

ANNUAL REPORT ON
DIRECTORS' COMPENSATION
INDUSTRIA DE DISEÑO
TEXTIL, S.A. (INDITEX, S.A.)

11 June 2013

INDEX

- 1. FOREWORD..... 3**
- 2. NOMINATION AND REMUNERATION COMMITTEE..... 5**
 - 2.1. COMPOSITION 5**
 - 2.2. DUTIES..... 6**
 - 2.3. PROCEEDINGS 6**
- 3. REMUNERATION POLICY 8**
 - 3.1 ECONOMIC AND FINANCIAL INFORMATION FOR 2012..... 9**
 - 3.2 PRINCIPLES OF THE REMUNERATION POLICY 10**
 - 3.3 ENFORCEMENT OF THE REMUNERATION POLICY DURING FY 2012..... 10**
 - 3.3.1. Remuneration policy in respect of directors for the discharge of their supervisory and decision-making duties. Enforcement in 2012. 10*
 - 3.3.2. Summary of the remuneration policy in respect of the executive director..... 13*
 - 3.3.3. Remuneration of the chairman and chief executive officer in his capacity as executive director. Enforcement in 2012..... 14*
 - 3.3.4. Remuneration policy in respect of senior managers. Enforcement in 2012..... 14*
 - 3.4 REMUNERATION POLICY FOR FY2013 AND SUBSEQUENT YEARS 16**
 - 3.4.1. Remuneration policy in respect of Directors for the discharge of their supervisory and decision-making duties 16*
 - 3.4.2. Executive director. Aggregate Compensation Perspective 16*
 - 3.5 BASIC TERMS AND CONDITIONS OF AGREEMENTS ENTERED INTO WITH DIRECTORS PERFORMING SENIOR MANAGEMENT DUTIES..... 19**

This report is made available to all shareholders with the notice of the upcoming Annual General Meeting of Shareholders scheduled to be held next 16 July 2013 on first call. It will be subject to advisory say-on-pay vote at such AGM as a separate item of the agenda.

1. FOREWORD

The information covered herein refers to the 1 February 2012 through 31 January 2013 period (Fiscal Year 2012), and it provides details about the remuneration policy in respect of the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter, either “Inditex”, “the Company” or “the Group”) and its senior managers. Additionally, and in line with transparency and good governance best practices, it provides information about the remuneration policy for FY2013 and subsequent years.

This report has been prepared by the Nomination and Remuneration Committee pursuant to the provisions of section 61 *ter* of Act 24/1988, of 28 July on the Stock Exchange (“LMV”, [*Spanish acronym*]), Order EEC/461/2013 of 20 March, and section 28, paragraphs 3 and 4 of the Board of Directors’ Regulations of Inditex. Additionally, the information existing as at the date hereof on the Draft Circular of *Comisión Nacional del Mercado de Valores* [*Spanish SEC*] regarding the annual report on compensation of directors of listed companies has also been considered.

It was resolved by the Board of Directors of Inditex in the meeting held on 11 June 2013, to approve, on the proposal of the Nomination and Remuneration Committee, this annual report on directors’ compensation for FY2012.

The annual report on directors’ compensation was submitted for the first time to the advisory say-on-pay vote at the Annual General Meeting held last 17 July 2012, with the following results:

Annual report on directors’ compensation: Votes (%)			
Date of AGM	For	Against	Withheld
17/07/2012	84.39%	15.23%	0.37%

Pursuant to the provisions of article 33 of the Articles of Association, directors’ compensation shall consist of a fixed annual remuneration for each director, the amount of which shall be decided by the General Meeting of Shareholders for each fiscal year or be valid for those fiscal years that the Annual General Meeting establishes. As per this system, the General Meeting is considered the top ruling governing body of the company, namely in the field of compensation, and ensures the highest transparency in respect of such compensation. Thus, for FY2005, 2006, 2008 and 2011, the above referred compensation has been approved by the Annual General Meeting, with the votes for shown below:

Directors’ compensation: Votes for (%)			
2005	2006	2008	2011
99.98%	99.99%	99.96%	99.59%

The table below shows the Directors whose compensation is provided herein:

Name or company name of Director	Date of Last appointment	Office in the Board	Office in the Audit and Control Committee	Office in the Nomination and Remuneration Committee
Mr Pablo Isla Álvarez de Tejera	13-07-2010	Chairman	--	--
Mr Amancio Ortega Gaona	13-07-2010	Ordinary member	--	--
Mr. José Arnau Sierra ¹	17-07-2012	Deputy Chairman	Ordinary member	Ordinary member
GARTLER, S.L. ²	17-07-2012	Ordinary member	--	--
Ms. Irene Ruth Miller	19-07-2011	Ordinary member	Ordinary member	Ordinary member
Mr. Nils Smedegaard Andersen	13-07-2010	Ordinary member	Ordinary member	Ordinary member
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	14-07-2009	Ordinary member	Ordinary member	Chairman
Mr. Emilio Saracho Rodríguez de Torres	13-07-2010	Ordinary member	Ordinary member	Ordinary member
Mr. Juan Manuel Urgoiti López de Ocaña	13-07-2010	Ordinary member	Chairman	Ordinary member

¹ Mr José Arnau Sierra was co-opted as member of the Board of Directors on 12 June 2012

² Represented by Ms Flora Pérez Marcote.

2. NOMINATION AND REMUNERATION COMMITTEE

2.1. COMPOSITION

According to article 32 of the Articles of Association and section 15.1 of the Board of Directors' Regulations, the Nomination and Remuneration Committee shall be made up of a minimum of three and a maximum of seven non-executive directors, most of whom shall be independent directors.

As at 31 January 2013, the composition of the Nomination and Remuneration Committee was as follows:

Office	Name	Type
Chairman	Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Independent
Ordinary members	Mr José Arnau Sierra	Proprietary
	Ms Irene Ruth Miller	Independent
	Mr Emilio Saracho Rodríguez de Torres	Independent
	Mr Nils Smedegaard Andersen	Independent
	Mr Juan Manuel Urgoiti López de Ocaña	Independent
Secretary non member	Mr Antonio Abril Abadín	--

Mr José Arnau Sierra has been a member of the Nomination and Remuneration Committee since 17 July 2012.

This same composition remains as at the date this report is approved.

Members of the Nomination and Remuneration Committee shall be appointed by the Board of Directors on the proposal of the Committee itself, which shall also appoint its Chairman chosen from its independent members.

2.2. DUTIES

Pursuant to the provisions of article 32.3 of the Articles of Association and section 15.2 of the Board of Directors' Regulations, the basic responsibilities of the Nomination and Remuneration Committee with regard to remuneration consist of:

- Proposing to the Board of Directors:
 - The remuneration policy in respect of directors and senior managers.
 - The individual remuneration of executive directors and the remaining terms of their employment agreements.
- Advising the Board, before it holds its meeting, on such employment agreements with personnel which include severance or golden-parachute clauses for those cases which entail dismissal or changes in control.
- Advising the Board of Directors, on an annual basis, on the compensation of the Chairman and Chief Executive Director.
- Reporting on the systems and amount of annual remuneration of directors and senior managers.
- Preparing and submitting to the Board of Directors for its approval the Annual Report on Directors' Compensation.
- Ensuring the enforcement of the remuneration policy established by the Company.

2.3. PROCEEDINGS

The Nomination and Remuneration Committee shall meet whenever it is expedient for the successful performance of its duties and in any case, every time the Board of Directors or the Chairman thereof requests that a report be issued or that motions be passed within its remit. In any event, the Committee shall meet once a year to prepare the information on directors' compensation that the Board of Directors must approve and include in its annual public documentation.

The Committee has met five times during FY2012. Attendance percentage to the meetings of the Nomination and Remuneration Committee in 2012 is shown below:

Name	Attendance
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	100%
Mr José Arnau Sierra	100%
Ms Irene R. Miller	100%
Mr. Emilio Saracho Rodríguez de Torres	80%
Mr. Nils Smedegaard Andersen	100%
Mr. Juan Manuel Urgoiti López de Ocaña	100%

Further to each meeting of the Nomination and Remuneration Committee, its Chairman reports on the business transacted therein in the course of the following meeting of the Board of Directors.

During FY2012 the most relevant action lines of the Nomination and Remuneration Committee in the field of remuneration have been described in its activities report included in the Annual Report of the Company, and therefore, available to all shareholders. Such action lines are listed below:

Date of meeting	Business transacted	Reports to the Board of Directors	Attendance by Inditex staff members
19/03/2012	<ul style="list-style-type: none"> Placement of Board member's office at the Board of Directors' disposal. Report regarding the long term Incentive Plan. 	<ul style="list-style-type: none"> Proposal regarding continuance in office of a Director 	<ul style="list-style-type: none"> Ms Begoña López-Cano Ibarreche, HHRR Director Mr Ignacio Fernández Fernández, C.F.O.
11/06/2012	<ul style="list-style-type: none"> Proposal for the re-election of Board member Annual report on Directors' compensation. Report on the remuneration of senior managers of the Inditex Group Annual Activities Report of the Nomination and Remuneration Committee. Report on co-opted new member of the Board of Directors and acknowledgement of the resignation of the lead director. 	<ul style="list-style-type: none"> Proposal for the re-election of Director Annual Compensation Report Proposal for the appointment of a new Director 	<ul style="list-style-type: none"> Ms Begoña López-Cano López-Cano Ibarreche, HHRR Director Mr Miguel García Mosquera, HHRR Department
16/07/2012	<ul style="list-style-type: none"> Resignation of the Deputy Chairman and appointment of a new Deputy Chairman Appointment of a member of the Audit and Control Committee and of the Nomination and Remuneration Committee. Appointment of an independent Lead director. Remuneration of the Chairman and Chief Executive Officer. 	<ul style="list-style-type: none"> Proposal for the appointment of a new Deputy Director Proposal for the appointment of a new member of the Audit and Control Committee and of the Nomination and Remuneration Committee Proposal for the appointment of an independent Lead Director 	--
17/09/2012	<ul style="list-style-type: none"> Acknowledgement of the resignation tendered by the current Deputy Secretary of the Board of Directors and proposal to appoint a new Deputy Secretary of the Board of Directors. Transactions with related parties. 	<ul style="list-style-type: none"> Proposal for the appointment of a new Deputy Secretary of the Board 	--
10/12/2012	<ul style="list-style-type: none"> Assessment of the performance of the Board of Directors, the Supervision and Control Committees and the performance of duties by the Chief Executive Officer. Report on the appointment of the Chairman of the Audit and Control Committee (Additional Provision No. 18 of the Stock Exchange Act). Transactions with related parties. Report of the Human Resources Department. 	<ul style="list-style-type: none"> Proposal for the appointment of the Chairman of the Audit and Control Committee 	<ul style="list-style-type: none"> Ms Begoña López-Cano Ibarreche, HHRR Director Ms Belén Montenegro Borrás, HHRR Department Ms Virginia Galdeano Nicolás, HHRR Department Ms Eva Ferreiro Figueiras, HHRR Department

According to the schedule for FY2013, the Nomination and Remuneration Committee is expected to meet four times during the year, subject to any extraordinary meeting which may be held during such period.

3. REMUNERATION POLICY

3.1 ECONOMIC AND FINANCIAL INFORMATION FOR 2012

The design of the Group's compensation policy is fully aligned with its strategy and targets, setting levels of compensation adjusted to each and every situation.

Inditex's 2012 results have been extraordinary, well above consensus and expectations at the beginning of the year. The Nomination and Remuneration Committee and the Board have thoroughly reviewed such results. The following issues have been considered in particular:

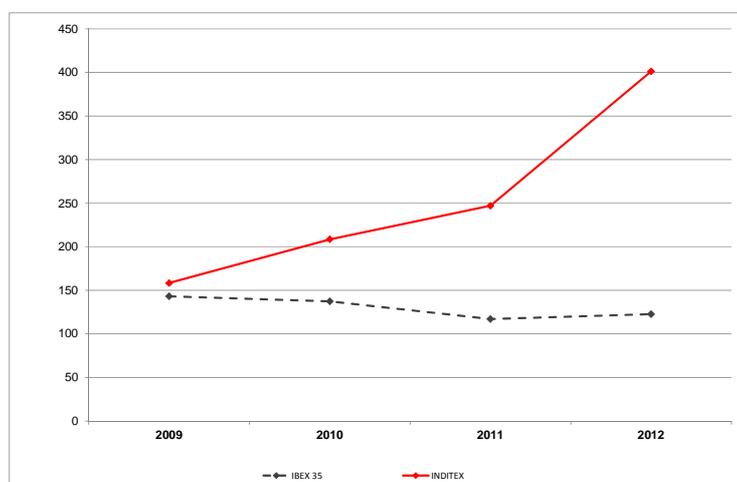
- Inditex Group's global multi-concept, multi-channel growth strategy has been supported by the results achieved in FY2012, which at the same time endorse the strength of its business model.
- In 2012 Inditex has continued growing:
 - Net sales in the year reached EUR 15,964 million, 16% higher than in 2011. Net sales in local constant currencies rose 14% in the year.
 - Like-for-like sales of the Group increased 6% in 2012.
 - Space growth was 11.4% in FY2012, the aggregate retail floor area amounting to 3,161,448 m² at year end.
 - 482 net openings took place in FY 2012, totaling 6,009 stores in 86 markets at year end. In 2012, new stores were opened in 64 different markets.
 - Net sales have increased in all formats in the year, which shows that the Group operates a global sales platform: Europe (ex-Spain) represents 45% in aggregate sales, Spain 21%, America 14%, while Asia & Rest of the World represent 20%.
- With regard to its multi-channel strategy, Inditex's brands are present online in 18 European countries, the United States and Japan. Additionally, Zara launched its online sales in Poland and China.
- Gross profit reached EUR 9,529 million, 16% higher than the previous year, which represents 59.8% of sales (59.3% in 2011).
- Operating expenses have been tightly managed over the year and have grown by 14%, mainly as a result of the strong growth in sales and the new retail space added. They include all the start-up costs for the new space addition.
- FY2012 EBITDA came to EUR 3,913 million, 20% higher than the previous year and EBIT to EUR 3,117 million, 24% higher.
- Net income came to EUR 2,361 million, 22% higher than the previous year.

- With regard to shareholder's remuneration:
 - Inditex's share price increased 55% during FY2012, closing at EUR 103.20 per share as at 31 January 2013. Inditex market capitalization stood at EUR 64,328 million at year end, 602% higher than when the company was listed on 23 May 2001, without any share capital increase during such period.
 - In FY2013, shareholder's remuneration will increase, supported by the solid financial position of the Group. The Board of Directors will propose to the Annual General Meeting a dividend of EUR 2.20 per share, 22% higher than the previous year, distributed as follows: ordinary dividend of EUR 1.90 per share and an extraordinary dividend of EUR 0.30 per share.
- Inditex Group has been part of the Dow Jones Sustainability index since 2001 and of the FTSE4Good index since 2003.

In line with such results, the following steps have been taken:

- In 2012 it was resolved by the Board of Directors, on the proposal of the Nomination and Remuneration Committee, to keep a balanced remuneration policy, relying on moderation and transparency. As a result of such resolution, directors' compensation on account of the discharge of their supervisory and decision-making duties has remained the same as that approved by the Annual General Meeting of Shareholders held on 19 July 2011.
- The link between results and remuneration remains a key element of our compensation scheme. The approval of variable remuneration for the highest levels of incentive set has been deemed appropriate, in line with the outstanding results achieved.
- The long term Incentive Plan launched in FY2010 terminated on 31 January 2013. The Nomination and Remuneration Committee has proposed to launch in 2013 a long term Performance Cash Plan, similar to the former one, and a new Performance Shares Plan, based upon shares and linked to the Total Shareholder Return ("TSR").

Total Shareholder Return ("TSR")



3.2 PRINCIPLES OF THE REMUNERATION POLICY

Remuneration policy in respect of the executive director and senior managers is driven by the following overarching principles:

- **Link to Group's strategy.** A part of the remuneration must be linked to the achievement of the objectives which define the Group's strategy.
- **"Pay for performance" equation.** A significant part of remuneration must vary in accordance with results.
- **Long term.** Remuneration policy must be aligned with the values and long term objectives of the Company.
- **Competitiveness.** Compensation of the executive director and senior managers must attract and retain the most talented and appropriate professionals in order to meet the strategic objectives of the company, through the establishment of competitive compensation packages. In determining the aggregate compensation, benchmarking with regard to comparable companies has been considered, under the premise that such compensation should not be excessive or insufficient to prevent any inappropriate risks-assumption.
- **Transparency.** To build trust among shareholders and investors.
- **Alignment with most demanded practices by international investors.**
- **Strict procedures.** The objectives the attainment of which determines variable remuneration must be established at the beginning of the year and monitored by the Nomination and Remuneration Committee at the end of the period. Likewise, Inditex's management by objectives systems, and among them, the short term and long term variable remuneration system, are reviewed on an annual basis.
- **Informed decisions.** Decisions shall be made based upon assessment of quantitative and qualitative results.
- **Committed to shareholders.** The Nomination and Remuneration Committee shall act in a proactive manner to understand shareholders' priorities and to explain remuneration policies and practices in a transparent manner.

3.3 ENFORCEMENT OF THE REMUNERATION POLICY DURING FY2012

3.3.1. Remuneration policy in respect of directors for the discharge of supervisory and decision-making duties. Enforcement of the policy during FY2012.

Directors' compensation policy seeks to compensate them in a manner that best fits the responsibility they have assumed and the dedication in their mandates and endeavors for this remuneration to be reasonable in accordance with market demands, according to the provisions of section 28.2 of the Board of Directors' Regulations. In addition and as regards non-executive directors, it is provided that *"the Board shall ensure that the remuneration of non-executive directors is such so as to offer incentives to dedication by the directors, while not compromising their independence"*.

Effective as of 1 February 2011 and for an indefinite term until another resolution is passed on this issue, directors' compensation was approved by the Annual General Meeting held on 19 July 2011. The amounts agreed, which are independent and fully compatible with each other, are detailed below:

- Each director shall receive a fixed annual amount of EUR one hundred thousand (EUR 100,000.00) for the tenure of their office;
- The Deputy Chairman or Deputy Chairmen of the Board of Directors shall also receive an additional fixed annual amount of EUR eighty thousand (EUR 80,000.00);
- The Chairmen of the Audit and Control Committee and of the Nomination and Remuneration Committee shall also receive an additional fixed annual amount of EUR fifty thousand (EUR 50,000.00); and
- The directors who for their part sit on Audit and Control Committee and/or the Nomination and Remuneration Committee (including the Chairman of each Committee) shall also receive an additional fixed annual amount of EUR fifty thousand (EUR 50,000.00).

Except for the compensation of the executive director on account of the performance of senior management duties, the amounts shown above are the only compensation paid to the directors of the Company for the tenure of their office as members of the Board of Directors of Inditex. With this respect, no *per diems* are paid – except for the payment of transport and accommodation expenses of non-executive directors for their attendance to the meetings of the Board and Committees on which they serve

In FY2012, the aggregate amount received by directors on account of the performance of their supervisory and decision- making duties amounted to EUR 1,638 thousand. The individual amount is broken down below:

EUR thousand

Director	Type	Remuneration Board of Directors	Remuneration Deputy-Chairman Board of Directors	Remuneration Committee members	Remuneration Committee Chairman	TOTAL 2012
Mr. Pablo Isla Álvarez de Tejera	Executive	100	--	--	--	100
Mr. Jose Arnau Sierra	Non-executive proprietary	64	43	54	--	161
Mr Amacio Ortega Gaona	Non-executive proprietary	100	--	--	--	100
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Non-executive independent	100	37	140	50	327

Director	Type	Remuneration Board of Directors	Remuneration Deputy-Chairman Board of Directors	Remuneration Committee members	Remuneration Committee Chairman	TOTAL 2012
Mr Emilio Saracho Rodríguez de Torres	Non-executive independent	100	--	100	--	200
Gartler, S.L. ¹	Non-executive proprietary	100	--	--	--	100
Ds. Irene Ruth Miller	Non-executive independent	100	--	100	43	243
Mr. Juan Manuel Urgoiti López de Ocaña	Non-executive independent	100	--	100	7	207
Mr. Nils Smedegaard Andersen	Non-executive independent	100	--	100	--	200
TOTAL	--					1,638

¹ Represented by Ms. Flora Pérez Marcote.

3.3.2. Summary of the remuneration policy in respect of the executive director

REMUNERATION POLICY IN RESPECT OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER																												
Remuneration item and link with strategy		Metrics and levels																										
<p>Fixed remuneration Based upon experience and personal contribution to the office</p>		<p>Fixed remuneration is consistent with the responsibility and leadership within the organization, in line with remuneration paid in the market at comparable companies. This fixed amount must be a sufficient part of the aggregate remuneration for the purposes of keeping an appropriate remuneration balance. Increases are in line with usual market practices.</p>																										
<p>Annual variable remuneration Annual variable remuneration plan is designed as an inducement to achieve the annual quantitative and qualitative objectives set by the Company, in line with the mid and long term strategy.</p>		<p>Annual variable remuneration is determined taking into account the yardsticks set by the Nomination and Remuneration Committee. Namely, those set for senior managers are: compliance with quantitative objectives linked to sales and contribution margin; in equal proportion, fixed within the budget of the Company, strategic development of the Company, personal performance of the Chairman and Chief Executive Officer; observance of expansion plans and progress of environmental and corporate social responsibility policies. Such bonus is paid in cash.</p>																										
<p>Pluriannual variable Remuneration The long term Incentive Plan is a management tool and a mechanism to drive the degree of alignment with the Group's strategy.</p>		<p>In the course of FY2010 Inditex approved a long term Incentive Plan addressed to Management members and other key employees of the Inditex Group. Such Plan consisted of a pluri-annual cash bonus conditional upon the achievement of certain objectives measured by means of two metrics:</p> <ul style="list-style-type: none"> - EBIT (<i>earnings before interest and taxes</i>): the increase in profit, before interest and taxes during a certain period of time. - Like for Like Sales (LFL) Growth: increase in operating revenue under a constant perimeter. <p>A 50% weight applied to each metric.</p> <table border="1" data-bbox="598 1142 1372 1384"> <thead> <tr> <th rowspan="2">Level of attainment</th> <th colspan="2">EBIT Growth</th> <th colspan="2">LFL Sales Growth</th> </tr> <tr> <th>Attainment on target</th> <th>Incentive</th> <th>Attainment on target</th> <th>Incentive</th> </tr> </thead> <tbody> <tr> <td>Minimum</td> <td>75%</td> <td>50%</td> <td>67%</td> <td>50%</td> </tr> <tr> <td>Target</td> <td>100%</td> <td>75%</td> <td>100%</td> <td>75%</td> </tr> <tr> <td>Maximum</td> <td>125%</td> <td>100%</td> <td>133%</td> <td>100%</td> </tr> </tbody> </table> <p>The inception date of such Plan was 1 February 2010 and completion date was 31 January 2013. Such Plan revolves around two periods: the first one, corresponding to an initial payment of 1/3 of the incentive, expired on 31 January 2012 and the second one, corresponding to a final payment of the rest of the incentive expired on 31 January 2013.</p> <p>The Board of Directors has assessed the level of attainment of the objectives associated with the Plan, having verified overachievement.</p>			Level of attainment	EBIT Growth		LFL Sales Growth		Attainment on target	Incentive	Attainment on target	Incentive	Minimum	75%	50%	67%	50%	Target	100%	75%	100%	75%	Maximum	125%	100%	133%	100%
Level of attainment	EBIT Growth		LFL Sales Growth																									
	Attainment on target	Incentive	Attainment on target	Incentive																								
Minimum	75%	50%	67%	50%																								
Target	100%	75%	100%	75%																								
Maximum	125%	100%	133%	100%																								
<p>Benefits They shall be established based upon market practices</p>		<p>Since 2011, the Chairman and Chief Executive Officer is the beneficiary of a defined Money Purchase Pension Scheme Plan, implemented through a Group Life insurance policy taken out by Inditex with a reputable carrier in Spain. Annual contributions to such Scheme are made by Inditex, in the month of September. The amount of the annual contributions each year is equivalent to 50% of the assessment base remuneration paid by Inditex to the Chairman and C.E.O.</p>																										

3.3.3. Remuneration of the Chairman and Chief Executive Officer in his capacity as executive director. Enforcement in 2012.

Fixed remuneration

During FY2012, the fixed remuneration of the Chairman and Chief Executive Officer for the performance of senior management duties amounted to EUR 3,268 thousand.

Short term variable remuneration

Pursuant to article 32.e) of the Articles of Association and section 15.2.f) of the Board of Directors' Regulations, the performance of the Chairman and Chief Executive Officer is assessed on an annual basis by the Nomination and Remuneration Committee, which advises the Board of Directors on such assessment.

With this respect, annual variable remuneration has been approved by the Board of Directors on the proposal of the Nomination and Remuneration Committee, further to the assessment of the degree of compliance with the quantitative and qualitative objectives. It has been deemed appropriate to approve variable remunerations at the highest levels of incentive established, as consensus and expectation estimated at the beginning of the year have been exceeded. Likewise, special account has been taken of the smooth achievement of qualitative objectives: strategic development of the Company, the personal performance of the Chairman and Chief Executive Officer, the observance of expansion plans and the progress in environmental policies and corporate social responsibility. Thus, remuneration on these grounds has been determined in the amount of EUR 3,112 thousand.

Pluri-annual variable remuneration

As at FY2012 end, the Company has recorded an accrual proportional to the period elapsed, assuming that the objectives fixed in the plan are attained. The accrued amount was EUR 1,333 thousand (EUR 2,278 thousand in 2011). The Board of Directors has assessed the degree of attainment of objectives associated to the plan and overachievement has been verified; therefore, 100% of the accrued incentive shall be paid.

Benefits

Contribution to the Pension Scheme Plan made by Inditex during FY2012 has amounted to EUR 1,625 thousand.

3.3.4. Remuneration policy in respect of senior managers. Enforcement in 2012.

The main goal of the remuneration policy in respect of senior managers is to serve as a tool which contributes to the attainment of strategic objectives of the company by attracting, retaining and motivating the most talented and appropriate professionals.

Remuneration of senior managers is based upon the following principles: moderation, effective dedication and a link to the results of the Company.

Fixed remuneration

Fixed remuneration is consistent with responsibility and leadership within the organization and in line with the desired competitive position with regard to comparable companies. This fixed remuneration must cover a sufficient portion of the aggregate remuneration for the purposes of maintaining an appropriate remuneration balance.

Decisions made on this issue are based upon benchmarking, in accordance with the information provided by the leading global consulting firms in the field of compensation.

Annual variable remuneration

Annual variable remuneration is linked to measurable objectives which have been subject to the prior report of the Nomination and Remuneration Committee at the beginning of the year and to quarterly follow-up during the year. Namely, incentive depends upon quantitative objectives linked to sales and contribution margin in the same proportion. Additionally, incentives may be linked to the attainment of qualitative objectives which may never be in excess of 20%.

In the event of attainment of objectives established, the incentive is set at 100%. Likewise, under this system overachievement may be awarded with a maximum 110% of the incentive for a 110% achievement of objectives. Intermediate figures are calculated by linear interpolation.

Pluri-annual variable remuneration

Senior managers are participants of the long term Incentive Plan.

At FY2012 end, the Company has recorded an accrual proportional to the period elapsed, assuming that the objectives fixed in the plan are attained. This amount accrued was EUR 2,293 thousand (EUR 3,919 thousand in 2011). The Board of Directors has assessed the degree of attainment of objectives associated to the plan and overachievement has been verified; therefore, 100% of the accrued incentive shall be paid.

Other concepts

As at 31 December 2012, no loans or advance payments have been granted to senior managers.

Summary

During FY2012, compensation of senior managers, on all grounds, has amounted to EUR 16,387 thousand (versus EUR 17,666 thousand in FY2011), as per the detail below:

Year	2012 (EUR Thousand)	2011 (EUR Thousand)
Fixed remuneration	14,094	13,747
Long term Incentive accrued	2,293	3,919
Total	16,387	17,666

3.4 REMUNERATION POLICY FOR FY2013 AND SUBSEQUENT YEARS

3.4.1. Remuneration policy in respect of Directors for the discharge of their supervisory and decision-making duties

Pursuant to article 33 of the Articles of Association, it is incumbent on the General Meeting to approve the annual fixed remuneration for directors. As at the date of approval of this report, the resolution passed at the Annual General Meeting held on 19 July 2011, above referred, remains in force.

As at the date hereof, no variation is expected regarding the overarching principles of the remuneration policy in respect of directors for the discharge of their supervisory and decision-making duties, which have been described above; therefore, such principles will be in force for future years, unless the relevant governing bodies would decide any amendment thereto in light of any unexpected circumstance, whether for regulatory, economic, strategic, governance reasons or otherwise. For such purpose, the Board of Directors and the Nomination and Remuneration Committee will continue reviewing, within their remit and on a regular basis, the principles of the remuneration policy of the Company.

3.4.2. Executive Director. Aggregate compensation perspective

During FY2013, a competitive benchmarking report has been issued by an independent external expert in the field (Towers Watson) which provides the Nomination and Remuneration Committee with data of the environment and a set of facts allowing it to get acquainted with the evolution of the market and of competitors with regard to compensation of senior managers.

Namely, research has been conducted versus different comparison groups:

- Dow Jones Retail Titans 30 Index.
- Companies included in the list published by Barrons on the best CEOs worldwide for 2013.
- FTSE Eurotop 100.
- A sample of 20 companies selected according to the following yardsticks:
 - The largest multinational companies in Spain.
 - Benchmarking companies in the retail sector in Europe and the United States.
 - Other companies whose businesses have a similar level of complexity and whose market capitalization and turnover is within a range of 0.5 to 2 times Inditex's parameters.

Such companies are: Unilever, SAP, LVMH, eBay, Santander, L'Oréal, CVS Caremark, Telefónica, Nike, Diageo, Starbucks, Reckitt Benckiser, Hermes, Gap, Coach, Macys, Ralph Lauren, The Limited, Bed Bath & Beyond and Mark & Spencer.

As at the date hereof, no material variation is expected regarding the overarching principles of the remuneration policy in respect of the Chairman and Chief Executive Officer, which have been described above; therefore, such principles will be in force for future years, unless the relevant governing bodies would decide any amendment thereto in light of any unexpected circumstance, either for regulatory, economic, strategic, governance reasons or otherwise. For such purpose, the Board of Directors and the Nomination and Remuneration Committee will continue reviewing, within their remit and on a regular basis, the principles of the remuneration policy of the Company.

Fixed remuneration

Fixed remuneration will continue representing a significant part of aggregate remuneration. For FY2013, the estimated aggregate annual gross remuneration for the full year will amount to EUR 3,250 thousand.

Annual variable remuneration

Annual variable remuneration shall be approved by the Board of Directors, on the proposal of the Nomination and Remuneration Committee, based upon the yardsticks fixed in section 3.3.2 above. Should both quantitative and qualitative objectives be attained, variable remuneration will reach up to 100% of fixed pay. In the event of overachievement, it may reach up to 110% of fixed pay.

Pluri-annual variable remuneration

In 2013 Inditex has decided to launch a new long term incentive policy for the following 4 years, which with regards to the executive director, shall consist of:

- A 3-year long term Performance Cash Plan, similar to the former one, with the following payout scale:

Level of attainment	EBIT Growth and LFL Sales Growth		Euro thousand
	Attainment on target	Incentive	
Minimum	50%	50%	3,000
Target	75%	75%	4,500
Maximum	100%	100%	6,000
Overachievement	>125%	125%	7,500

Intermediate figures are calculated by linear interpolation

Annualized remuneration for target will be increased to EUR 1,500 thousand.

- A four-year long term Performance Shares Plan, described below, according to which the executive director may receive a maximum incentive of 60,000 shares.

Description of the plans:

Both plans are also addressed to officers and key employees of the Inditex Group. Maximum number of beneficiaries is fixed at 450.

Under the long term Performance Cash Plan, the annual approximate cost to the company for the 3 years of the Plan would amount to EUR 25,000 thousand (excluding the executive director), on condition of target achievement.

Under the long term Performance Shares Plan, the maximum number of shares to be delivered, including those aimed at the executive director will be 900,000 shares, representing 0.144% in the share capital.

Towers Watson has provided advice to draft both plans.

- Long term Performance Cash Plan

This plan consists of a pluri-annual cash bonus, whereby, upon expiry of 3 years and once the attainment of certain given objectives has been verified, such bonus will be paid in full or in part, in accordance with

the level of achievement of objectives, taking into account that payout coefficient may be 0% where level of achievement is below minimum.

The attainment of the objectives shall be measured by means of two identifiable and measurable metrics:

- EBIT Growth: increase in profit, before interest and taxes during a certain period of time.
- Like for Like Sales Growth: information posted by the company, expressed in percentage terms, showing the increase in operating revenue under a constant perimeter.

A 50% weight will apply to both metrics.

In order to calculate the Payout Coefficient based on performance, a Payout Scale has been established for each metric.

Level of attainment	EBIT Growth and LFL Sales Growth	
	Attainment on target	Incentive
Minimum	50%	50%
Target	75%	75%
Maximum	100%	100%
Overachievement	≥ 125%	125%

Intermediate figures are calculated by linear interpolation.

For the rights awarded to the Plan Beneficiaries to vest, a period of continued employment in the Company until completion of the Plan is required, as a general rule.

- *Long term Performance Shares Plan*

This Plan revolves around two independent 3-year performance cycles. The first performance cycle runs from 1 July 2013 through 30 June 2016. The second cycle runs from 1 July 2014 through 30 June 2017.

The number of shares to be delivered to each beneficiary will depend on the comparison of the Total Shareholder Return (TSR) performance of Inditex with that of a comparator group of companies (the "benchmark group"). TSR will be determined by the difference (expressed as a percentage) between the final value of an hypothetical investment in shares and the initial value of that same hypothetical investment.

The benchmark group is made up of the companies included in the Dow Jones Retail Titans 30 as at 1 July 2013 and as at 1 July 2014.

For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, Initial Value shall be understood as the average weighted closing price of the share of each company on the 30 Trading Days immediately prior to 1 July 2013 (excluded) (for the first performance cycle of the Plan) and 1 July 2014 (excluded) (for the second performance cycle of the Plan).

For the purposes of Inditex's TSR and the TSR of each company within the Benchmark Group, Final Value shall be understood as the average weighted closing price of the share of each company on the 30 Trading Days immediately prior to 30 June 2016 (inclusive) (for the first performance cycle of the Plan) and 30 June 2017 (inclusive) (for the second performance cycle of the Plan).

For calculating such Final Value, the dividends or other similar amounts received by the shareholder on said investment during the respective period of time will be considered as if their gross amount (before

taxed) would have been reinvested in more shares of the same type on the first date on which the dividend or any similar amount is payable to the shareholders and at the closing price of the share on that date.

At the expiry of each performance cycle of the Plan (30 June 2016 and 30 June 2017), Inditex's TSR and the TSR of each of the companies included in the Benchmark Group will be calculated. The companies within the Benchmark Group, excluding Inditex will be ranked in descending order, in accordance with the highest or the lowest TSR corresponding to each of them. Then Inditex's TSR will be compared to the TSR of the companies in the Benchmark Group and the Payout percentage will be calculated pursuant to the following parameters:

- Should Inditex's TSR be the same or above the 75th percentile within the Benchmark Group, the Percentage payout will be 100%.
- Should Inditex's TSR be at least the same as the TSR of the median company within the Benchmark Group, the Percentage payout will be 30%.
- Should Inditex's TSR be between the TSR of the median company within the Benchmark Group and the TSR of the 75th percentile within the Benchmark Group, the Percentage payout will be calculated by linear interpolation between the relevant TSR values.
- Should Inditex's TSR be below the TSR of the median company within the Benchmark Group, the Percentage payout will be 0%.

In order to be eligible to receive the shares of the Plan, the Beneficiary must have been actively employed by Inditex or a company belonging to its Group for an uninterrupted period from the date he/she receives notice of his/her Beneficiary status until the expiry date of each performance cycle of the Plan.

Benefits

Contribution to the Pension Scheme Plan to be made by Inditex during FY2013 will amount to EUR 1,625 thousand.

3.5 BASIC TERMS AND CONDITIONS OF THE AGREEMENTS ENTERED INTO WITH OFFICERS PERFORMING SENIOR MANAGEMENT DUTIES

Pursuant to the provisions of sec. 28.3 of the Board of Directors' Regulations, the relevant terms and conditions of the agreements entered into with those who discharge senior management duties in their capacity as executive directors are set forth below:

(i) Term.

Senior management employment agreements shall be for an indefinite term.

(ii) Notice period.

Both in case of termination of the agreement on account of withdrawal by Inditex, and on account of voluntary resignation, notice shall be given at least three months in advance, which may be replaced with an amount equivalent to the remuneration of the non observed term of notice.

(iii) Severance or golden parachute clause.

Should the employment agreement be terminated further to withdrawal by Inditex, wrongful or unreasonable dismissal, or resignation based upon certain grounds (among which, a change in control of

the Company, with a significant renewal of the governing bodies occurring at the same time, or a change of the contents or purpose of the main activity of the company), the executive director or senior manager shall be entitled to receive compensation in an amount equivalent to two years of his/her aggregate remuneration, calculated on the basis of the pay of the last year he/she worked for the company. As at the date of approval of this report, this clause was included in the employment agreement entered into with 12 senior managers.

(iv) *Non-competence agreement and exclusivity*

For as long as the senior manager or executive director would remain in the employment of Inditex, he/she shall perform his/her senior management duties exclusively for the Company and shall refrain from working either directly or indirectly for any third parties, or for his/her own account, even where the activities carried out by him/her would not compete with those of the Inditex Group (except for the position of non-executive director in other companies which do not compete with Inditex, within the limits provided in the Board of Directors' Regulations).

With regard to the post-employment non competition agreement, section 23.3 of the Board of Directors' Regulations provides that "*the director who ends his/her mandate or for any other cause should cease to hold his/her office may not render service in another entity having a corporate purpose that is similar to that of the company for a period of two years*", this provision being applicable to all Board members regardless of their classification as directors. Notwithstanding this, it is also provided in the same section that the Board of Directors may release the outgoing director from this obligation or shorten the length of the period.