6.3. Responsible risk management

Related material topics: Risk management and control systems; Climate change.

6.3.1. Risk management and control framework

GRI 3-3

6.3.1.1. Integrated Risk Management System

Inditex's **Integrated Risk Management System (IRMS)** establishes the Group's risk management and control framework. The IRMS, based on the COSO Enterprise Risk Management[1] (ERM) framework, encompasses our entire Group, both at the corporate level and in the various business units and subsidiaries, regardless of their geographic location. It is incorporated in our strategic planning process, in the definition of business objectives, as well as in the Group's day-to-day operations. The IRMS entails both financial and non-financial risks (including tax, operational, technological, cybersecurity, legal/regulatory, social, environmental, climate change, political, reputational, corruption-related and other risks). We define a risk to be any potential event, regardless of its nature, that may have a negative impact on the achievement of the business objectives.

The **Risk Management and Control Policy** establishes the basic principles, risk factors and the general action guidelines for managing and controlling the risks that affect our Group. The determination of this Policy is a non-delegable power of the Board of Directors. It is the responsibility of this body and the Group's Senior Management to promote it, although its implementation is the responsibility of each and every individual forming part of Inditex. Its application may be extended, in whole or in part, to any individual and/or legal person linked to the Group. The purpose of the Policy is to provide reasonable assurance in regard to the achievement of the objectives set by the Group in response to the various challenges it faces, providing all stakeholders with an adequate level of assurance to ensure the protection of the value generated.

The IRMS is based on this Policy and is developed and supplemented by internal regulations of different levels that govern the management of different risks and apply to different units or areas of the Group. This system coexists with other functions tasked with monitoring specific risk areas. Other relevant risk management policies and regulations are detailed below. Our IRMS is based on the 'COSO ERM' methodological framework and the relevant ISO standards, adapted to our own needs and specific characteristics. Furthermore, specific evaluation and quantification methodologies are used to tackle specific risks, in particular those relating to the climate.

6.3.1.2. Bodies responsible for preparing and implementing the Risk Management System

The IRMS ensures adequate segregation of duties between the various elements of which it is comprised, i.e., between the areas or business units that assume and manage the risks, and those responsible for coordination, control and supervision. Responsibilities between the units and bodies involved are based on a **three-lines-of-defence model**. The responsibilities of the areas and bodies involved in the IRMS are specified below:

[1] Marco COSO ERM, Enterprise Risk Management - Integrating with Strategy and Performance, published on September 2017 by the Committee of Sponsoring Organizations of the Treadway Comission (COSO).

Risk management

Board of Directors

Approval of the Risk Management and Control Policy, which establishes the basic principles, key risk factors and the general framework of action for their management.

Audit and Compliance Committee

Supervision
of risk control and management, verifying their proper functioning on the basis of the policy approved by the Board.

Assessment
of the effectiveness of financial and non-financial risk internal control and management systems, as well as the measures envisaged to mitigate the impact of the risks identified.

Identification and re-assessment,
at least annually, of the main financial and non-financial risks and their tolerance levels.

Risk Map
identifying the main risks by category and an assessment thereof as a function of their potential impact, probability and the Group's preparedness for tackling them.

Senior Management

Awareness and dissemination
of the importance of the Integrated Risk Management System and its value for all the Group's stakeholders.

Definition and validation
of roles, attributions and responsibilities the framework of Integrated Risk Management System.

Approval of action plans
and work plans derived from the risk management process itself, and activity monitoring.

Setting the level of risk
that the Company considers acceptable, based on the objectives and interests of the Company and its stakeholders.

Three lines of defence

1. Business units *(continuous reporting)*
Reporting of the risks to which the Group is exposed in its respective responsibility areas, including those related to climate.

2. Risk management / Compliance function *(quarterly reporting)*
Responsible for coordinating and updating the Integrated Risk Management System to maintain maximum quality levels.

3. Internal Audit *(quarterly reporting)*
Independently and objectively supervises the Integrated Risk Management System.

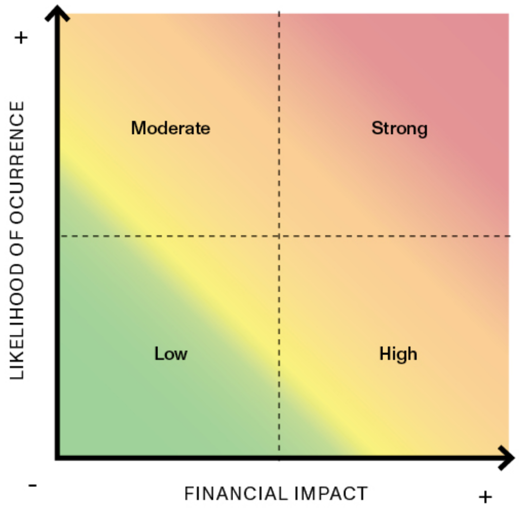
6.3.1.3. Risk identification, assessment and prioritisation

Uniform, standardised and systematic risk identification, assessment and prioritisation processes are in place, based on the concepts of risk appetite, risk tolerance and target risk. The risk factors to which the Group is subject are classified into six categories, which are subdivided into lower hierarchical classifications according to their causality: financial, geopolitical, technological, environmental, social and governance risks.

The risk identification process aims to pinpoint, recognise and describe the risks that may prevent the organisation from achieving its objectives. In the identification process, every effort is made to have the best information available, taking as a foundation the knowledge and experience of the areas directly responsible for risk management, complemented, where appropriate, by relevant external sources. Emerging risks are also considered, i.e., those risks that are new, in the process of transformation, or are a novel combination of risks, whose impact, probability of occurrence and cost are not yet well understood. In any event, the scope of geographic dimension of the risks is taken into account, especially of those that are specific to certain geographies and those linked to climate.

Risk criteria must be set by Senior Management, in keeping with the Group's objectives and interests, as well as those of our various stakeholders, and are updated periodically. Risks are assessed in terms of residual risk, i.e., the risk remaining after appropriate measures are taken.

The assessment considers three magnitudes for each of the risks: impact, likelihood of occurrence and level of preparedness. The Risk Management department periodically (at least annually) asks the various management units to assess and review the different risks and the mitigation measures in place and planned, by means of a system of interviews and questionnaires. A risk register is kept, represented in a risk map, weighing risks according to their overall impact (strong, high, moderate and minor risks). The map is periodically reported to the Board of Directors and contains the critical risks, meaning those which, if they were to materialise, could compromise the achievement of our strategic objectives.



Risk management and control framework

Impact

Effect that a risk would have if it were to materialise. Risk managers consider the worst-case impact scenario for risk materialisation and assess the impact on each strategic objective based on their own calculations, except for the 'Corporate image and reputation' variable, for which they use a standard questionnaire. To obtain the total risk impact assessment, the result of the variable with the highest impact is considered and increased according to the other affected variables on a weighted basis.

Likelihood

Risk managers use an average scenario to assess the probability of occurrence. The estimated probability of the risk materialising is measured, taking into account the track record of the past five years as well as the one-year expectations. The various possible scenarios are documented in terms of impact and likelihood of occurrence.

Preparation

The level of preparedness is measured using a questionnaire on aspects related to response capacity, existing mechanisms and controls, scenario analysis and contingency plans.

These assessments are transferred to the tolerance scales defined by Senior Management for each of the variables to obtain the total impact level. Various thresholds are currently assessed for the following financial variables: change in sales, change in gross margin, change in net profit and change in cash flow generated from operating activities.

To assess climate change-related risks, we also used methods for the financial assessment of (acute and chronic) physical and transitional risks in the short, medium and long term based on **scenario methodology**.

ⓘ More information in section *6.3.4.Climate change: risks and opportunities* of this Report.

The scenario methodology is also used to assess risks in categories not related to climate change. To analyse each scenario increasing levels of severity are factored in, so as to simulate its likelihood of occurrence, its timing, its recovery curve and its aggregate and separate impact. The purpose is to calculate 'Earning Value at Risk' over a time frame of five years discounted to obtain its present value. This enables the Group to assess risks in intrinsic and residual terms, after taking into account risk mitigation and transfer measures. This method is part of the process of evolution and development of the IRMS.

6.3.2 Risk map

GRI 3-3; 201-2; 308-2

The risk map represents the inventory of critical risks for the Group. There are also maps for specific risk categories that offer greater granularity.

Critical risk map

	# Risks	Strong	High	Moderate	Minor
Social	4	25%	50%	25%	0%
Financial	8	50%	0%	50%	0%
Geopolitical	3	33%	33%	33%	0%
Governance	7	57%	14%	14%	14%
Environmental	4	50%	0%	25%	25%
Technology	5	20%	60%	20%	0%
Total	**31**	**39%**	**26%**	**28%**	**7%**

There follows a description of the main risk factors, and their main mitigation measures and the trend with respect to the previous year.

SOCIAL RISKS
Risks arising from socio-economic trends, including evolving societal preferences, social norms and demographics, as well as the prevalence of diseases and the development of public healthcare systems.

Main risks	Description and impact	Main mitigations	Risk trend
Human capital	Risks relating to **talent and people management** pertain to the necessity to adapt our organisational culture to the needs of staff in a new and complex environment, where the sustainability of human capital becomes more relevant and which aims to ensure the quality of employment, health and well-being of staff, work-life balance, diversity, and other factors. Today's labour market is becoming increasingly demanding in terms of corporate social responsibility, which determines a company's appeal as a preferred employment destination. Accordingly, the content and impact of human capital risks are evaluated every year. Furthermore, we are more exposed to the potential risk resulting from the shutdown of critical operational processes (logistics activity, transport, administrative services, among others) as a result of **labour disputes**, strike action, riots or protests that curb or disrupt corporate productivity.	/ Knowledge transfer and the involvement of all our people in our culture and way of operating / Team development, growth opportunities for top talent and retention of key employees through career development, training and compensation policies. / Recruitment of new staff to ensure a continuous inflow of talent / Measures to develop the Diversity and Inclusion Policy / Development of equality plans, establishing measures to promote the commitment to and effective application of equality between men and women, preventing discrimination in the workplace, guaranteeing a healthy working environment and helping to maintain a work-life balance. / Implementation of community programmes and projects ⓘ More information in section *5.1. Our people* of this Report.	

Infectious and contagious diseases	This category includes the risks posed by infectious and contagious diseases. It corresponds to the potential disruption caused by a local, regional or global pandemic as a result of infectious diseases against which there is little or no pre-existing immunity in the human population. As covid-19 has taught us, the impacts of a pandemic can be multiple, unpredictable and of varying intensity, both in time and scope. They can become systemic because of how their consequences manifest.	/ Establishment of an information system to ensure better knowledge of the guidelines issued by public authorities and bodies / Mechanisms aimed at ensuring the continuity of our operations / Flexibility of the business model and strengthening of the online channel ⓘ With regard to the impact and the mitigation measures, see section *6.3.3 Risks that have materialised* during the year analysed in this Report. / Maintenance and updating of measures established by the health authorities: creating emergency management committees, compiling data on the epidemiological situation, regular information to employees, installing protective screens in workplaces, adapting capacity, etc. ⓘ Regarding the management of the impact on people, see section *5.1.6 Our people's health, safety and well-being* of this Report.
Brand perception	Risks which have a direct influence on the perception of stakeholders (customers, employees, shareholders and suppliers) and society in general regarding our Group.	/ Monitoring of the Group's image in all areas, carried out by various departments, including Communications and Institutional Relations / Establishment of the necessary procedures and protocols by the Communications and Institutional Relations, and Sustainability departments / Management of the relationship with the regulatory bodies by the General Counsel's Office – Office of the Chief Compliance Officer. Investor and Analyst Relations Management by the Capital Markets Department / Code of Conduct and Responsible Practices / Code of Conduct for Manufacturers and Suppliers / Social Media Policy ⓘ More information in section *5.4 Our shareholders* and *6.1 Good governance, corporate ethics culture and solid compliance architecture* of this Report.

FINANCIAL RISKS
Threats originating in the macroeconomic sphere, in global value chains and in industry- or company- specific events that may prevent the proposed objectives from being achieved.

Main risks	Description and impact	Main mitigations	Risk trend
Competition	The **competitive environment** may result in risks from difficulties in adapting to the environment or market in which we operate, as regards both the procurement processes and the product retailing and sale activities. These risks are inherent to the fashion retailing business and consist of our Group's potential inability to continue operating and react to changes in the target market or to adapt to new situations in its supply or distribution countries. These risks derive from the possible difficulties involved in recognising and taking on board the ongoing changes in fashion trends, and in manufacturing, supplying and putting up for sale new articles that meet customer expectations.	/ Business model through management that seeks to improve the efficiency and effectiveness of markets, business lines and stores, rationalising and diversifying the sales network / Internationalisation policy / The Group's multi-brand format based on omni-channelling, through the full integration of channels and new technologies as alternatives for communication and sales / Feasibility analysis of each new market, business line or store, plus subsequent follow-up ⓘ More information in sections *3. Get to know Inditex* and *4. Our strategy* of this Report.	→
	Competition may also surface in the infringement of **industrial and intellectual property**	/ Code of Conduct and Responsible Practices / Existence of an Industrial Property (IP) Department to supervise the use of industrial and intellectual property rights and protect the Group's IP assets, as well as of specialist staff integrated in the commercial areas. / Industrial and intellectual property training / Industrial and Intellectual Property Product Control Policy	→
Counterparty	The Group is exposed to **counterparty risk** from our suppliers of goods and services, especially those that are more strategic for the continuity of our operations, as well as from our customers and business partners, which could impact the normal performance of some of our operations. The Group is also exposed to the risk that financial counterparties fail to comply with their obligations in relation to investing our liquidity, credit policies or other funding and guarantee vehicles, as well as the derivative instruments arranged to hedge financial risks.	/ Analysis and monitoring of the financial solvency of the most important third parties for the Group, including legal, technological, operational, reputational and regulatory compliance aspects, among others / The Group's Financial Investment Policy, whose aim is to ensure the safety, integrity and liquidity of the Company's financial assets / Financial Risk Management Policy, which determines the caps on counterparty exposure / Flexibility and diversification of the value chain ensure the resilience and continuity of our operations in the event of potential disruptions owing to the behaviour of third parties ⓘ More information in section *5.6.1. Supply chain management* of this Report.	→

Market crisis	The euro is the Group's functional currency. Our international transactions require the use of numerous currencies, giving rise to foreign **currency exchange risk**. Currency exposure manifests itself in terms of net investment, translation and transaction risks. We have investments overseas whose assets are exposed to the **foreign currency exchange risk**. Given that we consolidate the annual accounts of our companies in euros, we are exposed to foreign exchange translation risk resulting from all our entities located outside the Eurozone. We are also exposed to the risk arising from the volatility in currencies other than the euro of payment and collection flows in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.	/ Financial Risk Management Policy ⓘ More information in note *26. Financial instruments and risk management policy* of the Consolidated Annual Accounts	
	Supply and distribution shipping is critical to our business. There is a risk of **paralysis** or delay **in the movement** and customs clearance of **goods** as a result of changes in the political/social situation and stability in countries where goods are produced and sold, regulatory changes, trade frictions—whether tariff or non-tariff related, and saturation of logistics infrastructures, among others.	/ In-house teams specialised in market customs regulations, which are in permanent contact with customs agencies / Diversification of shipping points and establishment of alternative routes. / Continuous tracking of the product until it arrives at the store / Monitoring of relevant regulations and regulatory changes	
Economic outlook	Our activity is subject to the risk of a potential downturn in sales as a result of **economic contraction** or other macroeconomic headwinds generated by external factors.	/ Flexible business model based on multi-brand omni-channelling. / Territorial diversification by means of an internationalisation strategy ⓘ More information in sections *3. Get to know Inditex* and *4. Our strategy of this Report.*	
Economic variables	The Group is exposed to the risk of inflation affecting costs linked to the acquisition of the goods and services necessary to conduct our business. Notable is the impact of the increase in the price of the multiple raw materials, (textile and non-textile) consumed directly and indirectly in the Group's operations, and in the procurement of goods, primarily of our products and services, in particular in connection with the transportation of supplies and distribution. ⓘ More information in note *26. Financial instruments and risk management policy* of the Consolidated Annual Accounts and in section *5.3.2. Design and selection of materials* of this Report.	/ Flexibility of the manufacturing and procurement model, allowing production to be adapted to market demand and to possible changes in the supply market environment. / Permanent contact with stores and online teams by our team of designers, through the Product Management department, helping them to learn about customer preferences. / Selective price adjustments to safeguard our margins. / Vertical integration of operations makes it possible to shorten production and delivery lead times and to reduce inventory volumes, while keeping sufficient manoeuvring room to introduce new products over the course of the season. / Monitoring of raw material markets and strategic promotion of circularity and recycling of raw materials ⓘ More information in section *4. Our strategy* of this Report.	

GEOPOLITICAL RISKS
Geopolitical risks arise from a deterioration in the political situation, a society's crime levels, changes in the ideology, leadership and regulation of its authorities, politically motivated conflicts at home or in nation states that threaten operations or expected prospects.

Main risks	Description and impact	Main mitigations	Risk trend
Business environment and political violence	Potential instability in the territories where our **supply chain** is located, as well as where products are marketed, poses a significant risk. **Socio-political instability** arising from social uprisings or other causes of political violence, as well as their potential spread to other countries, may affect our ability to operate in affected territories, with the ensuing impact on value chains, sales and expansion, or damage to our facilities. These circumstances may result in **frictions** that **hinder the normal movement of goods** due to political instability, infrastructure saturation, or constraints, especially on key routes, which generate bottlenecks due to supply-demand imbalances that limit access to transport and/or erode business margins.	/ Value chain with multiple geographic origins which provides the necessary flexibility and adaptation to demand, ensuring alternatives should it become necessary to switch between different manufacturing markets in case of severe, continuous disruptions. / Diversification of points of sale. / Monitoring of country risk and proximity to the local market. / Continued tracking of the unfolding conflict and its complex repercussions closely, putting in place plans to mitigate its impact, especially in relation to its workforce in the affected markets. ⓘ More information in sections *3. Get to know Inditex*, *4. Our strategy* and *5.6.1. Supply chain management* of this Report.	↑
Government business policies and regulatory framework	As a result of our extensive direct and indirect geographic presence, we are exposed to a wide range and variety of legislation in the countries where we operate. Regulatory changes, which are increasingly frequent and more intense, especially in our sector, as well as the possibility that local authorities might adopt differing or even divergent interpretations from one jurisdiction to the next, expose the Group to potential negative effects of a financial, compliance and/or reputational nature. This includes risks relating to labour, commercial and consumer law, industrial and intellectual property law and personal data protection and privacy regulations , with a particular emphasis on tax and customs regulations, as well as risks pertaining to other legislation. Expectations of significant regulatory or policy changes that may create uncertainty for the normal conduct of the business model and require an effort in financial and operational planning to ensure proper adaptation.	/ Systematic tracking of the impacts and risks of the emerging regulations that affect the business model and the proposal of operable solutions. / A business model based on a firm commitment to good governance, transparency and respect, aimed at promoting social and environmental sustainability, and conveying a corporate ethical culture in the performance of all our activities. / Continuous compliance training. / The existence of an independent body that supervises compliance with the internal standards of conduct (Ethics Committee) and a mechanism to report irregularities and non-compliances (Ethics Line). / Implementation of the model for the organisation, prevention, detection, control and management of legal and reputational risks, deriving from potential breaches. / Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies, Policy on Dealings with Public Servants. / Tax Policy / Anti-Money Laundering and Terrorist Financing Policy / Continuous assessment of the corporate governance system in order to verify its degree of compliance with and adaptation to new legislation, recommendations, standards and best practices in this respect, and to systematically reinforce good corporate governance practices. ⓘ More information in sections *6.2. Tax responsibility and transparency* and *6.1 Good governance, corporate ethical culture and solid compliance architecture* of this Report	↓

GOVERNANCE RISK

Governance risk includes non-compliance by the Company and, in particular, by its Board of Directors and Senior Management, with the law in a formal and/or material sense, with good governance recommendations, with best practices, and with the commitments that we voluntarily undertake. It also includes risks arising from the tactical and strategic decisions of the Group's management that may result in the non-achievement of business, functional area or Group objectives, as well as risks of corruption or damage to the Company's reputation.

Main risks	Description and impact	Main mitigations	Risk trend
Business model implementation	Risks related to potential **weaknesses in the commercial offer** as a result of not anticipating trends, not being able to react and respond to changes in market trends, not providing sufficient supply to stores or not being able to continue to stand out from our competitors.	/ Agility and flexibility of the business model / Qualified teams geared towards identifying the product wanted by the market and ensuring adequate supply management / Availability of reliable data, with the necessary frequency and level of detail, providing information on how well supply matches demand in the market. / Linking up with customers through social media and having different touch points to ascertain customers' tastes and expectations (stores, online sales). / Proximity supply allowing for swift response to customer demand ⓘ More information in section *4. Our strategy* of this Report.	↑
	Risk of **concentration of logistics operations activity** (procurement, storage and distribution) in a limited number of distribution centres, whether our own or operated by third parties, located across Spain.	/ Logistics Connection Hub in the Netherlands. / Use of smaller logistics centres located in other countries and with third party logistics operators which carry out variable scale distribution operations. / Implementation of our WMS (Warehouse Management System) in all external logistics operators to ensure full operability and compatibility with our systems. / Our RFID and SINT (integrated stock) programmes have been implemented in all retail concepts. ⓘ More information in section *4. Our strategy* of this Report.	↑
Non-compliance	The Group is exposed to the risk of **non-compliance** with its Human Rights Policy and other standards we have established in this regard. In particular, breaches of our Code of Conduct for Manufacturers and Suppliers, defined as the **minimum standards of ethical and responsible behaviour** to be observed by the **manufacturers and suppliers** of the products we market. Furthermore, the requisite ESG (environmental, social and governance) performance in the fashion industry is increasing and is based on **transparency and traceability.**	/ Mandatory compliance with the Code of Conduct for Manufacturers and Suppliers by all those who wish to become part of the Group's supply chain. / Programme for Compliance with the Code of Conduct for Manufacturers and Suppliers by means of different types of audits of the facilities required for production. / The Ethics Line and Ethics Committee (also responsible for the application and interpretation of the Code of Conduct for Manufacturers and Suppliers). / Traceability strategy based on a management system whereby each supplier is required to know and share its supply chain data and report the facilities involved in the productions, and an audit process that confirms that production does in fact take place in declared and authorised factories. ⓘ More information in sections *5.6 Suppliers* and *6.1. Good governance, corporate ethical culture and solid compliance architecture* of this Report and section *F.1.2* of the Annual Corporate Governance Report.	↑

Data protection and privacy	Our Group faces the risk of **failing to comply with the law** in a formal or material sense, or with good governance recommendations, best practices or voluntary commitments. This includes risks relating to tax, customs, anti-bribery and corruption, labour law, commerce and consumption-related regulations, industrial and intellectual property regulations, data protection and privacy and risks relating to other types of legislation, in particular criminal regulatory risks, as well as other regulatory compliance risks.	/ The Company's Compliance System / Criminal Risk Prevention Model, comprising the Criminal Risk Prevention Policy, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls. / The main policies approved within the framework of the Criminal Risk Prevention Model are as follows: Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies, Policy on Dealings with Public Servants, Conflicts of Interest Policy, Anti-Money Laundering and Terrorist Financing Policy, Due Diligence Policy and the Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets. / Ethics Line and Ethics Committee ⓘ More information in section *6.1.3. Compliance and criminal risk prevention systems* of this Report. / Data protection and privacy compliance model, the basic rule of which is the Personal Data Protection and Privacy Compliance Policy. ⓘ More information in section *6.3.5.2. Personal data protection and privacy* of this Report. / Annual assessment of the corporate governance system in order to verify its degree of compliance with and adaptation to new legislation, recommendations, standards and best practices in this respect, and to systematically reinforce good corporate governance practices / Periodic supervision by the Audit and Compliance Committee of the existence of possible conflicts of interest or transactions with/among related parties, contrary to the interests of the Company and/or its stakeholders.	➔
Products and services	We are exposed to risks relating to the **quality, composition** and other aspects linked to the **health and safety of our products.**	/ Checking and verifying product health and safety standards and detailed manufacturing guidelines through the Clear to Wear: Product Health Policy and Safe to Wear: Product Safety Policy. ⓘ More information in sections *5.3.3. Health and safety of products* and *5.6 Suppliers* of this Report	➔

ENVIRONMENTAL RISKS
Risks associated with natural disasters, climate change and the interactions resulting from human exploitation of the environment.

Main risks	Description and impact	Main mitigations	Risk trend
Climate change	Our performance is exposed to the potential impacts of climate change in its various manifestations of physical risk, whether chronic or acute, as well as the risks resulting from the transition to a low-carbon economy. With regard to physical risks, seven climate phenomena are taken into consideration: heatwave, freeze, river flooding, coastal flooding, temperature windstorm and tropical storms and water stress in the catchment areas in which our own or third-party facilities are located.	/ Decarbonisation is one of the main axes of our Sustainability Roadmap, in line with the goals of the Paris Agreement. We have set very ambitious decarbonisation targets for our business and for our industry as a whole. / Section 6.3.4. Climate change: risks and opportunities focuses on this risk within the framework of the Task Force on Climate-related Financial Disclosures (TCFD), which the Group joined in June 2020. ⓘ More information in sections *5.5.1. Our approach to energy management and emissions reduction* and *6.3.4. Climate change: risks and opportunities* of this Report.	↑
Environmental degradation and Scarcity of natural resources	There is a risk of producing adverse effects in the environment through the release of undesirable or hazardous substances (whether biological or chemical) throughout our value chain. There is also a risk that our activities could translate into negative externalities such as the loss of biodiversity, deforestation, soil degradation, scarcity of raw materials, especially those that meet our sustainability requirements, among others. A sufficient and reliable supply of preferred raw materials must be guaranteed to meet the our sustainability commitments.	/ The Sustainability Policy sets out, among others, the environmental commitments, which are applied transversally across all its business areas and throughout the supply chain. / Environmental strategies: Biodiversity Strategy, Global Water Management Strategy and Global Energy Strategy / Forest Product Policy / Commitment to clean energy and the implementation of circular management models in our headquarters, logistics centres, factories and stores (clothes collection project). / Zero Waste Programme, initiative to implement a waste management system that allows waste generated at our own facilities to become an available resource for a new use through their reuse or recycling / Packaging quality standards to introduce recycled materials in packaging, extend its life and facilitate its recycling (Green to Pack Programme) / Research and development of new, more sustainable raw materials and fibres through the use of new technologies via the corporate platform Sustainability Innovation Hub / Collaboration projects with third parties in the field of circularity and innovation (MIT Spain, Ellen MacArthur Foundation, Global Fashion Agenda, Euratex, and so on). / Application of the Green to Wear standard in the supply chain ⓘ More information in sections *5.5.1. Our approach to energy management and emissions reduction* and *6.3.4. Climate change: risks and opportunities* of this Report.	→
Extreme weather events	As a result of natural disasters such as floods, fires, earthquakes, etc., key business operations and shipping processes could be halted. Events such as these could potentially affect our Group's critical infrastructure.	Management of these risks, including mitigation measures and resilience plans, has been discussed in the section on **industrial accident** risks. Section 6.3.4. Climate change: risks and opportunities includes a sub-section concerning the physical climate impact on the Group's value chain.	→

INDITEX

TECHNOLOGY RISKS
This includes targeted cyberattacks, collapse of critical infrastructure, industrial accidents with direct or indirect impacts, as well as the inability to adapt to technological advances.

Main risks	Description and impact	Main mitigations	Risk trend
Critical infrastructure	We are more exposed to the risk arising from various contingencies (incidents, sabotage or accidents) that lead to a halt or operational inefficiency of IT services or processes needed to perform the business activity.	/ Ensuring the availability of the systems by deploying technical contingency plans which, together with associated technical recovery procedures and their relevant recovery testing would reduce the consequences of an incident, breakdown or stoppage. / Main data centre certified to TIER IV standard, guaranteeing maximum reliability and high availability. / Availability of certified data centres guaranteeing high availability as well as synchronous data storage in redundant locations or duplication of equipment and lines. / Information Security Procedure Incident Response Plan, which includes the management of incidents affecting personal data from the standpoint of compliance with personal data protection and privacy regulations. ⓘ More information in section *6.3.5 Information security and privacy* of this Report	→
Cybersecurity	This refers to exposures that could compromise the continuity of operations and/or the confidentiality, integrity and/or availability of our information, regardless of whether it is located in our own systems or those of third parties; and third parties' information located in our systems. We are aware that technological risks evolve exponentially, unpredictably and, in some cases, in a very sophisticated way. Thus, although Information Security is a priority, there is the possibility of an undetectable attack which might affect operations or information managed by us.	/ Existence of an Information Security Officer, reporting directly to the Chief Executive Officer. / Availability of a reference framework (Information Security Policy) aimed at ensuring the confidentiality, integrity and availability of information. / Permanent control of the Information Security management system to ensure confidentiality and integrity of information and uninterrupted operations through the Information Security department and with the support of the Information Security Committee. / Continuous review mechanisms, by the Information Security department, evaluated through internal and external audits, for the prevention, detection and response to cyberattacks / Updating the inventory and information technology and security risk map to establish the necessary mitigation measures and ensure continuous improvement by the responsible areas / Development of a strategic plan with international experts in order to maintain and improve the maturity of the Information Security programme / Insurance policies to cover loss of profit, expenses arising from the attack and the Company's civil liability for damage caused to third parties / Compliance with the requirements of the Payment Card Industry Data Security Standard (PCI- DSS) and obtaining the ISO/IEC 27001 certification for Information Security. / Certifications required within international regulatory frameworks, such as the K-ISMS[1] in South Korea and the MLPS[2] in China. / Awareness and skill-building through employee cybersecurity training. / Information Security Procedure Incident Response Plan, which includes the management of incidents affecting personal data from the standpoint of compliance with personal data protection and privacy regulations. ⓘ More information in section *6.3.5 Information security and privacy* of this Report	→

1. K-ISMS is South Korea's information security management system. This standard is managed by the Korean Internet and Security Agency ("KISA"). It was prepared to evaluate whether enterprises and organisations operate and manage their information security system consistently and securely such that they protect key information assets from various threats.

2. MLPS is the multi-layer protection scheme. It is a regulatory classification scheme intended to protect the security of information systems located in China. China's Cybersecurity Law requires the network and system components to be protected against disruptions, damage, unauthorised access using a graded scale to prevent data leakage, manipulation and espionage

Industrial accident	We are exposed to the risk arising from the interruption of operations associated with the possible occurrence of extraordinary events beyond our Group's control (fires, transport or key supplier strikes, interruptions in energy and fuel supplies, etc.), which could have a significant effect on the normal functioning of our operations. The main operational risks are concentrated at logistics centres and at third party operators transporting goods.	/ Actions to reduce exposure to this type of risks, maintaining high levels of prevention and protection at all the distribution centres. Existence of insurance policies that cover both property damage and loss of profit resulting from the incident. / Optimisation of the scale and use of all logistics centres according to the volume of each retail concept and the specific needs of the geographic area they serve. / Configuration of the various logistics centres to allow them to take over storage and delivery capacity from other centres in the event of a contingency caused by accidents or stoppages in distribution activities. / Logistics Expansion Plan, which assesses the need and envisages new investments if necessary. Phasing-in of Radio Frequency Identification (RFID) technology in the value chain and development of new mobile robotics technologies. / The search for, validation and control of external logistics operators, at different strategic points, with full integration into the Company's logistics capacity. / Diversification of shipping suppliers. ⓘ More information in section *4. Our strategy* of this Report.	↑
Disruptive technology	We are aware that **technological innovations and evolutions** in a broad sense, both in customer interaction through the development of a satisfactory omni-channel experience, as well as the improvement of all operating and business processes, are indispensable to ensure fulfilment of our strategic objectives.	/ The digital transformation and the drive for digitalisation as a key transformation tool are evident throughout all our Group's operational and business processes. Digitalisation allows a more agile, efficient and accurate management of our operations, from logistics through to in-store transactions. It also fosters sales growth by integrating channels. It ensures immediate availability and accessibility of business data, obtained thanks to our full integration, so as to continue to speed up decision-making processes, manage inventory more efficiently and improve the standard of customer services. / Digitalisation is key to the development of our sustainability strategy as, among other things, it makes it possible to manage supply chain traceability, allowing us to compile sustainability information. / With regard to people management, our digital tilt has enabled us to continue improving our operations, from the initial recruitment to the contract stage. Digitalisation is critical when it comes to the communication and training of our teams all over the world. ⓘ More information in section *4. Our strategy* of this Report.	→

Disruptive technology	The governance, **availability, quality and value of the information generated in** the course of our activities is increasingly becoming a competitive advantage and is essential for normal business operations. The information is varied: transactional and operational, financial and accounting, management and budgeting and control. We ensure the protection of information, regardless of how it is communicated, shared, projected or stored. This protection affects both the information inside the Group and the information shared with third parties.	/ Periodic review of the management information distributed to the various managers, and investment, among other areas, in information transmission systems, data analysis and intelligence for decision-making and process optimisation, business monitoring and budgeting. / Various Group departments, particularly the Management Planning and Control and the Administration departments, which report to the Financial Division, are directly responsible for producing and supervising the quality of this information. The Information Security department is responsible for ensuring that this information is accessible and/or modified only by those authorised to do so, entering parameters into the systems to guarantee the reliability, confidentiality, integrity and availability of critical information. / Information Security Procedure Incident Response Plan, which includes the management of incidents involving personal data from the standpoint of compliance with personal data protection and privacy regulations. ⓘ More information in section *6.3.5. Information security and privacy* of this Report / Establishment of an Internal Risk Management and Control System over Financial Reporting (ICFR), with the aim of continuously monitoring and assessing the main associated risks in order to reasonably ensure the reliability of the Group's public financial information. ⓘ More information in the Report on *Internal Control on Financial Reporting (ICFR) systems*) / Ensuring the reliability of the non-financial information supplied to the market through an internal control on non-financial reporting (ICNFR) system. / The Consolidated Annual Accounts and those of all the relevant companies, as well as the Statement on Non-Financial Information, which forms part of the Directors' Report, are reviewed by the external auditors. For the most significant companies, the external auditors are asked to make recommendations on internal controls. ⓘ More information in the *Independent Verification Report* included in this Report.

6.3.3. Risks that materialised over the course of the year

GRI 3-3

The covid-19 pandemic affected the evolution of the year less intensely, because the situation was normalizing in most of the markets. However, some geographies still suffered continuous or sporadic mobility restrictions of varying intensity that have occasionally affected both the Group's stores and the value chain, both owned and operated by third parties. Our response to the pandemic has had the primary objective of ensuring the health and well-being of our employees, customers and all the people who, directly or indirectly, provide services or provide goods necessary for the operation of the business, undertaking the measures of prevention and, where appropriate, timely mitigations, at all times, in addition to guaranteeing the normal functioning of our operations. The **integrated sales model** has allowed us to continue meeting the demand of our customers in all markets, even at times with stricter mobility restriction measures. Sales in the online channel have continued to develop strongly and have made it possible to complement and offset the impact of the impediments to the physical distribution channel. If the pandemic has occasionally caused disruptions to our value chain, the flexibility and diversification of our supply model has made it possible to mitigate its impact, taking advantage of the agility of our business model to meet demand through the most efficient combination of origins of merchandise of proximity and long cycle. The transport market has tended to gradually normalize during the year, although it has not yet returned, both in prices and availability, to the conditions prior to the pandemic. The restrictions on commercial traffic and the increase in the prices of fossil fuels, mainly the result of geopolitical tensions, have continued to add complexity to an already very difficult environment. The Group has sought versatile and reasonable transport alternatives, adapted to unexpected circumstances, ensuring the availability of the necessary capacity to guarantee the flexibility of our business model.

The uncertain and challenging macroeconomic and geopolitical environment were hallmarks of the year. The conflict in Ukraine forced the suspension of the Group's operations in Ukraine and the Russian Federation. Operations in Ukraine remain temporarily suspended. The Group continues to analyse developments in the conflict and its complex implications on an ongoing basis and to put plans in place to mitigate its impact.

More information at *Note 33* of the Consolidated Annual Accounts.

During the year many markets continued to experience accused inflationary processes. The inflationary spiral has affected many of the costs of goods and services that make up our value chain. In particular, commodity markets, especially energy and certain textile fibres, experienced a generalised uptick in the year. Energy costs, both in the sales markets and in supplying countries linked to the transformation processes in our value chain, have risen sharply. Although price levels have tended to moderate as the year has progressed, we are still far from pre-pandemic levels. Especially, in these exacting circumstances, spending has been systematically and rigorously controlled. In addition, in anticipation of potential supply chain stress, and harnessing the flexibility of our business model, the Group has brought inventory inflows forward. Although the Group's commercial and operational performance has been very positive, it should be noted that the economic outlook in many of the markets where we operate is challenging. This is a result of multiple factors (fragile economies still in the process of recovering from the crisis caused by the various waves of Covid-19, inflationary trends, the end of monetary stimulus packages, the beginning of fiscal consolidation, high levels of public debt, etc.).

The economic and geopolitical environment has generated instability and volatility in financial markets. Foreign currency exchange risk has been particularly concentrated in the US dollar and the Turkish lira. During 2022, the movements of non-euro currencies had a negative impact on the Company's sales growth and a slightly positive impact on the cost of sales. Foreign exchange rate risk continued to be pro-actively managed in accordance with Group guidelines based on centralising management, optimising foreign exchange exposures, maximising the benefit of diversifying the risk portfolio and monitoring risk continuously.

Although the Group has a **strong cash position**, measures have been taken to guarantee and safeguard the Company's liquidity. The Group also has external sources of financing through credit facilities, mostly committed, totalling 8,083 million euros.

ⓘ More information at Note 21 of the Consolidated Annual Accounts.

At the time of drafting this document, Türkiye and Syria are under the effects of the catastrophic earthquakes that have been occurring since February 6, 2023. Inditex's priority has been to join the humanitarian emergency through its contribution that allows it to collaborate to cover the basic needs of people affected by earthquakes. Türkiye plays a central role in the Group's value chain. Despite the fact that a significant part of the factories of the Turkish cluster are concentrated in the area affected by the earthquakes, the impact on the Group's global supply chain is not material. Our operations in the affected area tend to normalize.

6.3.4. Climate change: risks and opportunities

GRI 201-2

Assessing and managing climate change-related risks and opportunities is a key component of our progress towards decarbonisation. Assessing potential climate-related impacts, in their various manifestations, is a very important factor in the Group's strategic decision-making. The current climate situation requires collaboration and joint action, so we are in favour of disclosing our key climate risks and opportunities through this Report.

Our climate-related management and disclosure framework is based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also closely adhere to the recommendations and standards that international accounting standard bodies are developing in connection with the transparency of the climate risks.

TCFD framework:

Physical risks

Acute
Caused by natural events, including more severe extreme weather events, like cyclones, hurricanes and floods.

Chronic
Long-term changes in weather patterns that may cause an increase in sea level or chronic heat waves.

These physical risks may cause damage to material goods and disrupt the supply chain in the following scenarios:

/ Changes in the availability of water resources.

/ Vulnerability in respect of other specific resources or raw materials on which Inditex depends, such as cotton, viscose, etc.

/ Potential disruption in shipping routes.

/ Employee health and safety.

Transition risks

Market
Technology
Policy and legal
Reputation

The Company's actions on the four TCFD pillars of **governance, strategy, risk management, and metrics and targets** is presented below.

Climate governance

The Group's sustainability strategy and its policy on climate change is approved at the highest level by the Board of Directors of Inditex. The Sustainability Roadmap includes a series of milestones and targets for advancing towards a low-carbon economy, the proper implementation of which is a shared responsibility involving all levels of the Company.

The Board of Directors reviews, on a quarterly basis, the fulfilment of the objectives included in the Strategic Plan, analysing, among others, the indicators related to sustainability and climate change, which are integrated in our business model and in our decision-making processes.

Climate governance at Inditex follows the same processes and is carried out through the same bodies as are the rest of sustainability-related matters.

More information on the organisational structure of sustainability and climate change governance, the associated responsibilities and the monitoring and oversight processes in section *6.1.1. Good Corporate Governance* of this Report.

Strategy

Our approach to decarbonisation

At Inditex we are determined to be **agents of change** so as to drive the transformation of the textile sector towards a more resilient and low-emission economy. The Group's Sustainability Roadmap contains our decarbonisation targets, including achieving net zero emissions by 2040 and science-based reduction targets to 2030, which are currently under review to ensure they are aligned with the latest scientific evidence.

ⓘ More information in sections 5.5. Environment and 5.3. Our products of this Report.

We believe it is necessary to adopt a **holistic approach** involving the analysis of future climate scenarios and the identification of associated risks and opportunities in order to guarantee a resilient long-, medium- and and short-term strategy. Building on the work carried out in previous years, the Inditex Group joins forces with Risilience, which harnesses the methodology developed by its academic partner, the University of Cambridge/Centre for Risk Studies to design a climate risk assessment model under different scenarios.

Due to the large scale and long-term challenge posed by climate change, in addition to the Group's planning and business cycles, these risks and opportunities were assessed in the short (0-5 years), medium (5-10 years) and long (more than 10 years) term.

Analysis of the scenarios

The scenario analysis methodology provides us with a better understanding of the potential impacts of climate change on our Company, and is therefore a valuable tool for strategic planning, risk management and assessing our resilience. In 2022, we continued to work with the University of Cambridge to advance different aspects of resilience in our value chain. For example, by analysing certain transition risks in greater depth, considering a wider scope of exposure for our value chain or starting to include in the analysis the mitigation measures proposed through our sustainability strategies.

Emissions pathways have been updated in line with the latest ones published in the Sixth Assessment Report from the Intergovernmental Panel on Climate Change (IPCC) in 2022. The models of this Sixth Report tend to show significantly greater climate sensitivity than those of the Fifth Assessment Report, as well as an increase in the range of scenarios and experiments considered.

In 2022 Risilience updated several of the physical and transition risk models to incorporate new and updated data sources, reflecting the latest science and changes in external climate-related trends, and providing more detailed knowledge. These updates, combined with updated proprietary financial and business data, provide a revised view of physical and transition risks.The updates to the Risilience model include:

/ Physical risks: update of the basis for physical climate risk models from Phase 5 to Phase 6 of the Coupled Model Intercomparison Project (CMIP5 to CMIP6). These are the latest generation of climate models and are consistent with the results of the latest IPCC Sixth Assessment Report. Additional emission pathways have been modelled to assess the sensitivity of physical risks to different levels of global temperature increases.

/ Physical risk - Raw material supply: the model has been honed to factor in crop growing seasons and the number of raw materials analysed has been increased.

/ Transition - Regulatory risk: updating global carbon price data to reflect current policies. Improving the methodology used to forecast future carbon prices and updating data from various bodies, such as the Network for Greening the Financial System (NGFS).

/ Transition - Liability risk: update of the likelihood and costs associated with climate-related litigation, classified by emission pathway and industry.

Five emissions pathways were used to assess the potential impacts on the Group of physical and transition risks. Each pathway has its own socio-economic narrative based on assumptions in respect of regulatory changes, energy outlooks and technological advances on the basis of existing data, and a probability of occurrence. For example, emissions pathways are aligned with the Shared Socio-economic Pathways of the Intergovernmental Panel on Climate Change (IPCC's SSPs). The **five emissions pathways** used are described below in more detail:

Analysed Scenarios

Effect on GHG emissions

>4ºC	3ºC	2.5ºC	2ºC	1.5ºC
200% in 2100	-50% in 2100	-75% in 2100	Net 0 in 2070	Net 0 in 2050
No policies	**Current policies**	**Policies announced**	**Paris Agreement limit**	**Paris Agreement ambition**
Assumes an increase in energy consumption and emissions by the end of the century, with contrary policies.	Continuation of the current trend, with no new policies or changes to the existing ones.	Includes the current commitments and objectives published, such as those defined in the Nationally Determined Contributions (NDCs).	In line with the Paris Agreement, which requires rapid and global change in the energy system, technology and behaviour.	Urgent and radical political response, requiring a swift and systemic overhaul of the energy system and sweeping changes in society, as well as more investment in technological innovation.

In the short term, the most significant impacts relating to climate change stem from **transition risks**. Consequently, in the next five years transition risk is likely to evolve swiftly as a result of regulatory changes, energy supply and demand, legal processes, etc. Transition risks vary widely depending on the emissions pathway. The most ambitious scenarios in terms of emissions reductions result in potentially higher risks.

In the short term (five years), **physical risk** deriving from climate change does not significantly vary across the five emissions pathways and, as a result, its impact is broadly equal in all of them. Since over longer time frames there is more uncertainty with regard to the behaviour of climate change over physical risk, there is a greater divergence between the various pathways, and the probability of the materialisation of these risks increases. These findings evidence the importance of establishing measures in our Sustainability Roadmap in the short, medium and long term.

Method of analysing financial impacts

To quantify the potential impacts of these scenarios, a financial representation (or digital twin) of the Group was created. The **digital twin** is a representation of the Group's business, including its financial statements, key facilities, its value chain, including raw materials (both natural and man-made), a breakdown of the business by market and the greenhouse gas (GHG) emissions. The model captures the geographic presence of our value chain (sources of raw materials, factories, distribution centres, transport hubs, etc.), our commercial presence and our carbon footprint in respect of scopes 1, 2 and 3. The model allows a short-term quantification, over a five-year time frame, and also provides a 20-year outlook.

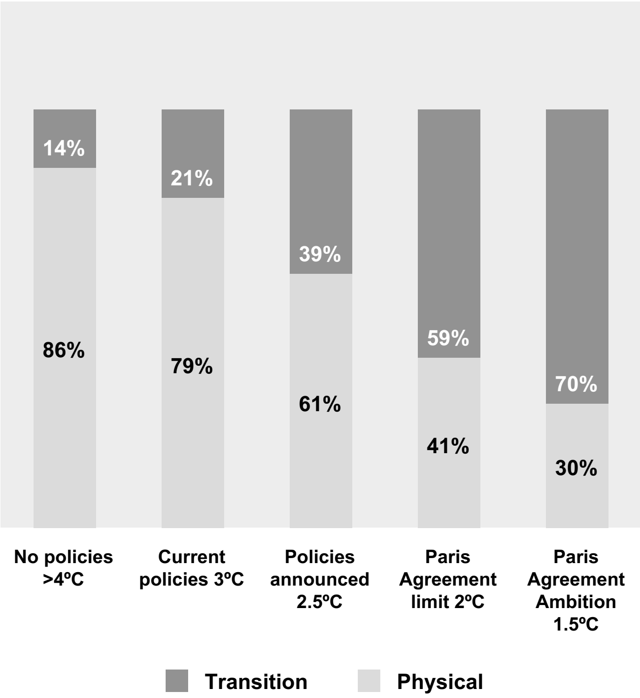
The results show the potential losses in future 'at risk' cash flows. Earning Value at Risk, discounted to obtain its present value, makes it possible to quantify the total financial impact of each scenario. The impacts are assessed from the standpoint of the physical and transition risks facing the Group. Each risk is modelled independently, assuming there are no interdependencies or trade-offs between them.

Earning Value at Risk

The Group's estimated global earning value at risk for the next five years that results from the risks linked to climate was modelled assuming no mitigation actions are undertaken. However, work is ongoing to identify and quantify the mitigation measures of our sustainability strategy so as to be able to gauge the residual risk. In the 'Current policies' emissions pathway, aggregate risk from climate change, in both its manifestations, is considered strong in the Group's critical risk map based on its impact and probability of occurrence. The 'Current policies' scenario is the second least severe in terms of transition risk.

ⓘ More information in sections *6.3.1. Risk management and control framework* and *6.3.2. Risk map* of this Report.

With respect to total estimated risk, the table below shows the profile of each of the risk dimensions of the five pathways used, distinguishing between physical and transition risks in the short term.



There follows a description of the various dimensions of risk under the different greenhouse gas emissions pathways and their relative impact:

Physical Risks

Physical risks resulting from climate change can be owing to extreme weather events (acute risks) or gradual changes in longer-term weather patterns (chronic risks). The analysis of physical risks was conducted for a total of more than 15,000 geolocalised facilities, belonging to both the Group and third parties, throughout our value chain of different types (factories, logistics centres, offices, airports, ports, logistics hubs, stores, etc.). Each type of asset has recovery curves assigned to it, depending on the severity of the scenarios, their vulnerability and resilience to each climate phenomenon. Seven climate phenomena are considered: heatwave, freeze, water stress,, river flooding, coastal flooding, 'extratropical' storm and tropical storm. Flash flooding was not considered this time as a result of the IPCC Assessment Report update, but will be included again in future analyses. The choice of these physical phenomena is based on Cambridge University's relevance criteria for our business.

Each threat is evaluated using a base-case scenario (2000) and a change forecast. The base-case scenario is compiled using the historical meteorological series of the last 40 years, while the forecasts are based on a risk estimate through 2030, 2040 and 2050. In order to weigh the financial impacts of extreme weather events caused by climate change, the changing probability and severity of each event is used to quantify the increase or reduction of the physical impacts expected at facility level. The base-case scenario also makes it possible to assess existing risks, especially water stress in the catchment areas where the Group's own or third-party facilities are located, particularly in Spain, where the Group's main assets are concentrated[2].

[2] More information in CDP Water 2022.

The effect of physical risks is assessed for **four types of key risk**:

Dimension	Description and impact	Main mitigations	Risk trend
Physical Acute	**/ Operations at key facilities:** extreme weather conditions can disrupt production and activities, as well as increasing the costs of operations and processes in key facilities. Impact on earnings: estimated total loss of profit attributed to the risk of market disruption. **/ Damage to physical assets:** in addition to the aforementioned disruptions, the assets themselves may be damaged, and the costs of operations and processes may increase. Earnings impact: the disruption of production capacities generates loss of earnings depending on the products and services at each facility. Damage to assets may result in the loss and/or deterioration of facilities and/or stock.	/ Most of the facilities are related to the supply chain and our commercial network so there are technical contingency systems in place that would mitigate the consequences of a disruption or shutdown. / Continuous review systems, along with the insurance policies, would cover loss of profit and resulting expenses. / In the specific case of logistics centres, they have been configured so as to be able to take on storage and distribution capacity for other centres in the event of a contingency caused by extreme weather events. ⓘ More information in chapter *6.3 Responsible risk management* of this Report.	↑
Physical Acute and Chronic	**/ Disruption of earnings:** extreme weather events affect consumers' purchasing patterns so that consumers may alter their behaviour because of the weather. Impact on earnings: extreme weather events can impact short-term normal earnings flows. Sales may be affected by changes to demand if consumers change their behaviour due to the weather, reduced retail traffic or if the value chain experiences local disruptions.	/ All areas of the Group are geared towards satisfying customer needs and guaranteeing the best shopping experience, which is why our activity begins by actively listening to our customers and identifying their demands and expectations. / Flexible, integrated and innovative business model that affords a competitive advantage when it comes to analysis and response in the short, medium and long terms. ⓘ More information in section 4. Our strategy of this Report.	↑
Physical Chronic	**/ Raw materials supply:** agricultural products and water supply are affected by extreme weather phenomena and chronic climate changes, which may render certain crops non-viable or reduce their yield. Revenue impact: companies with agricultural supply chains are vulnerable to rising costs and the unavailability of raw materials due to extreme weather events and chronic climate changes, leading to disruptions in the production chain and potential losses as supply shortfalls cannot be replenished. Raw materials that cannot be replaced pose the greatest risk (e.g. cotton). Cotton, linen, wool, cowhide and cellulosic fibres have been analysed.	/ The Group's collaboration with other organisations and institutions to increase the range of materials with better environmental performance, which make more efficient use of natural resources with recycled content. / We have exacting commitments for the use of materials of preferred origin in the short term (cotton and man-made cellulosic fibres of preferred origin by 2023, and polyester and linen of preferred origin by 2025). / The Group's efforts and work to foster the development of technologies to improve the sustainability of the raw materials and their subsequent recycling.	↑

Transition Risks

Transition risks are financial and reputational risks associated with the nature, speed and trend of changes in policies, legal frameworks, technologies and markets as society transitions to a low-carbon economy. Transition risks vary broadly depending on the level of ambition expressed in the various greenhouse gas emissions pathways and transversally affect all business areas. Five dimensions of transition risks were assessed in accordance with the five GHG emissions pathways in the short, medium and long terms:

Dimension	Description and impact	Main mitigations	Risk trend[1]
Transition Regulatory	/ **Carbon pricing:** carbon pricing policies vary in each of the jurisdictions. They are a pivotal mechanisms for incentivising decarbonisation. Organisations pay a price for emissions throughout their value chain so that the cost of negative externalities is passed on to those responsible for them. / **Carbon markets:** the development of emissions markets, still largely voluntary, is experiencing an increase in demand and in the prices of carbon emissions allowances to reach credible reductions. Earnings and costs impact: the Group's total emissions footprint in each of the jurisdictions is subject to their carbon pricing. The financial impact stems from the increase in production and distribution costs, and the cost of raw material procurements, in terms of the increase per unit of product.	/ Ambitious Group Sustainability Roadmap that reflects Inditex's firm commitment to progressing towards a low-carbon economy model. The goal of net zero greenhouse gas emissions by 2040, science-based decarbonisation targets (SBTs) by 2030, and the commitment to using 100% renewable electricity at our own facilities, achieved in 2022. ⓘ More information in section *4. Our strategy* of this Report.	↓
Transition Legal liability	/ **Lawsuits from emissions and climate damage**: a generalisation of lawsuits against companies for their liability in emissions and the damaging economic and environmental consequences thereof. Cost impact: the intensity of lawsuits related to GHG emissions and climate change that the Group may experience will vary depending on the different emissions pathways. Their probability of occurrence and potential impact will also vary depending on the associated costs (settlement, legal damages, legal costs, etc.).	/ Inditex's Sustainability Policy establishes that all the Group's activities will be conducted in the most environmentally-friendly way possible, fostering the conservation of biodiversity and the sustainable management of natural resources. ⓘ More information in section *4. Our strategy* of this Report. / Solid Compliance System in place and a robust corporate governance system that ensures compliance with regulations, guidelines and best practices in this connection. ⓘ More information in sections *6.1 Good governance, corporate ethics, culture and solid compliance architecture* of this Report and F.1.2 of the Annual Corporate Governance Report.	↓

INDITEX

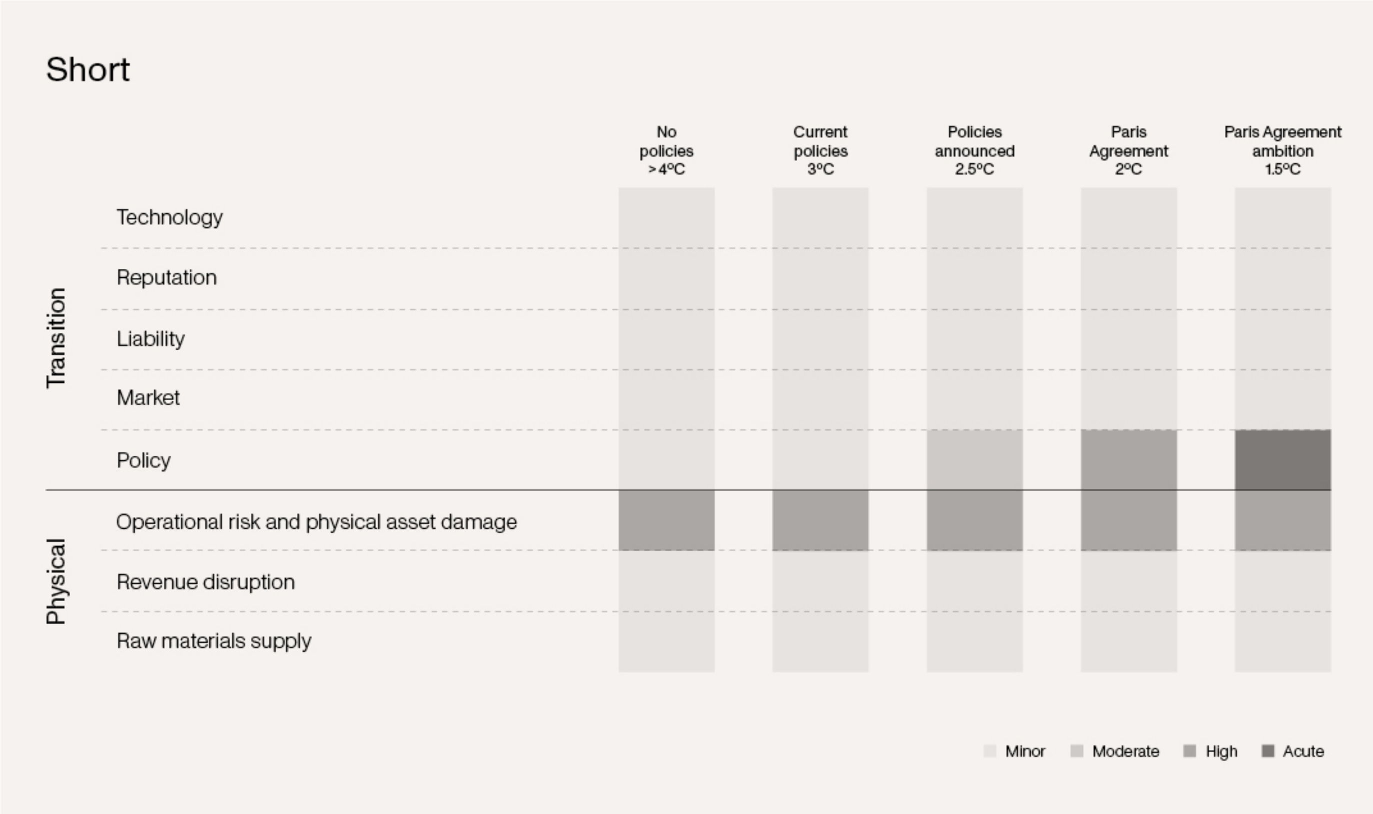
Dimension	Description and impact	Main mitigations	Risk trend[1]
Transition Technological	/ **Disruptive technological innovation:** the pace of adoption of low-carbon technologies, and the resulting 'green premium', may affect the competitiveness of companies as a consequence of the impact in terms of operating expenses and the value of the assets. Investments must seek a balance between innovation and profitability. Impact on cost: the model explores the cost for the Group of investing in these technologies and seeking efficiencies in our operating and distribution assets.	/ Innovation is an inherent and transversal value throughout the Inditex business model, which is why we collaborate with our suppliers and other organisations to find innovative solutions that may be applied throughout the value chain and life cycle of our products. Inditex's Sustainability Innovation Hub is clear evidence that it is seeking to foster the circular economy, contribute to decarbonisation and maximise environmentally-friendly development. Another example is our involvement in projects such as CIRC or the collaboration with Infinited Fiber Company. ⓘ More information in section *5.3.1 A firm commitment to innovation and circularity* of this Report.	↑
Transition Market	/ **Consumers preference for sustainability**: consumers tend to prefer alternative products and services that produce lower emissions. Competitors may emerge who propose innovations that transform demand, jeopardising the market share and cost of capital of established players. Earnings and costs impact: the demand impacts are expressed as the loss of earnings and/or failure to comply with growth targets. Investor sentiment translates into an increase in the cost of capital and in the cost of financing. The various emissions pathways will determine the scale of these impacts.	/ The Group's commitment to customers also implies anticipating their demands in matters such as diversity, sustainability or transparency, issues in which the aim is to involve them in the efforts and progress made.	↓
Transition Reputation	/ **Climate activism and stigmatisation by consumers:** a negative change in public opinion towards companies with carbon-intensive activities. Consumer demand is affected by climate activism, which also affects investor confidence and access to capital.	/ Inditex's Sustainability Roadmap includes ambitious targets and actions aimed at achieving the long-term goal as a lever of transformation. The Group collaborates with all the actors in the value chain and with stakeholders to tackle global challenges from a holistic standpoint.	↑

1. The risk trend reflected here corresponds with the short term

The tables below show the evaluation of the climate change risk dimensions as per the five greenhouse gas emissions pathways for the Inditex Group.

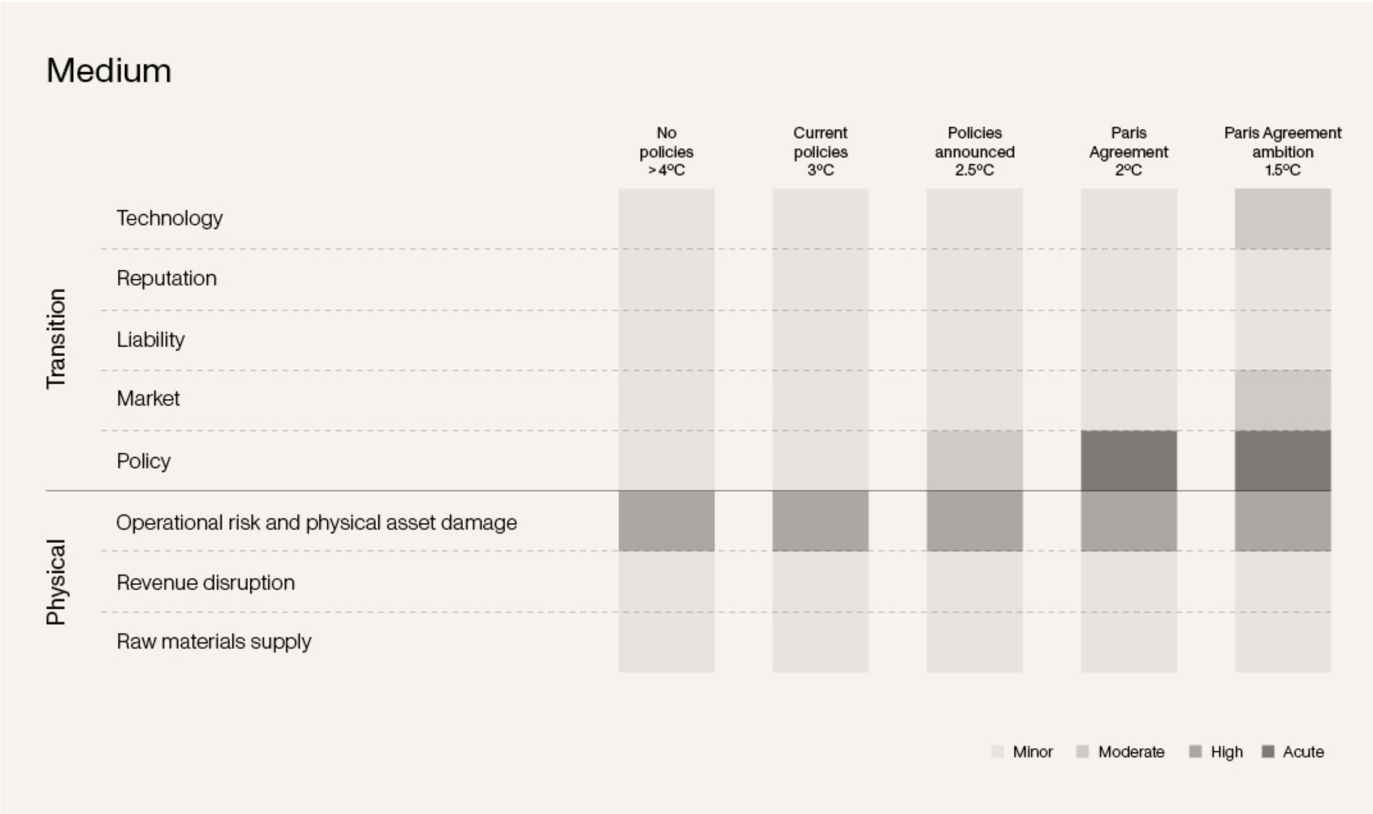
Medium- and long-term risks are estimated by translating the five-year cash flow estimates from the short term to the two corresponding future dates. The aim is to gauge how our business model would perform under climate conditions projected by different emissions pathways. This makes it possible to distinguish the impact of climate change.

In the short term (0-5 years):

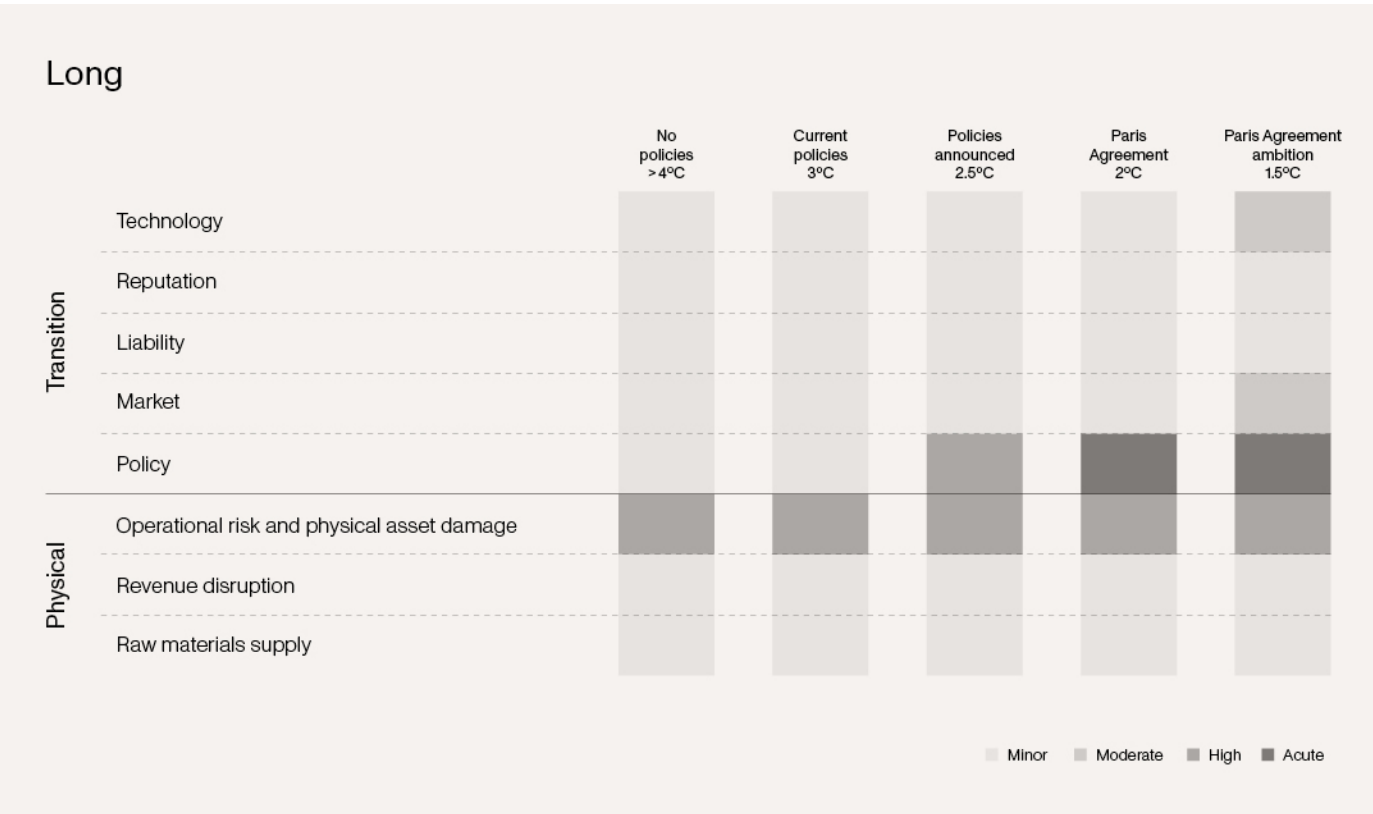


The estimated financial impact of physical risk is relatively limited for the next five years, although higher than reported in the previous year. There is an increase in the frequency and severity of physical risks as a result of the step-up from CMIP5 to CMIP6. The probability that acute events could cause significant losses ('catastrophic physical tail risks') remains low. The most vivid manifestations of physical risks resulting from climate change will, in principle, take longer to emerge. In the short term, around 70% of physical risk, in its various manifestations, comes from our own operations. The remaining risk originates from third-party operations.

In the medium term (5-10 years):



In the long term (more than 10 years):



Opportunities arising from climate change[3]

The sustainability culture that permeates every area of the Group enables us to advance towards a three-pronged objective: minimising potential environmental and social impacts in our value chain, mitigating our exposure to potential climate change risks, and in addition, being able to identify and leverage the opportunities associated with a low-carbon economy.

Our hope is that these benefits and opportunities will benefit not only our Company and our business model, but also the entire industry and society at large.

Opportunity	Description of the opportunity
Integrated business model	All our formats continue to introduce cutting-edge technology into their integrated stores and online platform, creating an efficient, sustainable and integrated economic model. We generate opportunities for improvement for our entire ecosystem while minimising resource consumption. ⓘ More information in section *4. Our strategy* of this Report.
Continuous strategic transformation	Our integrated business model gives us an overview of our customers and their demands at all times. Our strategy harnesses this advantage to evolve our model towards economic, sustainable and inclusive improvements. The starting point is to try to maintain the level of commercial success achieved to date, building on the opportunities afforded by digitalisation and our sustainability ambitions. ⓘ More information in section *4. Our strategy* of this Report.
Innovation	The complexity of the global challenges we face and the path towards a positive impact require an increasingly prominent presence of innovation, science and technology in our actions. For example, through our collaborative platform Sustainability Innovation Hub, we work with numerous startups like Nextevo and Renewcell, and we have signed our first purchase commitment with Infinited Fiber for more than 100 million euros. In 2022, Inditex was recognised by Boston Consulting Group as one of the world's 50 most innovative companies. ⓘ More information in section *5.3.1. A firm commitment to innovation and circularity* of this Report.
Customer orientation	We have a process of interaction with our customers as the main tool to identify the latest trends and create the products they want (clothing, footwear, accessories and household items), maintaining our high standards through a combination of design, quality and sustainability, at affordable prices. This constant connection has also enabled us to pinpoint new needs that we have gradually incorporated in the form of new services, technologies or channels. ⓘ More information in chapter *5.2. Our customers* of this Report.
Transformation of the sector	We have developed a unique business model the hallmarks of which are flexibility and efficiency, ceaseless innovation, the creativity of our staff and our focus on sustainability in every process involved. This is the starting point from which we work to effect, through determination and collaboration, the transformation of the sector, generating a positive impact on society, the industry and our environment. ⓘ More information in section *4. Our strategy* of this Report.
New business models	As part of our commitment to using resources more efficiently, we are working on new solutions that allow our customers to request a repair, or to sell or donate the Zara garments they have at home. In 2022, we launched the new Zara Pre-Owned platform to help our customers extend the useful life of their garments and further our commitment to circularity. ⓘ More information in section *5.3. Our products* of this Report.
Collaboration	To address the paradigm shift needed to face the challenges posed by the fight against climate change, circularity or the sustainable development of communities, we have to join forces with all the actors involved. Hence, we take an open approach in which collaboration is a pillar of transformation. Examples of this are our engagement with entities such as the United Nations Global Compact, The Fashion Pact, Ellen MacArthur Foundation or Zero Discharge of Hazardous Chemicals, among others. ⓘ More information in section *4.2. Stakeholder engagement* of this Report.

[3] More information in our answer to CDP Climate Change questionnaires available at www.cdp.net.

Opportunity	Description of the opportunity
Efficient consumption of natural resources	As part of our commitment to sustainable development, at Inditex we are strongly committed to circularity, an economic, management and production model that enables growth while conserving natural resources and advancing in the decarbonisation of the value chain. For us, circularity represents a differential model for production and consumption that spans every stage of a product from design to end of life, promotes the recycling and reuse of articles to extend their life cycle and thus minimises the use of natural resources, energy consumption and waste generation. ⓘ More information in section *5.3. Our products* of this Report.
Energy efficiency	Energy efficiency is a priority in both our designs and our day-to-day operations. In this regard we are constantly reviewing our standards to guarantee that they are in line with cutting-edge practices and implementing new programmes to advance on the path of continuous improvement and sustainability in our operations. We work closely with our suppliers and other organisations to promote the rational and efficient use of energy throughout the value chain. ⓘ More information in section *5.5.1. Our approach to energy management and emissions reduction* of this Report.
Generation of renewable energies	The generation and acquisition of energy from renewable sources is a core pillar of the architecture of our business model. To achieve this, we invest in generating renewable energy at our own operating centres. We use our own solar thermal, solar photovoltaic and wind energy, as well as facilities to harness geothermal energy, thereby avoiding dependence on third parties and introducing concepts such as additionality in respect of new power generation infrastructure in the grid. ⓘ More information in section *5.5.1. Our approach to energy management and emissions reduction* of this Report.
Sustainable building	We make the necessary investments in all our headquarters, platforms and stores to control the consumption of resources, to reduce it and to mitigate its impact. For example, when building our headquarters, they are designed in accordance with bioclimatic criteria, encouraging the installation of photovoltaic panels, harnessing rain water for non-drinking uses and ensuring that lighting systems are self-regulating in accordance with external light conditions. ⓘ More information in section *5.5 Environment*, of this Report.

Risk management

Inditex has an Integrated Risk Management System (IRMS) which covers the entire Group and which is described in section 6.3.1 Risk management and control framework. Risks arising from climate change are managed in the same way as the rest of risks to which the Group is exposed, taking into consideration its characteristics for the purpose of assessing and quantifying these risks.

ⓘ More information in section *6.3.1. Risk management and control framework* of this Report..

Metrics and targets

Protecting the environment and reducing our impact on it are core pillars of our business strategy. We are actively committed to this, taking action to help our planet to remain below the global warming limit established in the Paris Agreement.

Targets

We have emissions reduction targets approved by the Science Based Target Initiative (SBTi) to reduce scope 1 and 2 GHG emissions by 90% in 2018-2030, and by 20% in the cases of GHG emissions resulting from the acquisition of our goods and services for the same period. These objectives are an initial milestone in Inditex's ambitious emissions reduction strategy, whose purpose is to achieve net zero emissions by 2040.

In section *5.5.1. Our approach to energy management and emissions reduction* provides information on the Group's targets, the programmes in place to advance them and historical metrics related to our progress, including total energy consumption, renewable electricity used, scope 1, 2 and 3 emissions, etc.

ⓘ More information in section *5.5.1. Our approach to decarbonisation and energy management* of this Report.

Mechanisms to incentivise decarbonisation

Variable remuneration

In accordance with our values of transparency, results-orientation and commitment to sustainability, we link our people's variable remuneration to the Company's goals and the sustainability objectives for all employees. The Chief Executive Officer and Senior Management have specific incentives associated with emission reductions.

ⓘ More information in section *6.1.1 Good corporate governance* of this Report.

Climate change risk assessment

Physical risks

Heatwave · Freeze · Water stress

Flooding, river and coastal · Tropical windstorm · Temperature windstorm

Physical asset damage
repair and replacement costs of damage to property, plan, equipment and inventory from extreme weather events.

Key facility operations risks
disruption to output of production and activities from extreme weather events.

Raw materials supply
agricultural production and water supply are affected by extreme weather events and chronic climate changes.

Revenue disruption
extreme weather events affect the purchasing patterns of consumers.

Transition risks

Policy dimension

/ Carbon pricing: carbon pricing policies vary across jurisdictions in order to incentivise decarbonisation. Organisations pay a price for emissions throughout **their entire value chain.**
/ Carbon markets: the development of emissions markets, still largely voluntary, is experiencing an increasement in terms of demand.

Market dimension

/ Preference for sustainability among consumers:
consumers preferences are trending towards alternative products and services of a sustainable nature. Competitors may emerge, coming up with innovations that transform demand and threaten to capture market share from established firms.

Technology dimension

/ The pace of adoption of low-carbon technologies with the resulting 'green premium', may affect the competitiveness of companies as a result of their impact in terms of operating costs and asset value.
Investments should seek a balance between innovation and profitability.

Legal dimension

/ Climate damage and emissions claims: widespread lawsuits against companies for their responsibility for GHG emissions and the resulting economic and environmental damages.

Reputation dimension

/ Climate activism and consumer stigmatisation: negative change in public opinion towards companies with carbon-intensive activities. Consumer demand is affected by climate activism, which also influences investors' confidence and access to capital.

Summary of climate change risk

TCFD Framework	Dimensions	Upstream raw materials supply	Supply chain and operations	Final stages of the value chain	Group financial risks
Physical risks	Acute risks: extreme weather events	Disruptions in the supply of raw materials in the short term	Business interruption and damage to physical assets	Short-term market demand disruption	
	Chronic: gradual changes in climate patterns	Feasibility of raw materials supply in some geographies	Water stress and heat waves threatens value chain in certain geographies	Dependence on demand for certain products in certain geographies	
Transition risks	Policy: carbon pricing	Increased cost of upstream emissios in the value chain	Increased in the cost of fossil fuel-based activities	Elasticity of demand to cost pass through	
	Technology: innovation in low-carbon technologies	Cost of upstream decarbonization in the value chain	Devaluation of carbon-intensive physical assets	Innovative competitors challenge market share	
	Market: preference for sustainability among consumers			Consumer preferences shifting towards sustainable alternatives	
	Reputation: climate activism and stigmatisation			Consumer perception of the Group and its brands	Investor sentiment towards Inditex's climate strategy
	Market: investor sentiment				Market shock resulting from desinvestment in carbon-intensive sectors
	Liability: climate litigation				Demands related to the contribution to climate change

6.3.5. Information security and privacy

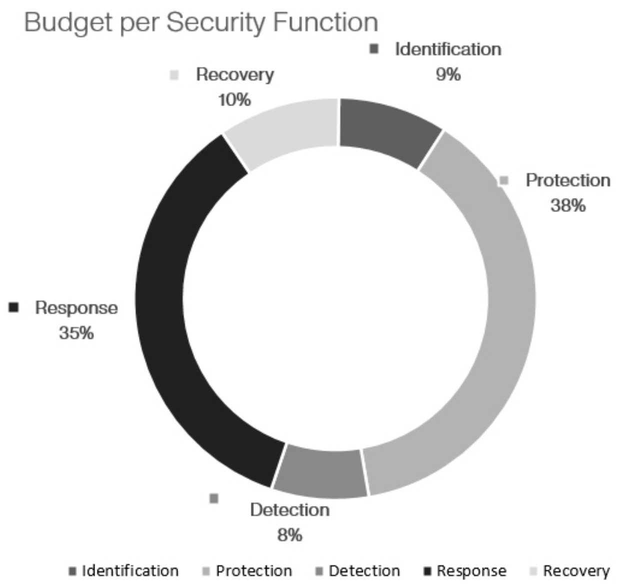
GRI 417-1

6.3.5.1. Information security

The transformation process being experienced by the sector as a result of the development of online sales and their integration with the physical sphere is changing the way companies develop and deliver their products and services to customers.

In the field of information technology, Information Security is continuously evolving and organisations must involve their Management and invest proportionately so as to define and implement an effective strategy to ensure that the risks associated with technological development have the least impact on their operations. Accordingly, we aim to protect the interests of the Company's key stakeholders (customers, shareholders, employees, investors, suppliers, partners, etc.) and guarantee the visibility and involvement of managers in overseeing technology risks and cybersecurity matters.

Against this backdrop, mindful of the importance of continuously improving the Company's Information Security management model, we have ramped up our investment in security by 8% with respect to the previous year, giving a cumulative increase of 56% in the last three years. This, together with the commitment, support and leadership of the Organisation's Senior Management, makes it possible for us to continue developing initiatives that provide us with technologies and solutions to meet our global strategic objectives, complying with the principles and guidelines established both generally and in the Information Security Policy published on the Company's website. Below is a breakdown of the Company's annual Information Security budget across the five basic cybersecurity functions.



We assign the highest priority to guaranteeing the confidentiality and integrity of information and ensuring the availability of all processes that support sales and distribution channels. The Information Security Department is the area responsible for ensuring this, and the Information Security Committee, made up of members of Senior Management, is the body that supervises implementation of best practices in security management, compliance with applicable regulations and effective and consistent application of ethical values throughout the Company, as set forth in the Information Security Committee Regulations.

Evidencing this commitment, and as a result of a project to advise on compliance with cybersecurity and privacy regulations at an international level, the Statute of the Chief Information Security Officer was approved in 2022. Its purpose is to define the framework of action and competencies of the Information Security function, regulating both its place in the Organisation and the levels of organisational autonomy and independence (reporting to the Chief Executive Officer), internal and external responsibilities and reporting lines. In this connection, the Information Security strategy and risks must be reported at least half yearly to the Board of Directors through the Audit and Compliance Committee. Moreover, within the framework of the aforementioned advisory project, we carried out an analysis of the impact of the new Directive (EU) 2022/2555 Network and Information Security (NIS2), which aims to improve the security of networks and information systems in European territory.

Furthermore, in 2022 we also implemented various actions and initiatives based on the Company's needs, targets and challenges as identified in the "Next Generation Cybersecurity" strategic plan. This plan, which was developed in 2021 with the help of international experts in various fields, is aimed at maintaining, improving and evolving the maturity of the Group's Information Security programme. As a result, in coordination with the Personal Data Protection and Privacy area and other relevant areas, we have made progress in several initiatives to boost the protection of our Group's information, the main areas of focus being the prevention of leaks and theft of sensitive information, as well as the availability of critical services. This is further supported by the existence of the Cyber Risk insurance programme, which provides various coverages and services, including own damage (including loss of profit), liabilities and regulatory procedures, as well as crisis management services.

As a result of the increase in cyberattacks on companies worldwide, with no material financial or reputational impact on the Company as of the date of this report, the working groups set up have maintained and further developed their activity. These groups, under the supervision of the Information Security Committee, have been tasked with continuing to design and implement new initiatives, and overseeing those already in place, focusing on the management of vulnerabilities and higher-risk assets with the new tools acquired. In addition, as a consequence of conflict between countries, monitoring tasks have been ramped up, as has the management of the risks associated with this context. For this purpose, the Information Security Department has a specialised Cyber Intelligence team whose main function is the early detection of the potential risks and threats we face by means of continuous monitoring of the digital environment.

In 2022, our global incident responsel team registered as a member of CSIRT.es (Platform of Spanish Cybersecurity and Incident Management Teams), which aims to exchange information on cybersecurity incidents and improve collaboration and coordination in order to respond quickly in any situation that may affect large companies. In 2022, our Security Operations Centre (SOC), whose purpose is the detection, analysis, reporting and remediation of potential security incidents that may affect the Organisation, registered a total of 98 events of interest, the most relevant of which we have reported to the Information Security Committee. None of these events had a material impact on our operations or financial statements.

We also promote security by partnering with public and private organisations, such as the NGO CyberPeace Institute that helps vulnerable communities protect themselves and recover from cyberattacks, or with specialised cybersecurity forums such as the Spanish National Cybersecurity Institute (INCIBE) and the Centre for Industrial Cybersecurity (CCI).

Meanwhile, we have implemented improvements in perimeter security measures in order to optimise the protection of sales and distribution channels, reinforced vulnerability detection at our perimeter and increased the number of external researchers participating in our private vulnerability detection programme. Moreover, exercises continue to be carried out by independent external personnel consisting of simulating attacks targeting the Company in order to try to identify our weaknesses with the aim of improving the Organisation's security status.

In addition to the aforementioned activities, we have worked on automation processes, focusing especially on the optimisation and standardisation of various tasks carried out by the Information Security Department, achieving positive results this year by giving more capabilities to the teams. Furthermore, in the area of corporate identity and access management, we have addressed several initiatives in connection with improving oversight and internal processes with respect to identity management and the granting of permissions, as well as monitoring the management of privileged identities.

With regard to the availability of critical services, we have carried out various exercises to assess and ensure the recovery of critical systems in different scenarios so as to gauge and reduce the risks associated with the continuity of our systems and applications. The infrastructure supporting these services is Tier IV certified, a standard distinguishing data centres that offer the highest level of performance and reliability, guaranteeing a high degree of availability of our systems.

An initiative was also launched to improve the visibility of the security level of our relevant partners, reinforcing the existing control programmes, with the aim of reducing the risk of cybersecurity threats that might affect them. We also continue to pay attention to security in the supply chain, with the Information Security Department having a team dedicated to carrying out audits and implementing stringent controls to verify the level of security and guarantees in the service provided by our suppliers.

We have conducted various external assessments, both mandatory and voluntary, concerning our security model, showing that Inditex's Information Security is consistent with best practices and standards in cybersecurity at both the local and international levels. As a result, we have successfully renewed all major Information Security certifications:

/ Payment Card Industry-Data Security Standard (PCI-DSS) on the protection of our customers' payment card data.

/ ISO/IEC 27001, which evaluates Inditex's Information Security Management System, ensuring the confidentiality, integrity and availability of the Company's information and of the systems and applications that support the sales channels.

/ Korean Information Security Management System (K-ISMS), which evidences our adherence to legal cybersecurity requirements in South Korea.

/ Multi-Layer Protection Scheme (MLPS), which regulates cybersecurity issues in China.

We have also carried out numerous internal audits and reviews, both by third parties and by our Internal Audit Department and the Oversight Area within the Information Security Department, which ensures compliance and proper application of the policies and procedures defined by the department. These reviews notably include the cybersecurity maturity audit carried out by a specialised service provider with the aim of assessing the Inditex Group's level of Information Security and comparing it with other entities subject to exacting standards, such as companies in the Banking sector.

With regard to data protection, we are currently engaged in an initiative to activate our Company's sensitive data protection capabilities. Complementary to this initiative, we have also implemented a range of drives for our employees, collaborators and members of the Board of Directors, aimed at assessing and enhancing their level of security awareness and expertise, by means of the Cybersecurity Culture Plan and the training programme. The latter comprises specific actions aimed at the different groups of users according to their profile and role within the Organisation, covering both general aspects of information security and internal policies. We also expanded the scope of the awareness campaigns, covering 7,743 users and achieving better results than in the previous period.

Finally, user protection has been enhanced through the evolution of privileged identity shielding capabilities and the new email protection solution.

6.3.5.2. Personal Data Protection and Privacy

Throughout 2022, we have worked in alignment with the Company's strategy and objectives, advocating the value of respect for privacy and ensuring an appropriate level of compliance with data protection and privacy regulations.

In this regard, in order to guarantee the data protection of the groups whose personal data we process (customers, employees, candidates, etc.), at Inditex we conduct an analysis of all the trends with an impact on privacy across the retail sector, as well as the obligations entailed by the new regulations and the interpretations of the supervisory authorities, judges and courts. This guarantees compliance with the principles deriving from the data protection and privacy regulations, and in particular, those of transparency and the management of the rights of interested parties.

During the year we worked on a number of cross-cutting projects that have enabled us to advance in the implementation of our privacy programme. They include the following:

/ Project to improve the conservation and deletion of personal data of the main groups (customers, employees and candidates) stored in the Company's main systems.

/ Project to improve the automation of the management of personal data protection rights.

/ Management of third-party risks, with work on the implementation and improvement of the supplier approval procedure in collaboration with other Company departments, to guarantee that the suppliers who may process personal data for which Inditex is responsible have, from the standpoint of their organisational structure, a commitment to compliance in matters of data protection and privacy.

More specifically, in relation to **customers**, the Personal Data Protection and Privacy Department has worked hand in hand with the business teams, supporting them as needed. Thus, we have analysed and reviewed numerous projects aimed at improving the shopping experience, promoting sustainability (such as the Zara Pre-Owned project) or fostering the practice of sport (such as Oysho Training), among others, to ensure that these projects build in privacy from the design stage, in accordance with the corporate procedure.

Projects have also been rolled out to implement in our online platform the requirements pursuant to new privacy regulations affecting the Asian and American markets.

With regard to our **employees, we foster a culture of privacy** in our Company through, among other actions, a course on data protection and privacy in Tra!n (the corporate eLearning tool). This course is aimed at all employees of the Company at a global level, and is mandatory for those employees who work in departments that, due to their functions, process the personal data of different stakeholders. In seven months, we have managed to get 78% of the employees required to take this course to complete it.

Meanwhile, the management of third-party risks has evolved over 2022, with work on the implementation and improvement of the **supplier approval procedure.** Among other matters, this is to guarantee that the suppliers who may process personal data for which Inditex is responsible have, from the point of view of their organisational structure, a commitment to compliance in matters of data protection and privacy.

Lastly, we maintain the structure of our C**ompliance model in connection with data protection and privacy**, based on:

/ Boosting the role of our corporate Data Protection and Privacy Department as a control area (second line of defence).

/ Continuous improvement of the privacy programme.

/ Monitoring by the Group's Data Protection Officer (DPO).

/ Periodic reporting: at least once a year to the Board of Directors through the Audit and Compliance Committee and to the Company's Management through our participation in the Information Security Committee.