as well as the remaining members of the Board of Directors to the extent they are affected, are bound to know, comply with and enforce these Regulations, for which purpose they shall be posted on the Company's website.
2. Additionally, the Committee shall ensure compliance with these Regulations and take all appropriate steps so that they are duly circulated within the Company and its subsidiaries (the "Group").

### **CHAPTER II. MISSION AND POWERS OF THE COMMITTEE**

#### **Section 5. Mission of the Committee**

1. The main mission of the Committee is to contribute to attracting and retaining the talent of the Company through remuneration policies applying to the directors and senior executives.
2. In the discharge of its powers, the Committee shall take into account the following basic principles of action:
  - (i) independence as regards instructions and relations with third parties that may compromise the activity of the Committee;
  - (ii) a constructive dialogue that fosters the freedom of speech of its members and encourages the diversity of opinions;
  - (iii) regular and timely dialogue with the Chairman of the Board of Directors, the Chief Executive Officer and other executive directors, if any, and with the Lead Independent Director; and
  - (iv) required analytical skills, employing for such purposes external advisors where this is deemed necessary for the appropriate discharge of its duties, namely relating to technical or particularly relevant issues.
3. Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Remuneration Committee shall have the following basic responsibilities:
  - (a) To propose to the Board of Directors the remuneration policies for directors and senior executives 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 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 of the senior executives contracts;
- (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.

#### **Section 6. Powers relating to remuneration and remuneration policy for directors and senior executives**

With regard to the remuneration and the remuneration policy for directors and senior executives, 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 adequate risk management and control;
- (b) To predetermine a transparent process for drafting the proposal of the remuneration policy for directors and senior executives;
- (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 executives;
- (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 contracts of executive directors and senior

- executives and verify that they are consistent with the applicable remuneration policies;
- (g) To assess the level of achievement in respect of the 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 executives 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 refund 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.

### **CHAPTER III. COMPOSITION OF THE COMMITTEE**

#### **Section 7. Composition and offices**

1. The Committee shall be made up of a number of non-executive directors no fewer than three nor more than seven, the majority of whom shall be independent.
2. Committee members shall be appointed by the Board of Directors after report of the Nomination Committee.

The Board of Directors shall endeavour to ensure that Committee members, and in particular the Chair, have the appropriate expertise, qualifications and experience to discharge the duties they are called upon to perform, including, among others, the analysis and strategic assessment of human resources and the design of remuneration policies and plans for directors and senior managers.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

3. The Board of Directors shall appoint a Chair from among the independent directors sitting on the Committee, ensuring that he/she is sufficiently qualified and available.
4. The Board of Directors shall also appoint a Secretary of the Committee, who needs not be a member of the Board of Directors or of such Committee; in which case, the

Secretary shall have the right to speak but not to vote.

**Section 8. Terms of office**

1. Committee members shall hold their office while they remain as directors of the Company, except if the Board of Directors resolves otherwise.
2. Committee members who are re-elected as directors by the Company by resolution of the General Meeting of Shareholders shall remain in their office within the Committee, without the need for a new election, without prejudice to the power of revocation that lays with the Board of Directors.

**Section 9. Dismissal**

Committee members shall vacate office:

- (a) When they cease to be directors of the Company;
- (b) When they cease to be external directors, even if they continue as directors of the Company; or
- (c) By resolution of the Board of Directors.

**CHAPTER IV. PROCEEDINGS OF THE COMMITTEE**

**Section 10. Committee Meetings**

1. The Committee shall meet at least three times a year and each time that the Chair calls it. The Chair of the Board of Directors shall call the Remuneration Committee each time that the Board of its Chairman requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever this is suitable for the successful performance of its functions. At any rate, it shall meet to prepare the information about the remuneration of directors and senior executives that the Board of Directors has to approve and include in its annual public documentation.
2. The Committee shall also meet when so requested by at least one third of its members; in such case, the meeting shall be called by the Chair to be held within fifteen days of the request
3. Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized by the signature of the Chair or the Secretary. The notice calling the meeting shall be given at least three days in advance. The agenda of the meeting must be included in the notice calling the meeting, and the relevant information duly summarized and prepared must be provided with the notice.

4. The Chair may call extraordinary meetings when, in his/her view, the circumstances so justify; in such cases the notice period and the remaining requirements laid down in the above paragraph shall not apply

Working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee, may also be arranged by the Chair.

5. 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. Likewise, the Committee shall, as far as possible, endeavour to provide for the possibility of having external advisors, and shall set out the corresponding training plan for them to correctly execute their duties.

### **Section 11. Quorum**

1. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. In the event of an uneven number of directors, a quorum for the Committee meeting shall be declared when the whole number of directors immediately above half attends.
2. Directors shall make their best efforts to attend the meetings of the Committee and, whenever they cannot attend in person, they shall endeavour to grant proxy to another member of the Committee, with the relevant instructions, informing thereof the Chair of the Committee.
3. Without prejudice to the foregoing, a valid quorum for Committee meetings shall be declared if all its members, present or represented, unanimously accept to hold the meeting.

### **Section 12. Place of meeting**

1. Meetings of the Committee shall be held at the place designated in the notice calling the meeting.
2. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to the provisions of statute. Likewise, meetings of the Committee may be held via videoconference or conference call, so that one or more directors may attend the meeting by this system. For such purposes, the notice calling the meeting of the Committee shall state, in addition to the place of the meeting, where the Secretary of the Committee shall be present, the possibility that the meeting may be attended via conference call, videoconference or equivalent system, and the technical means required for such purpose, which shall, at any rate allow the instant and direct communication between the members in attendance, shall be stated and made available. The Secretary of the Committee shall record in the minutes of the meetings held by these means, not only the members who attend in person or, where appropriate, by proxy granted to another director, but also those members attending the meeting via conference call, videoconference or similar system.



**Section 13. Attendance**

Members of the management or of the staff of the Company shall be bound to attend the meetings of the Committee and to provide them with assistance and access to the information available to them when the Committee so requests.

**Section 14. Resolutions**

1. Except in those cases where a larger majority is required by statute, the Articles of Association, the Board of Directors' Regulations or these Regulations, resolutions shall be passed by an absolute majority of the votes of the members present at the meeting. In case of equality, the Chair shall have a casting vote.
2. All deliberations and resolutions passed by the Committee shall be entered into a Book of Minutes. Minutes shall be signed by the Chair and the Secretary, or by the person acting in their stead in the meeting to which the minutes refer. Copies and certificates of the minutes shall be authorized and issued by the Secretary with the approval of the Chair, or by the persons acting in their stead.
3. The Committee, through its Chair, shall inform the Board of Directors of all business transacted and all decisions made, reporting its proceedings and the work done to the first meeting of the Board of Directors to be held afterwards. Likewise, a copy of the minutes of the meetings of the Committee shall be made available to all of the directors

**CHAPTER V. AUTHORITIES OF THE COMMITTEE AND DUTIES OF ITS MEMBERS**

**Section 15. Authorities and advice**

1. The Committee may, through the Secretary of the Board of Directors, have access to any information or documentation available to the Company relating to matters within the remit of the Committee and which it deems necessary to perform its duties.
2. For the better discharge of its duties, the Committee may seek the advice of external experts, and for such purpose, the provisions of the Board of Directors' Regulations on this issue shall apply.
3. The Committee shall set up an induction programme for new members that ensures a minimum and streamlined knowledge of the business and organizational model of the Company as well as its strategy and the scope of supervision of the Committee, which facilitates their active participation from the outset.

Such induction programme shall cover at least: (i) the role of the Committee, its responsibilities and objectives; (ii) the proceedings of all other board committees; (iii) the expected time of dedication for each officer on the Committee; (iv) an

overview of the business and organizational model of the Company, its strategy and powers, and the knowledge and experience that directors must have; and, (v) the reporting obligations of the Company.

Likewise, the Committee shall arrange periodic training sessions that it considers appropriate for new members to properly carry out their duties.

#### **Section 16. Duties of Committee members**

1. Committee members must act with independence of judgment and action with respect to the rest of the organization and carry out their duties with the utmost diligence and professional competence.
2. Committee members are subject as such to all the duties of directors set forth in the Board of Directors' Regulations, to the extent that they are applicable to the responsibilities discharged by the Committee.

#### **Section 17. Conflicts of interest**

When the business to be transacted during the meetings of the Committee directly affect any of its members, or persons related thereto, and, in general, when such member is involved in a situation of conflict of interest, the proceedings provided for such purpose in the Board of Directors' Regulations shall be followed.

### **CHAPTER VI. RELATIONS OF THE COMMITTEE**

#### **Section 18.- Relations with the General Meeting of Shareholders**

1. The Committee shall inform the General Meeting of Shareholders of those questions raised therein by the shareholders regarding matters that fall within its remit.
2. The annual report on the activities of the Committee referred to in the following section shall be made available to the shareholders and investors with the notice calling the Annual General Meeting.

#### **Section 19. Relations with the Board of Directors**

1. The Chair of the Committee shall inform the Board of Directors of the business transacted and the resolutions passed during its meetings, pursuant to the provisions of section 14 hereof.
2. The requests for motions or reports from the Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee shall consider the recommendations made by the Chairman, the members of the Board of Directors and the Company's shareholders.

3. Within the first six months following the close of the financial year, the Committee shall submit to the Board of Directors for approval an annual report on its activities during the previous year.

**Section 20. Relations with the Executive Chairman, the Chief Executive Officer and other executive directors, if any, the Management and other employees**

For the purposes of ensuring the appropriate discharge of its duties, the Committee shall have regular contact with the Executive Chairman, the Chief Executive Officer and other executive directors, if any, the Management and any other employees, and it may request their presence at its meetings.

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.

\* \* \*