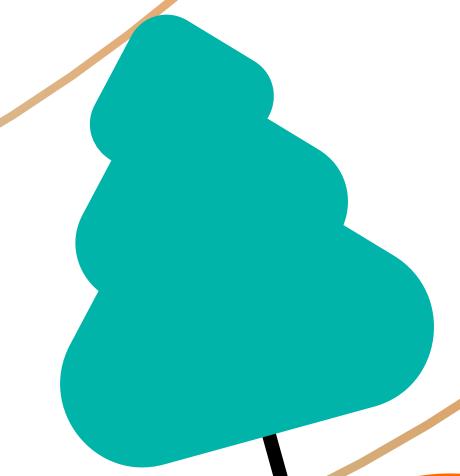
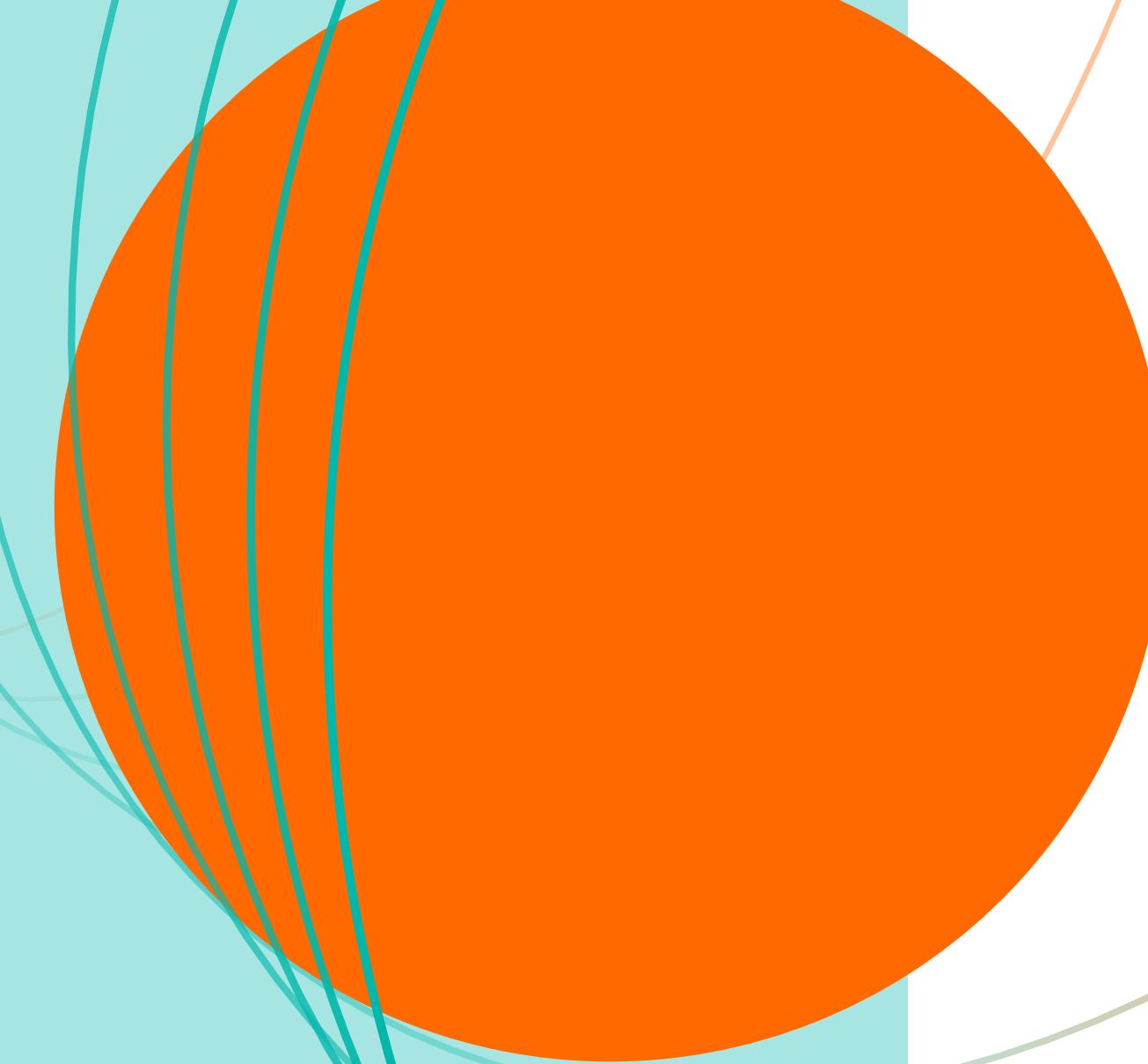
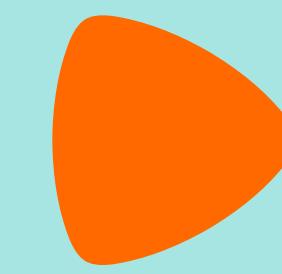


zalando

# Sustainability Progress Report 2021



# Our progress: 2021 at a glance

## Planet

### Carbon footprint

**64%**

reduction of Scope  
1 & 2 emissions

**45%**

reduction of private  
label emissions per  
gross profit

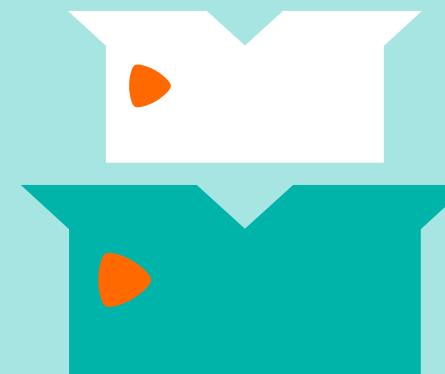
**51%**

of partners, by  
emissions, have  
set SBTs

2025 goal progress:



### Packaging



**8.1g**

single-use plastic packaging per  
item shipped

2023 goal progress: 19%



## Products

### Assortment



**21.6%**

of GMV generated with more  
sustainable products

2023 goal progress: 86.4%



### Circularity



**2.3m**

products

We extended the life of more than

2023 goal progress: 4.6%



## People

### Ethical standards



Updated all social and sourcing policies  
that form our ethical standards.

Conducted a human rights risk  
assessment in all Zalando internal  
business units.

2023 goal progress: 23%



### Skilling



**2,773**

people have received skilling  
opportunities, encompassing upskilling,  
reskilling and meta-skilling.

2023 goal progress: 20%



# About this report

## Reporting format and content

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GRI 102-46,  
102-53, 102-54

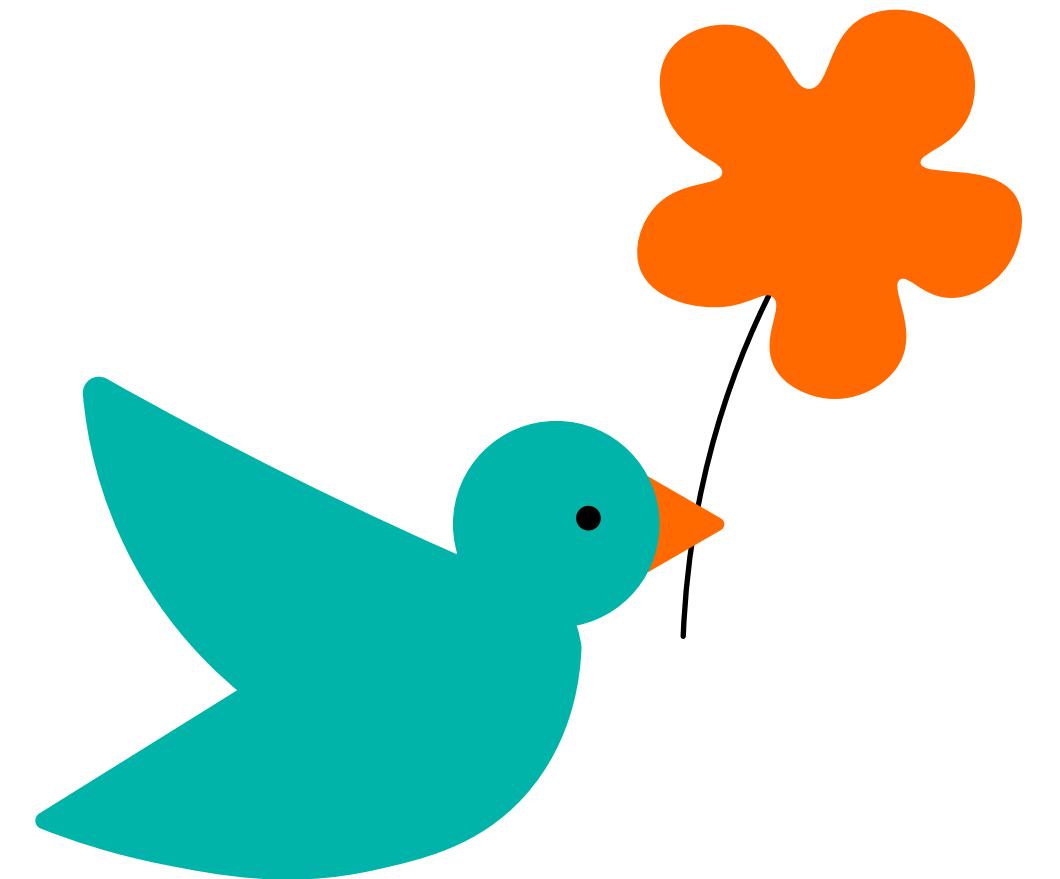
**This is Zalando's second** stand-alone sustainability progress report, which is structured around the six goals in our do.MORE strategy. We report on the progress toward our goals, our current projects, and the challenges we face. Our aim is to share our journey toward becoming a sustainable fashion platform with a net-positive impact for people and the planet.

The report covers the financial year January 1 to December 31, 2021. The report is published in English and German and is available on our corporate website. Our combined non-financial report is contained in the annex.

Additional information about our sustainability engagement can be found online. For questions or feedback contact us at sustainability@zalando.de.

## Materiality assessment

The content in this report is based on our do.MORE strategy and the materiality analysis we completed in 2019. To identify the most material topics for Zalando, we created a shortlist of sustainability topics, categorized along three value chain stages (product manufacturing, operations, consumers). The list was validated and ranked based on surveys of 7,800 customers and 1,700 employees, as well as interviews with 15 industry experts. The analysis produced 14 material topics, in accordance with reporting requirements of the Global Reporting Initiative (GRI) (8 in accordance with the CSR Directive on Non-Financial Reporting). We also use the analysis to prioritize efforts within our do.MORE strategy.



## Reporting standards & frameworks

This report references the international GRI sustainability reporting standards. The [GRI content index](#) and [a table with key figures](#) can be found in the annex. For the first time, we integrate Sustainability Accounting Standards Board (SASB) standards, enabling us to disclose financially material sustainability information. The [SASB index 2021](#) is also located in the annex.

In 2021, we published our first report on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report (covering the financial year 2020) is available on our [corporate website](#). We plan to further develop our TCFD reporting and integrate the recommendations in our 2022 annual reporting.



In this report, we refer for the first time to the United Nations Sustainable Development Goals (SDGs). In each chapter, we highlight our contribution to selected SDGs linked to our three strategic pillars: planet, products, and people.



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



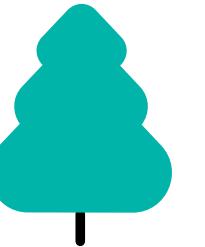
12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



## Index

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<b>Strategy</b>	6
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<b>Annex</b>	45

# Foreword

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GRI 102-14

**With our do.MORE strategy**, we have set out our vision to have a net-positive impact for people and the planet. That means that we want to give back more to society and the environment than we take. While this means we need to transform our business, alongside our partners, we are passionate about taking on the challenge. We have built a strong and growing customer base, unique capabilities, deep partnerships, and a talented team. All of these enable us to invest in and scale ideas that can make a difference – not only on our fashion platform but beyond it.



Becoming net-positive has become a big motivation for us, and is central to our purpose to reimagine fashion for the good of all. It is not just our team that is passionate. So are our customers, partners and shareholders, all of whom are encouraging us to follow this path.

While this report summarizes our achievements across different initiatives, it needs to be seen in the context of a longer journey. Current ways of working in the fashion industry, the wide gap between customer attitudes and behaviors, a pervasive lack of transparency, and diverse economic considerations create big challenges to achieving our net-positive vision. We will need to drive significant impact through technology, collaborate in new ways, and find answers to still unsolved questions.

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**“In this report, we show we have made progress on some dimensions but are still in testing mode on others. Most importantly for us, sustainability has moved well beyond being an ‘on top’ investment, and has become a core consideration in everything we do.”**

**David Schneider**  
Co-CEO, ZALANDO SE

In this report, we show we have made progress on some dimensions but are still in testing mode on others. Most importantly for us, sustainability has moved well beyond being an “on top” investment, and has become a core consideration in everything we do. The bar for any project we launch or business we develop is to pay into our sustainability goals. Our teams highly appreciate this and are incredibly enthusiastic about it.

In this second standalone Zalando sustainability report, we discuss our progress against the six targets highlighted in our sustainability strategy.

The first is to **reduce our emissions** in line with the Paris Agreement, a vital mission that will help keep global warming below 1.5°C above pre-industrial levels and avoid the worst effects of climate change. We are proud of the significant steps we have taken in our Scope 1 and 2 and of the many of our partners who have joined us in setting science-based targets. However, we are also realistic that the necessary changes must take place across our entire supply chain. For that reason, our focus will shift more and more toward Scope 3 emissions.

Our second target is to **eliminate single-use plastics** from our own packaging. We have made great progress for example through the introduction of paper shipping bags. However, we know that more innovation and collaboration are required. That way we can unlock scalable alternatives to the polybags that fashion items are delivered and stored in.

In our third target, we commit to offering our customers the **widest possible choice of more sustainable products**. While as an industry we still face the challenge of creating standard definitions of sustainability criteria, at Zalando we are able to drive change directly by offering our customers better information and more ways to find the right products. We have a dedicated team working on the digital experience and we are confident we can build on our customer insights and raise the bar over time. Certainly, we are eager to play a leading role in driving adoption.

Our fourth target is to reduce product waste by extending the life of our customers' purchases and **enabling product reuse, resale, and recycling**. To more responsibly use the earth's limited resources, we know it is crucial to move away from a linear system, in which the vast majority of fashion items end up in landfills, to a truly circular system, with as little waste as possible. We are excited about the innovation potential but also humbled by the lack of circularity in the fashion industry overall. We are also happy to put our customer reach and logistics capabilities to use in making it easier for our customers to give their clothes a second chance, as well as get access to pre-owned fashion. Pilots and first roll-outs are showing early promise, but we will have to push forward to create impact at scale.

Of course, none of this is possible without the people we work with, and our fifth and sixth targets focus on our colleagues and partners. We are striving continuously to **improve working conditions in our supply chain**, and to hold ourselves and our partners accountable to the highest ethical standards. Finally, we want to ensure thousands of our colleagues get the chance to be prepared for the future of work.

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**“We owe it to ourselves and future generations to accelerate our efforts, and to ensure we have a net-positive impact for people and the planet. With that in mind, we know we need to do more. While we are pleased to have made progress over the past year, we cannot, and will not, stop working to achieve our aims, and to help our customers make choices that reflect their values.”**

**David Schneider**  
Co-CEO, ZALANDO SE

Looking ahead, we believe sustainability will continue to be the most important challenge for us, for the fashion industry, and for the wider economy. We owe it to ourselves and future generations to accelerate our efforts, and to ensure we have a net-positive impact for people and the planet. With that in mind, we know we need to do more. While we are pleased to have made progress over the past year, we cannot, and will not, stop working to achieve our aims, and to help our customers make choices that reflect their values. Many of our partners are on the same trajectory, and we look forward to collaborating with them, and with regulators and our wider stakeholder community as we transition to a greener economy.

Finally, we understand that making real progress on sustainability is not a one-off task. Instead, it is a continuous process. We need to take steps every day to ensure that we are doing the best we can.

We couldn't do this without the huge efforts of our colleagues across many different teams. Due to their passion, creativity, and dedication, we are confident we can expand the frontiers of what we can achieve. Many thanks to them, and to the many partners and industry coalitions that are on a similar journey. We have a great sense of collaboration and look forward to deepening our joint approaches and supporting each other to pursue important ideas. If we put sustainability at the center of our thinking and all pull in the same direction, we will be sure to continue on our path toward a better, cleaner, and fairer world.



**David Schneider**  
Co-CEO, ZALANDO SE

# Our value chain

**Zalando** is a **European** online fashion and lifestyle platform connecting customers and brand partners. We work with more than 5,800 international and local brands, and make our own private label products. The company's primary consumer destination Zalando Fashion Store is complemented by Zalando Lounge and 12 physical outlet stores. Our logistics network is composed of 12 fulfillment centers, allowing us to serve our customers throughout Europe.

**01 Design** Our brand partners and private labels design products by choosing material, look, style and quality.

**02 Raw materials** Sourcing and processing raw materials.

**03 Material and component production** Conversion of fibers into yarn and yarn into fabric.

**04 Product manufacturing** Our brand partners and private labels work with suppliers and factories to create products.

**05 Procurement and buying** We define a product assortment from more than 5,800 brands.

**06 Transport** Products are transported to fulfillment centers.

**07 Fulfillment** Products are stored in fulfillment centers and prepared as soon as customers place an order.

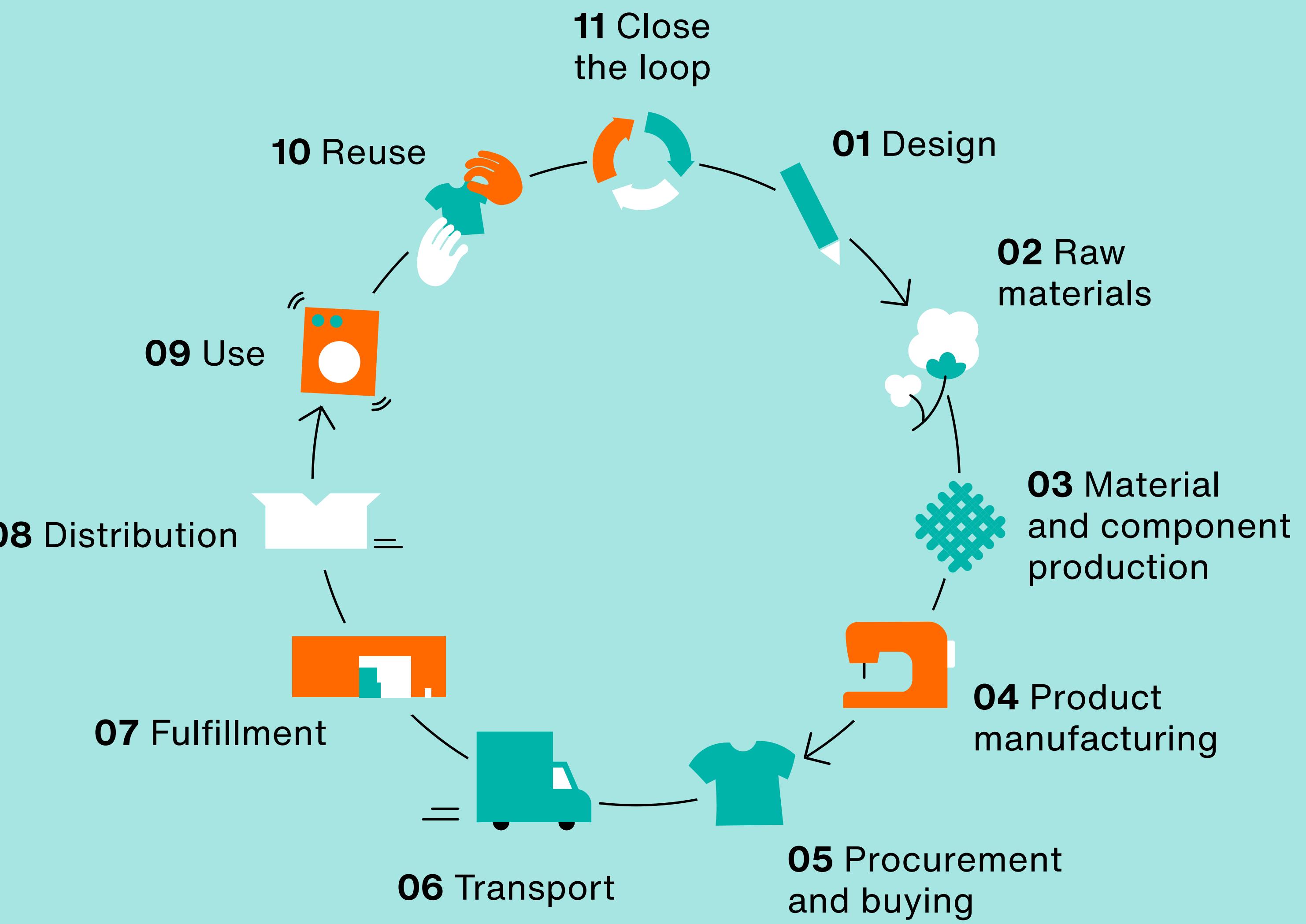
**08 Distribution** Our logistics partners deliver products to our customers or stores.

**09 Use** Our customers wear and care for their products.

**10 Reuse** Our customers can give products another life, through trade-in to Zalando Pre-owned.

**11 Close the loop** Products should be recycled, fed back into production or returned to the earth at the end of their useful life.

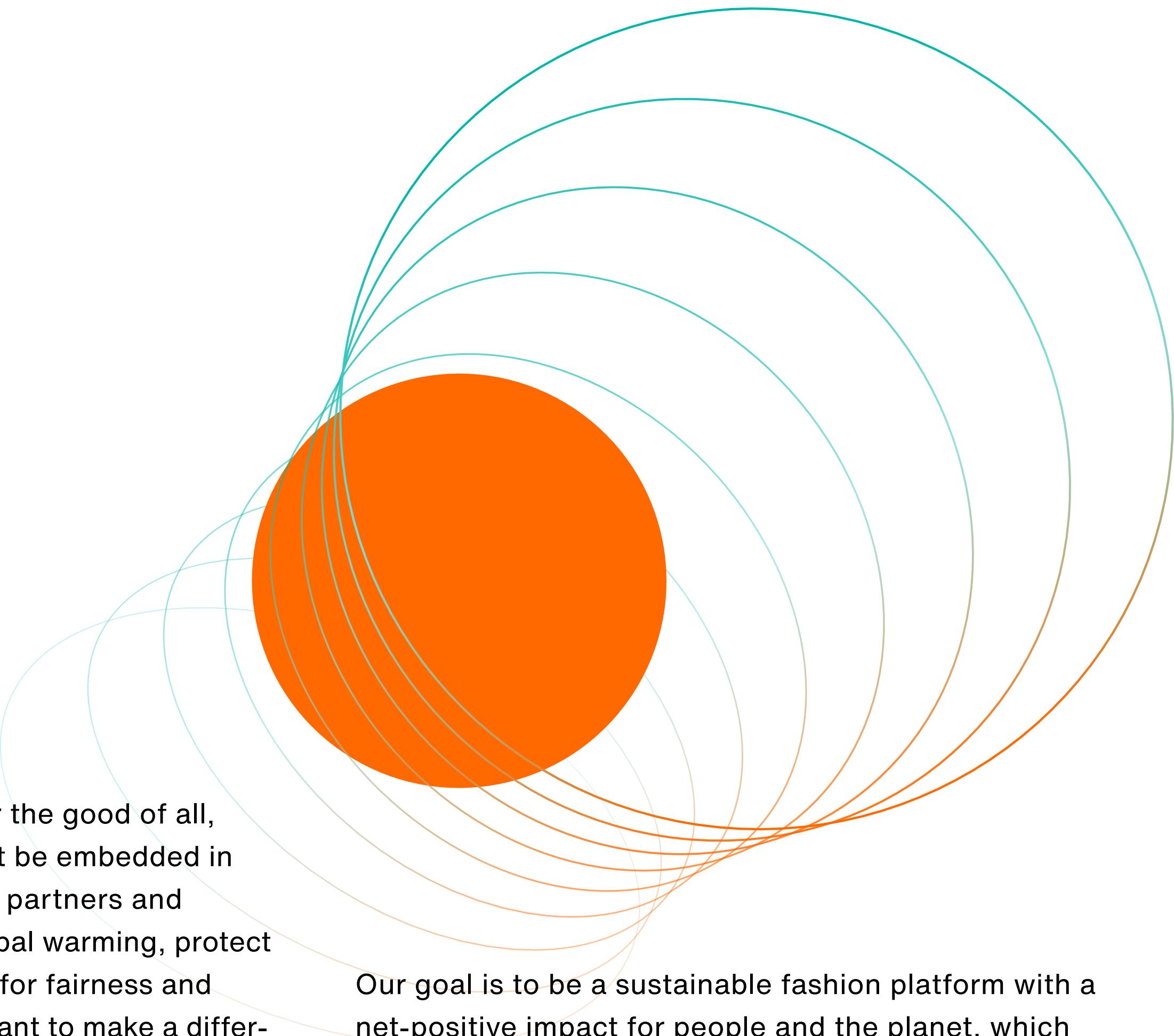
## Zalando value chain



# Our sustainability strategy

GRI 102-9,  
102-12, 102-13,  
102-18, 102-40,  
102-44

**Our vision** is to reimagine fashion for the good of all, which means that sustainability must be embedded in everything we do. Together with our partners and customers, we need to help slow global warming, protect our resources, and carry on fighting for fairness and social justice. Zalando's customers want to make a difference, and they want us to do more. We are therefore working hard to achieve positive change and are doing our utmost to protect people and the planet.



Our goal is to be a sustainable fashion platform with a net-positive impact for people and the planet, which means giving back more to society and the environment than we take. Thankfully, our business model allows us to work with our customers and partners to help make that happen. We have made great progress, and are proud of our achievements. We have also learned a lot along the way. Looking forward, we need to apply those lessons to maximize our response and unlock new solutions.

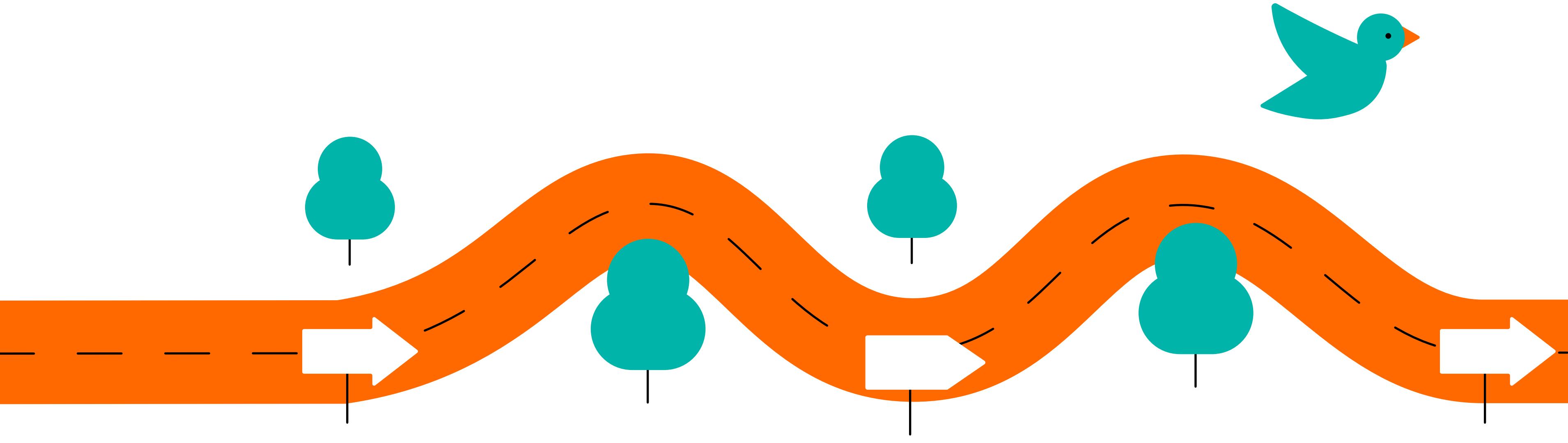
## What does net-positive mean?

Having a net-positive impact means giving back more to society and the environment than we take. The word “net” shows that every product, person, and organization causes some negative effect. However, our aim is to continuously reduce our negative impacts while increasing our positive impacts, so we restore more than we deplete.

Together with SHINE@MIT, we are developing a methodology to measure our progress. Based on the guidelines provided by the Net Positive Project, we are evaluating our “footprints”, representing the taking side of the equation, as well as our “handprints”, representing the giving side. An organization is net-positive for any metric or category if the handprint it creates is larger than its corresponding footprint.



[netpositiveproject.org](http://netpositiveproject.org)



#### Our six targets:

- **By 2025, we achieve** our science-based targets to reduce carbon emissions in line with the Paris Agreement, including an 80% reduction in emissions from our own operations compared to 2017.<sup>1</sup>
- **By 2023, we design** our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics.
- **By 2023, we generate** 25% of our GMV (Gross Merchandise Volume) with more sustainable products.
- **By 2023, we apply** the principles of circularity and extend the life of at least 50 million fashion products.

- **By 2023, we have continuously increased** our ethical standards and only work with partners who align with them.
- **By 2023, we have supported** 10,000 people in the workforce by providing skilling opportunities that match future work requirements.

<sup>1</sup> This target has a timeframe beyond 2023 because SBTs must cover a minimum of five years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.

## Ratings and indices

### CDP Climate Change Rating

In 2021, we received an “A-” CDP Climate Change Rating and were included in the Supplier Engagement Leaderboard for the second time.

### ISS ESG, Sustainalytics, and MSCI Ratings

We maintained prime status in the ISS ESG Corporate Rating, attaining a “B-” score. With a Sustainalytics ESG Risk Rating of 13.8, we kept our low risk level for the third year in succession. We improved our overall MSCI ESG rating score from A to AA.

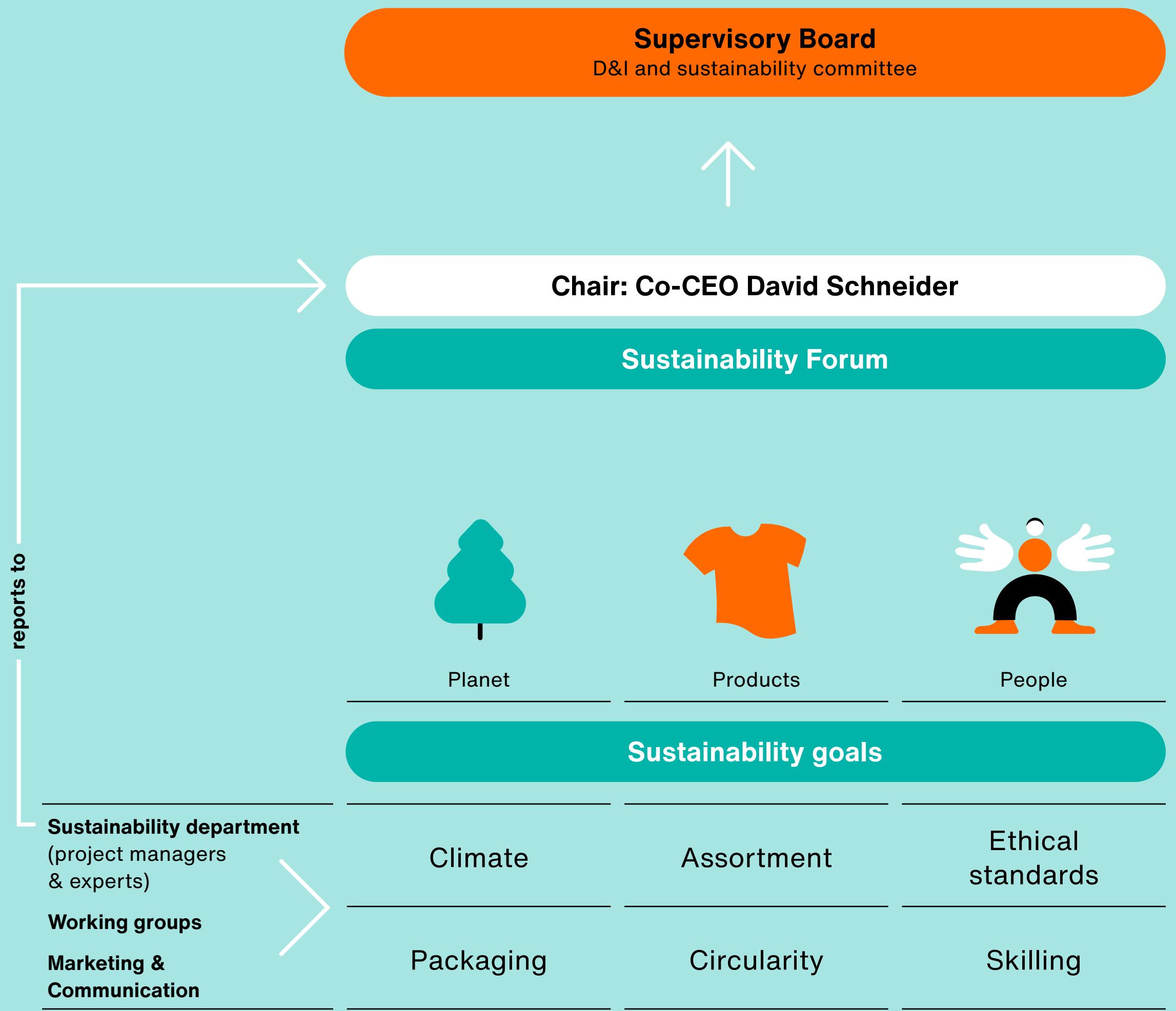
### Fashion Transparency Index

In 2021, Zalando scored 45% on the Fashion Transparency Index, up from 16% in 2017. We published 100% of our private label Tier 1 suppliers and have started disclosing our Tier 2 relating to core final material manufacturers and leather tanneries.



[corporate.zalando.com](http://corporate.zalando.com)

## Sustainability governance structure



Achieving our goals will require more than cautious steps. Instead, we must transform the way our business and our industry operates. To help us make progress, we have put in place a dedicated governance structure. Across all of our business units, we have assigned each of our six targets its own work stream and executive sponsor<sup>2</sup>, and each workstream is supported by a project manager and central sustainability department. The sponsors, including representatives from Sustainability, Corporate Affairs, Finance, Marketing and Digital Experience, meet every quarter in a Sustainability Forum chaired by our Co-CEO David Schneider. The forum ensures we do everything possible to stay on track to hit our targets. We have also established a D&I and sustainability committee on our Supervisory Board. The committee meets twice a year to provide insight and guidance of long-term progress on diversity, inclusion, and sustainability.

<sup>2</sup> In the order of the goals in this report: SVP Zalando Technology Foundation, SVP Logistics, VP Category Women, VP Corporate Development/M&A, VP Zalando Direct and VP People Products.

Our dedicated sustainability strategy helps us elevate our ambitions and inspire those we work with. However, we know we are on a journey together. Everyone involved with Zalando understands that collaboration is key to making change happen – in the decisions we make, how we run our businesses, and the standards we set for ourselves and others. As a digital platform, working with more than 5,800 brands and reaching more than 48 million customers, we are privileged to be able to promote solutions across our industry. Our task for the future is to continue to engage effectively and achieve measurable outcomes.

This year we have taken a big step forward on our due diligence framework, introducing standardized brand onboarding and offboarding processes based on sustainability requirements. The process helps us know how brands are doing on sustainability, and ensures they understand what we need from them. It helps us strengthen our monitoring schemes, ensuring we together are delivering on our sustainability requirements.

Finally, we welcome the increased engagement we have seen from policymakers on sustainability issues. We will continue to collaborate and co-create with them to find optimal solutions. For our investors, we are pleased to have received high sustainability ratings, which are helping us gauge our progress and frame our actions.

## Stakeholders



# Planet

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## Focus SDGs

With our measures to reduce carbon emissions along the value chain, we contribute to achieving global climate goals. [Read more on p. 12.](#)

We apply the principles of circularity to the design of our packaging to minimize waste and keep materials in use. [Read more on p. 18.](#)

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



# Driving carbon emissions to zero – a race against time



prioritizing the phase down of coal-fired power and accelerating the battle against climate change.

In 2020, we set science-based targets (SBTs) for our Scope 1, 2 and 3 emissions under the Science Based Targets Initiative (SBTi) and in line with the Paris Agreement.<sup>4</sup> With these targets we also joined the EU Climate Pact in 2021. Our targets are ambitious; they are aligned with the 1.5°C goal which we believe is a ceiling we must not breach. We know that the necessary change must take place throughout our supply chain. For that reason, our focus will shift increasingly toward our Scope 3 emissions.

## The challenge

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**The fashion industry** is responsible for around 4% of global annual emissions, or as much as Germany, France, and the United Kingdom combined.<sup>3</sup> We have an important role to play in reaching the objectives of the Paris Agreement on climate change. The urgency of these goals was highlighted at the UN Climate Change Conference (COP26) in Glasgow, with the Paris Rulebook

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Management approach (GRI 103-1/-2/-3): GRI 302, 305; GRI 302-1, 305-1, 305-2, 305-3, 305-5

<sup>3</sup> Fashion on climate, McKinsey & Co, August 2020.

<sup>4</sup> Scope 1 are direct emissions from sources owned or controlled by us. Scope 2 comprises indirect emissions from purchased electricity for our offices and warehouses. Scope 3 covers indirect emissions generated in our value chain. For comparability purposes, all greenhouse gas emissions, including those of methane and nitrous oxide, are described in terms of CO<sub>2</sub> equivalents (CO<sub>2</sub>e).

## Our commitment

By 2025, we achieve our science-based targets to reduce carbon emissions in line with the Paris Agreement, including an 80% reduction in emissions from our own operations compared to 2017.

Our science-based targets:

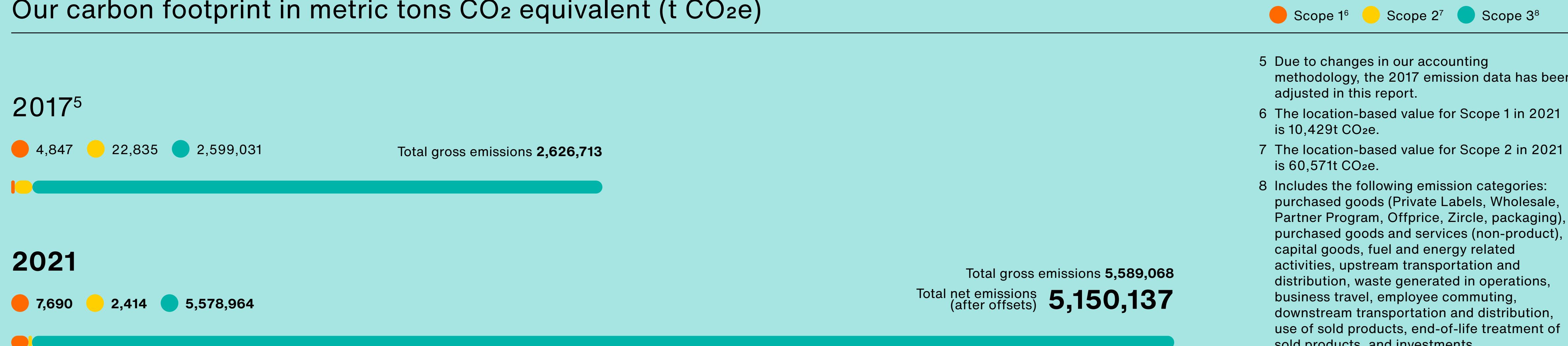
- **Zalando commits** to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 80% by 2025 against a 2017 base year. Zalando commits to increase annual sourcing of renewable electricity from 34% in 2017 to 100% by 2025.

- **Zalando commits** to reduce Scope 3 GHG emissions from private label products by 40% per million EUR gross profit by 2025, from a 2018 base year. It also commits that 90% of its suppliers (by emissions, covering purchased goods and services sold on its platform, packaging and last-mile-delivery partners) will have set science-based targets by 2025.

## Our progress

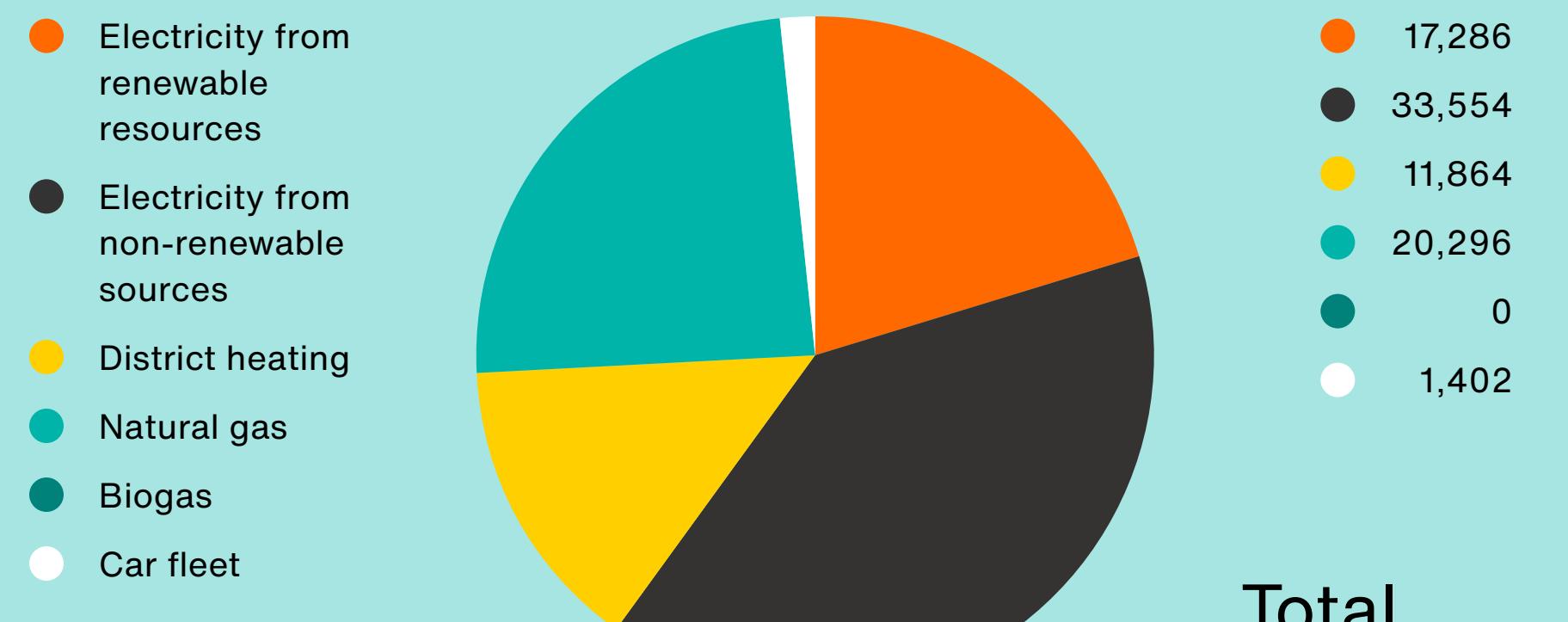
- **We reduced our Scope 1 and Scope 2 emissions** by 64% against a 2017 baseline (compared to 64% in 2020). We used 100% renewable electricity across our own operations.
- **Scope 3 emissions** from private label products decreased by 45% per million EUR gross profit from a 2018 base year (compared to 19% in 2020).
- **51% of our suppliers** (by emissions, including the products we sell, packaging and last-mile-delivery partners) have set science-based targets (compared to 34% in 2020).

## Our carbon footprint in metric tons CO<sub>2</sub> equivalent (t CO<sub>2</sub>e)

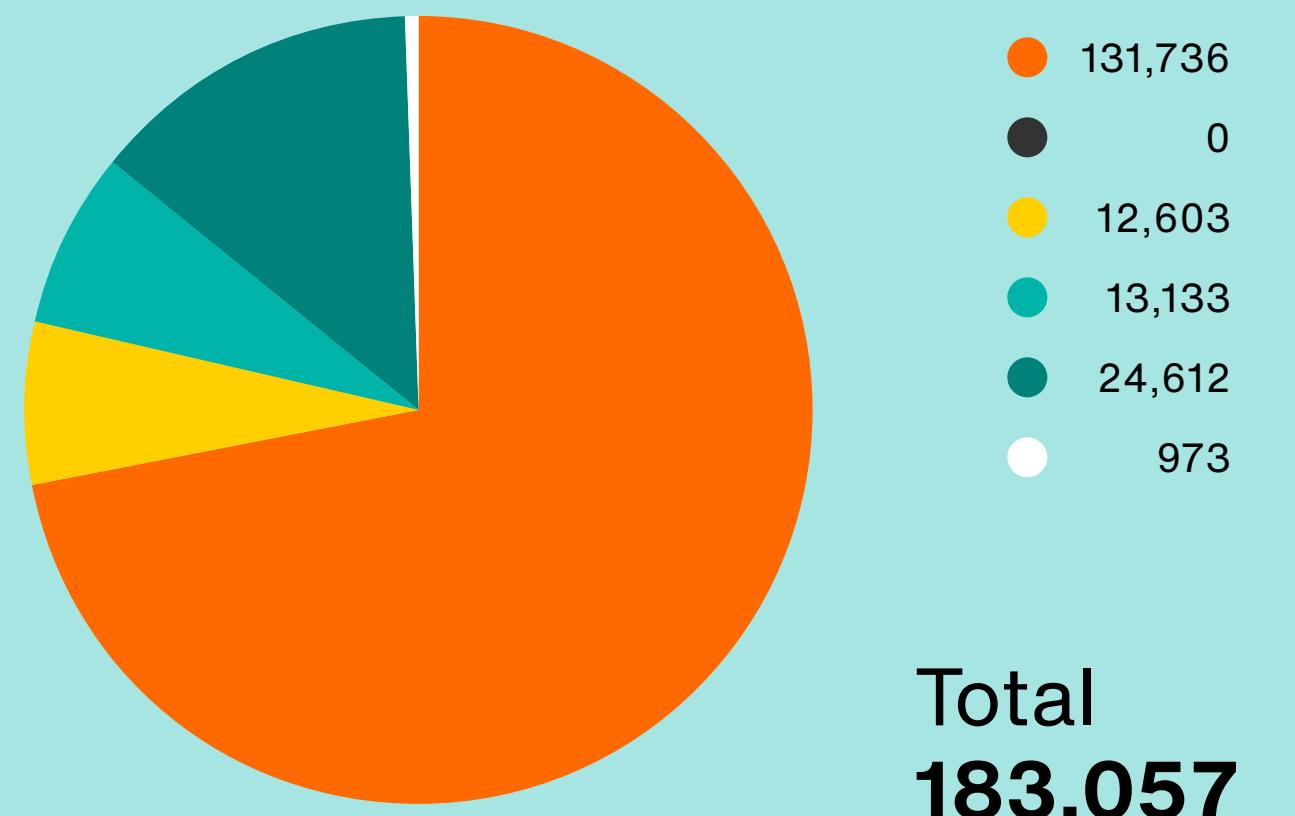


## Energy use by source in MWh (Scope 1 and 2)

**2017**



**2021**



### Reducing Scope 1 and Scope 2 emissions

We are working hard to cut emissions across our operations. We are proud to say that this year we switched the heating fuel in our German fulfillment centers to 100% biogas. For new warehouses, we avoid using gas by installing electrical heat pumps, as in Verona and Rotterdam. Still, our emissions reduction efforts were impeded by our health and safety response to the pandemic. In circulating more fresh air, our energy consumption for heating increased significantly.

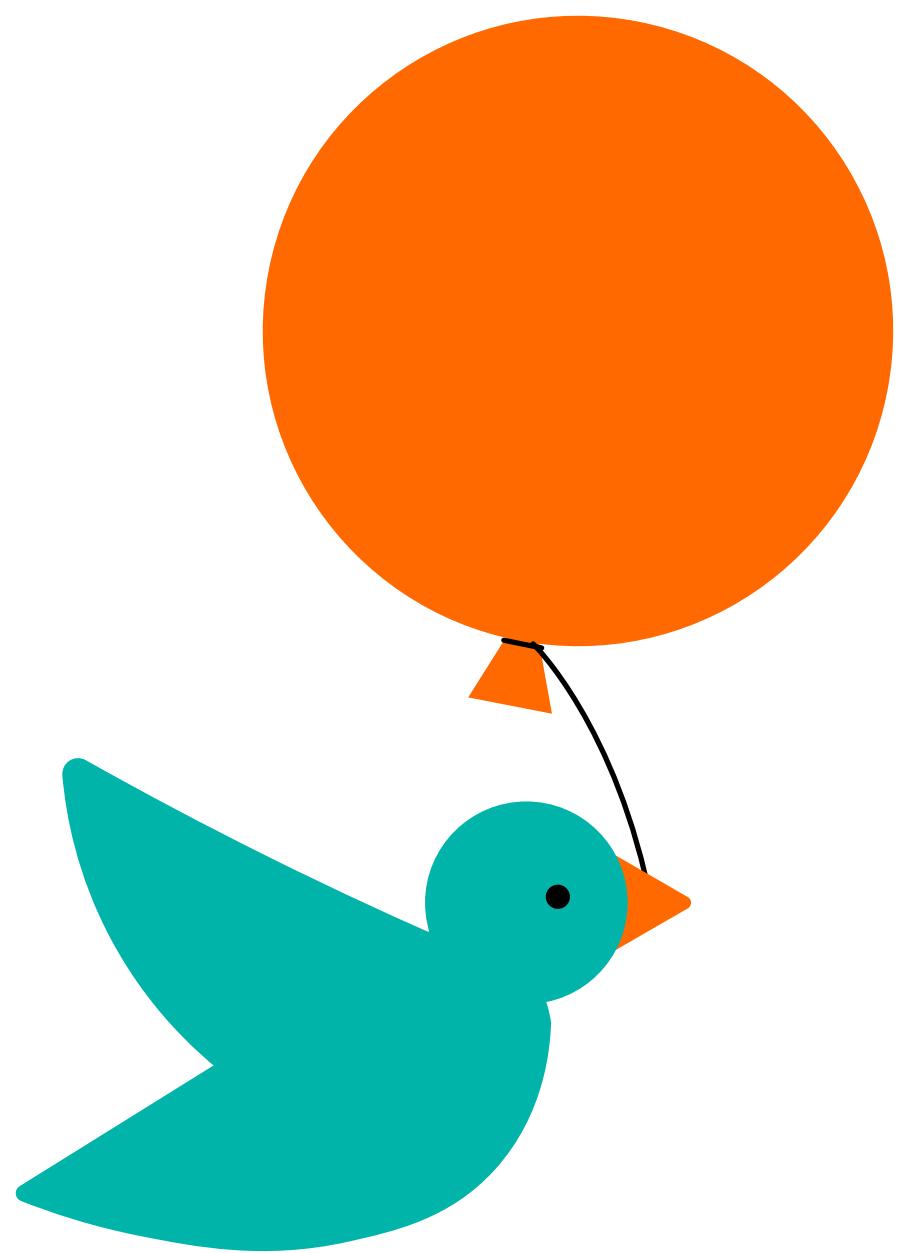
In 2020, we became a member of the [RE100 initiative](#) and reached our goal of using 100% renewable electricity. We continued to fulfill this commitment in 2021. We source renewable electricity, purchase guarantees of origin<sup>9</sup>, and have solar panels on our fulfillment centers in Lahr and Verona. These photovoltaic power plants produce around 4,000 MWh of renewable electricity a year, equivalent to the annual consumption of around 1,300 two-person households in Germany. This year we also installed solar panels at our new fulfillment center in Rotterdam, with the capacity to double our consumption of solar energy.

Our energy management system is certified to the latest ISO 50001 standard.

To track our progress toward our targets, accurate data is essential. In 2021, we worked to improve our data quality and data management. We now have real time data on gas and electricity consumption for most of our logistical locations, and we plan to install additional meters in our office and retail locations in 2022.

Looking forward, we will continue to develop our data capabilities, and equip our fulfillment centers with solar panels or other green technologies, such as an ice storage technology in our Erfurt fulfillment center that will allow for a more efficient use of energy during peak times. All our new fulfillment centers and offices require a green building certification, guaranteeing maximum resource conservation and minimal greenhouse gas emissions.

<sup>9</sup> Guarantees of Origin (GOs) are an energy certificate guaranteeing that one MWh of electricity has been produced from renewable energy sources.



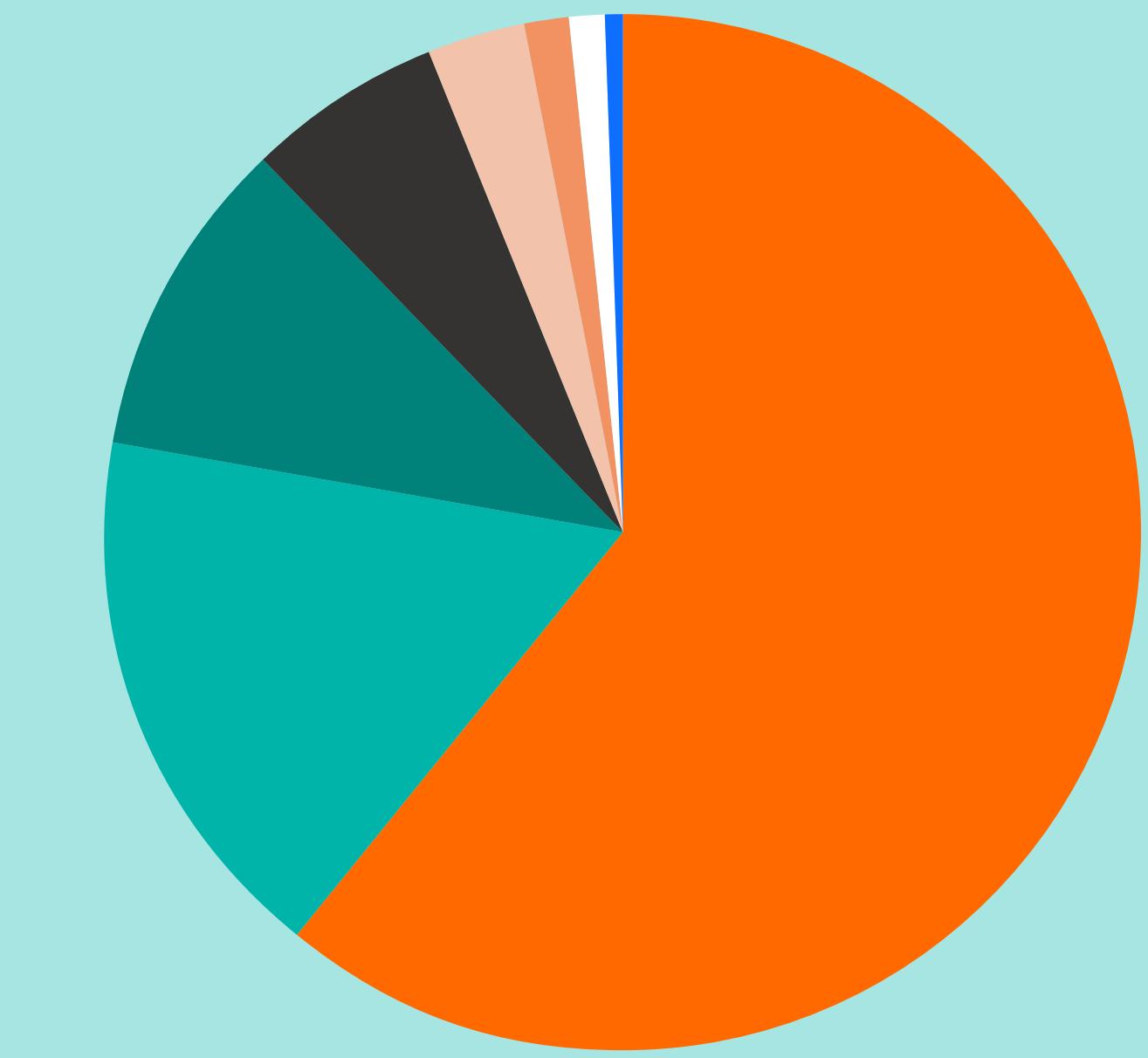
### Tackling Scope 3 emissions

In line with many businesses, Scope 3 emissions comprise a large part of our GHG footprint — in 2021 they accounted for 99.82%. And as our business grows, so do our Scope 3 emissions. A big priority for us is to decouple that relationship. This presents a real challenge, because the sources of Scope 3 emissions are not in our direct control. We need to work closely with our partners to make change happen.

As part of our do.MORE strategy we ask our biggest partners, accounting for 90% of our emissions from sold products, packaging and last-mile delivery, to set SBTs by 2025. By the end of 2021, we are pleased to say that partners accounting for around 51% of our 2021 supplier-related emissions had done so, compared to 34% of partners accounting for 2020 emissions.

We know that by listening and understanding we can achieve more. Guided by that principle, we have rolled out an engagement strategy for brand partners that includes webinars and Q&As, and have offered our partners customized guidance on SBT setting. Our goal is to drive change while understanding our partners' challenges, and to test how tailored support compares with a broad communications approach. We have also developed an escalation mechanism, aiming to resolve any problems in setting the SBTs we have requested.

### Scope 3 emissions by source 2021



- 62% Products (manufacturing)
- 17% Use of sold products
- 9% Upstream transportation and distribution (incl. deliveries and returns)
- 6% Purchased goods and services (non-product)
- 3% Capital goods
- 1.5% Packaging
- 1% End-of-life treatment of products sold
- 0.5% Other<sup>10</sup>

<sup>10</sup> Includes the following emission categories: fuel and energy related activities, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, and investments.

## Working toward cleaner transport

We continue to work with our partners to develop new decarbonization strategies for transport. In one initiative this year, we launched a pilot project to test trucks using liquified natural gas (LNG) with our long-term partner DHL. LNG could reduce CO<sub>2</sub> emissions by around 10% compared to diesel. The gas is also associated with an up to 95% reduction in fine particle emissions and 60% reduction in noise emissions.

All of our key carriers have expanded fossil-free last mile delivery. They are using electric vans, cargo bikes, and postal networks (bike deliveries). In addition, many are rolling out lockers and alternative pick-up and drop-off points (PUDO). This means they can consolidate orders and reduce stops and failed delivery attempts.



For our logistics and packaging partners, we in 2021 held one-on-one discussions on setting SBTs. We also pledged that SBTs would be a condition of future partnerships, to be implemented in a phased approach starting in 2022.

Breaking down our Scope 3 emissions, our private label products accounted for 5.5% in 2021. Our absolute product emissions decreased by 14% compared to 2020. In line with our SBTs, private label emissions decreased by 45% per million EUR gross profit from a 2018 baseline. The main driver behind the reduction was the strong growth of our business. Although this relative reduction is positive, we will not back off of our plans

to pursue absolute emission reductions in our supply chain and report progress transparently. We know that production processes beyond our direct suppliers are responsible for a significant proportion. Therefore, since 2019, we have required factories that produce our sustainability assortments to complete the Higg Index's Facility Environmental Module and share their results back with us, allowing us to track the environmental impacts of our supply chain activities — including GHG emissions, water use and waste. In 2021, 187 factories representing 96% of our production volume took part. Based on the data collected, we are now in the process of identifying key carbon hotspots. This will help us implement improvement programs directly in our supply chain.



In addition to process improvements, fiber choice is an important lever to reduce our emissions. Over the past year, we have continued switching to lower-impact fibers and materials (including recycled fibers) as well as less carbon-intensive production processes (such as new dyeing techniques). More broadly, we are exploring opportunities to integrate circular business models across our operations. Based on the learnings from these efforts, we look forward to accelerating our activities in the year ahead.

#### Fast-tracking carbon removal

Our first priority is to reduce emissions in line with our SBTs. In addition, to take immediate action to remove carbon from the atmosphere, we offset any remaining

emissions in our own operations (Scope 1 and 2), as well as deliveries, returns and packaging (Scope 3). In 2021, our residual emissions amounted to 438,931t of CO<sub>2</sub> (compared to 257,360t in 2020), including 10,104t from Scopes 1 and 2, 363,220t from deliveries and returns and 65,607t from packaging. This is also the amount of carbon removal credits we purchased. These made up 7.85% of our 2021 footprint. We invite our customers to contribute to these efforts with an optional order fee of 25 cents.

Forests are among the most powerful carbon sinks<sup>11</sup>, so it's vital to plant new trees, rehabilitate damaged forests, and enrich green spaces. Our focus is on carbon removal, so we invest in high-quality afforestation and reforestation projects. Working with the environmental consultancy [FORLIANCE](#), we have committed to [Gold Standard](#) and [VCS](#) certified [reforestation projects](#) in Ethiopia, Uganda, Colombia, Panama, and Indonesia. Besides carbon sequestration, these projects create benefits including restoration of native forests and biodiversity, sustainable planting, and support for local communities.

Closer to home, we this year launched a collaboration with [Land Life Company](#) to reforest 350 hectares, or about 500 soccer fields, of degraded land in Spain and financed the planting of more than 300,000 trees. Our project partner aims to mimic nature by planting native trees that benefit local ecosystems and improve biodiversity. The company is committed to smart reforestation — from

specialized planting machines to monitoring with apps and drones — so every project is more effective and achieves more climate resilience than the last.

## Our roadmap

- **Scope 1 and 2 emissions** For 2022, we plan to undertake a top-to-bottom assessment of our energy usage. This will serve as the basis for further reducing our Scope 1 and 2 emissions. For all new fulfillment centers, we will develop a sustainability concept based on feasibility assessments. These will include both renewable energy technologies and innovative solutions, in line with building certification standards.
- **Scope 3 emissions** Based on our private label supply chain hotspot analysis and alternative materials research, we will in 2022 strengthen our initiatives and develop an even more ambitious decarbonization strategy. We will run a factory improvement program to reduce emissions in our supply chain. When it comes to our engagement target, we will build on our learnings and expand our engagement strategy to provide support to more partners.

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<sup>11</sup> A carbon sink is a natural or artificial reservoir that absorbs and stores the atmosphere's carbon with physical and biological mechanisms. Globally, the two most important carbon sinks are vegetation, like forests, and the ocean.

# Reimagine packaging, minimize waste



## The challenge

Management approach (GRI 103-1/-2/-3): GRI 301; GRI 301-2, 306-1, 306-2, 306-3, 306-4, 306-5

**Packaging is associated** with a take-make-waste life-cycle. This is the basis of the linear economy, in which raw materials are transformed into products that are used briefly and then thrown away. The model requires significant natural resources and generates large volumes of waste.

Of course, we need packaging to ensure that products reach our customers safely. However, to become more sustainable, we also need to reduce our packaging volumes and move toward circular systems that reduce or eliminate waste. Equally, we must eliminate single-use plastics (which becomes waste when it reaches our customers). This challenge was heightened over the

past year, with high demand from the corporate sector contributing to shortages of corrugated paper.

Looking forward, we plan to learn more, leverage our innovation skills to design new packaging solutions, and use more sustainable materials — without compromising our customers' experience.

## Our commitment

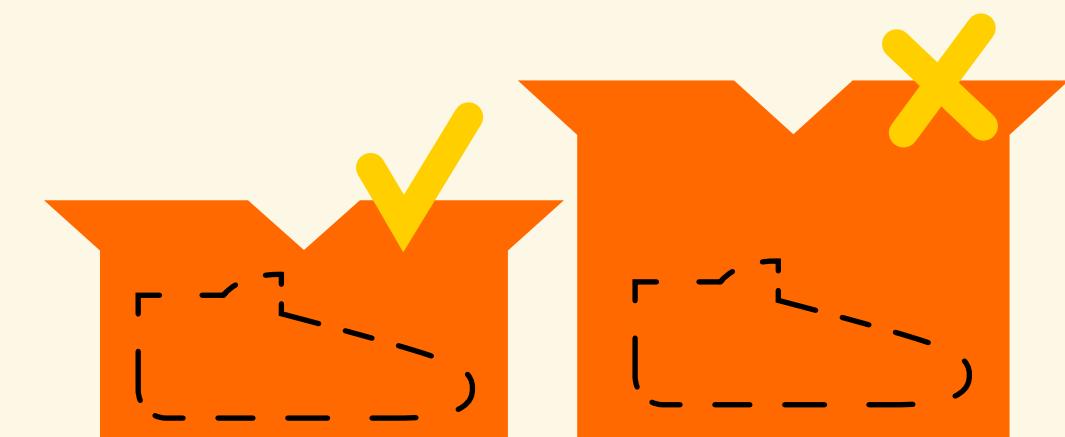
**By 2023, we design our packaging** to minimize waste and keep materials in use, specifically eliminating single-use plastics<sup>12</sup>.

12 Single-use plastic packaging is plastic packaging intended to be used only once before being disposed of.

## **Improving shipment packaging volumetrics**

Zalando customers can choose from over 1 million products of various shapes and sizes. These require a variety of shipping bags and boxes, which are chosen manually. We aim to prioritize bags over boxes, which improves product-to-packaging ratios and volumetrics efficiency.

Still, our packaging dimensions are not optimized to the size or shape of our products. To tackle this challenge, we this year started using artificial intelligence to interrogate our data and help us optimize our packaging portfolio. This will help us to improve product-to-packaging ratios, as well as reduce material consumption, cut energy use for transport, and produce less waste.



## Optimizing for recyclability

In Europe, the average recycling rate for paper and cardboard packaging is around 82%, while for plastic packaging it is 41%. At Zalando, we are committed to designing our packaging to be recyclable — and recycled in practice. We are prioritizing mono-materials that are widely recyclable, such as paper-based materials and (transparent/light coloured) low-density polyethylene plastic. By adding a “Please Recycle Me” message, we ask our customers to join us on the journey.

In addition to packaging design and consumer behavior, recycling depends on collection, sorting and recycling infrastructure. However, these services are unevenly developed across Europe. These systems need to be developed to enable recycling and a circular economy for packaging.



[mckinsey.com](https://mckinsey.com)

## Our progress

- Of the **68,000 tonnes** of packaging materials we used in 2021, 89% stemmed from recycled input and 99% was recyclable (compared with 53,000t, 87% and 99% in 2020 respectively).
- Over the past year, we cut the volume of single-use plastic packaging per item produced for our private labels<sup>13</sup> by 13% to an average of 5.1 grams, compared with 5.9 grams in 2020.
- The procured amount of single-use plastic packaging per item shipped from Zalando group<sup>14</sup> increased by 4% to an average of 8.1 grams (compared to 7.8 grams in 2020), mainly due to the procurement of high volumes of polybags as a buffer to hedge for the global supply chain disruption caused by COVID-19.



**68K t**

of packaging materials

**89%**

of packaging materials  
stem from recycled input

**99%**

of packaging materials  
was recyclable

### Reducing single-use plastics

One of the primary uses for single-use plastics in fashion is to make polybags, which protect items in the supply chain and when they are delivered to customers. To reduce single-use plastics in packaging, we continued in 2021 to pilot plastic-free packaging in our Pre-owned category. That meant delivering without polybags. In our private labels, we leveraged more efficient folding techniques to enable delivery in smaller polybags. Through this initiative we avoided 69 tonnes of single-use plastics.

With our switch from plastic to paper shipping bags, we reduced our use of single-use plastic shipping bags to 37% at the end of 2021 (compared with 88% in December 2020). We aim to complete the transition across Zalando Fashion Store by mid-2022. Despite these initiatives, we procured a large amount of plastic polybags to hedge global supply chain disruption caused by COVID-19.

<sup>13</sup> In scope is all customer-facing single-use plastic packaging procured by Zalando private labels (our own fashion brands).

<sup>14</sup> In scope is all customer-facing single-use plastic packaging procured by Zalando group as an online retailer (excl. private labels and items shipped by brand partners).

## Our packaging materials (Fashion Store and Lounge)



Shipping bags

**100%**  
paper  
(FSC® Mix certified)<sup>15</sup>

Pre-owned: 100% recycled paper



Polybags

**90%**  
recycled plastic



Beauty bags

**100%**  
recycled paper



Shipping boxes

**100%**  
recycled cardboard

Pre-owned: 70% recycled paper,  
30% grass paper

These will be used until new polybag solutions can be introduced. The purchase will have only a short-term impact on our single-use plastic reduction goal.

Still, eliminating single-use plastic polybags remains the key hurdle to achieving our packaging goal. That's why we are working with some of our brand partners to agree common functional polybag specifications. This is an industry-wide challenge, and we aim to continue to gather knowledge and seek solutions in collaboration with our colleagues across the fashion community.

### Sustainable packaging materials – a great leap forward

For every e-commerce business, packaging materials present a huge sustainability challenge. In our packaging design, we prioritize recyclable materials, as well as materials with high levels of recycled content. That way, we preserve resources and send the minimum amount of packaging waste to landfill or incineration. Where recycled material is unavailable, we look for responsible alternatives. We have joined the Canopy Pack4Good initiative, committing to protect the world's forests in the sourcing of paper-based packaging.

A milestone for us in 2021 was our switch from shipping bags made with 80% post-consumer recycled plastic to paper shipping bags. The paper bags are recyclable and made either from 100% recycled materials or a mix of recycled content and other responsible virgin fibre sources (FSC® Mix certified<sup>16</sup>).

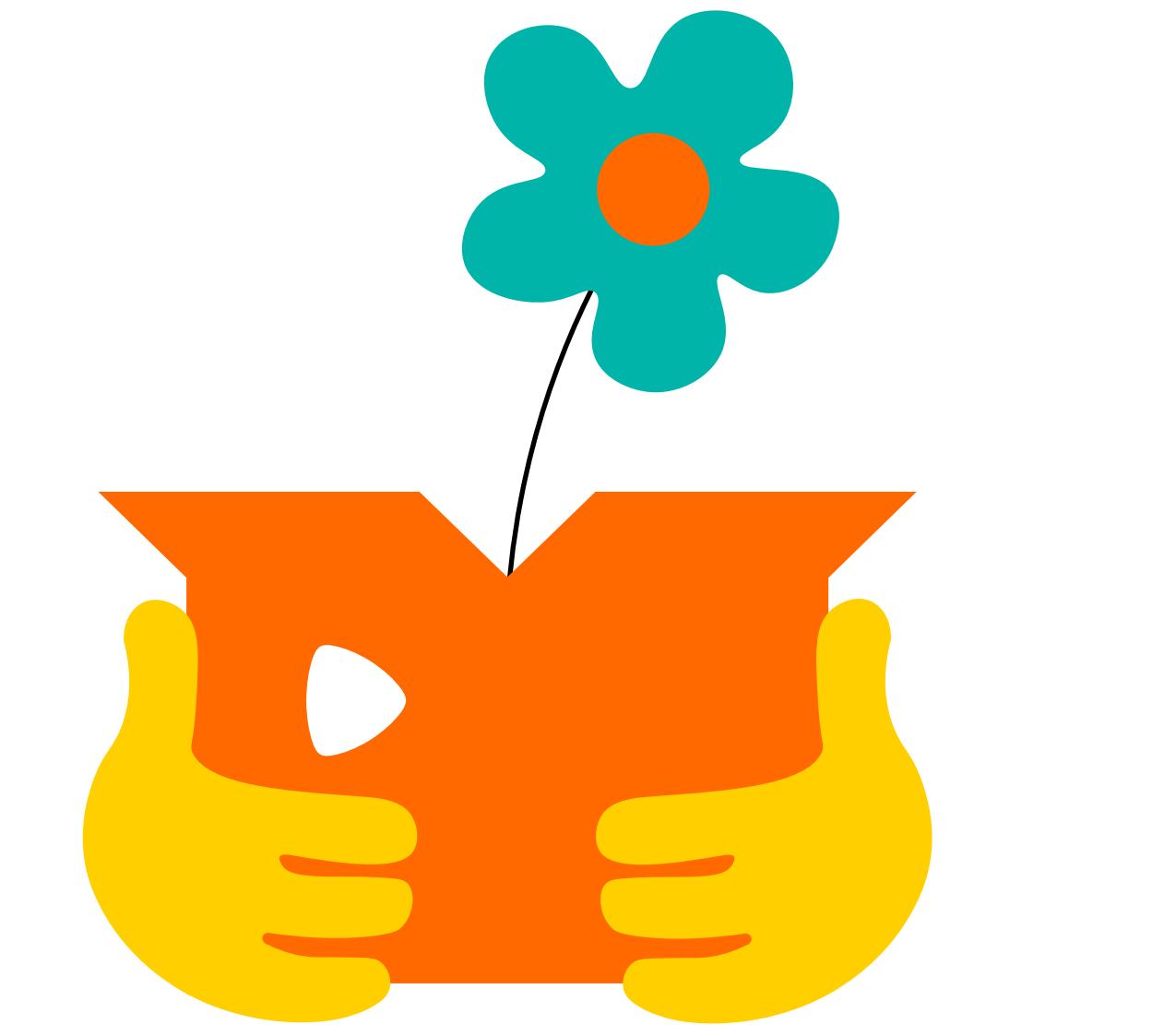
In addition to paper bags, we are piloting alternatives to single-use plastic void fill and tape in our Zalando Lounge business. The paper void fill will be used across all Zalando Lounge warehouses by mid-2022. Over recent months, global supply chain disruptions for paper and warehouse equipment meant we had to delay replacing plastic tape with a paper alternative until 2022. The switch will allow for easier recycling of cardboard boxes and tape in the same paper recycling bin.

In our private label production countries of China, Bangladesh, Turkey, India and Ukraine, we have started transitioning to 100% recycled polybags. Across all production locations, we switched to 100% recycled cardboard shoe boxes, compared with 83% in 2020. Products are shipped to our warehouses in cartons made of 42% recycled content, up from 0% in 2020.

In our Pre-owned category, we continued to pilot the use of innovative packaging materials, including shipping boxes made of recycled paper and grass paper as well as grass silk paper to protect the items inside instead of single-use plastic polybags.

### The journey to reusable packaging

Switching to reusable packaging is a big challenge requiring multiple adaptations, from our warehousing operations through to customer behaviors. However, we have learned from our pilots that we can make reusable packaging work in our warehouse and logistics processes,



and that through our efforts we can encourage our customers to return packaging to us.

Still, we are striving to understand more about the sustainability aspects and limitations of reusable packaging. To identify levers to reduce environmental impacts, we this year started a life cycle assessment (LCA) of reusable packaging scenarios. The results will be available in 2022. Ultimately, reuse systems should be convenient, operationally and financially feasible, and more sustainable.

## Our roadmap

We are striving to eliminate single-use plastics and move from a linear “take-make-waste” packaging model to a circular approach. In 2022, we plan to:

- **Reduce empty space** in packaging and minimize packaging waste.
- **Continue testing** and scaling paper-based alternatives to eliminate single-use plastic shipping bags, void fill, and tape.
- **Continue R&D** around circular packaging innovations and reusable packaging solutions.
- **Carry on investigating** alternatives to single-use plastic polybags.

### Mapping our operational waste footprint

In 2021, offices, stores and warehouse canteens continued to operate at reduced capacity due to pandemic related health and safety restrictions. This resulted in reduced waste volumes in some of these locations. Still, we generate a significant proportion of waste through packaging materials used for shipments and deliveries, and as our business grows our waste grows.

Over the past year, we conducted a waste resource mapping project. Our aim was to better understand Zalando waste flows and those downstream at our customers. We hope the results of this work will help us design out waste and “close the loop” as we move toward circular systems.

### Operational waste and disposal methods from fulfillment centers, offices and stores (in metric tons)

	2021	2020
<b>Non-hazardous waste</b>	<b>30,980</b>	<b>25,164</b>
Reuse	16	9
Recycling	29,275	23,606
Paper & packaging (paper, cardboard & plastic)	29,098	23,553
Other (e.g. scrap metal, e-waste)	177	53
Incineration (with energy recovery)	1,338	1,268
Incineration (without energy recovery)	351	281
<b>Hazardous waste</b>	<b>39</b>	<b>3</b>
<b>Total</b>	<b>31,019</b>	<b>25,167</b>

# Products

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## Focus SDGs

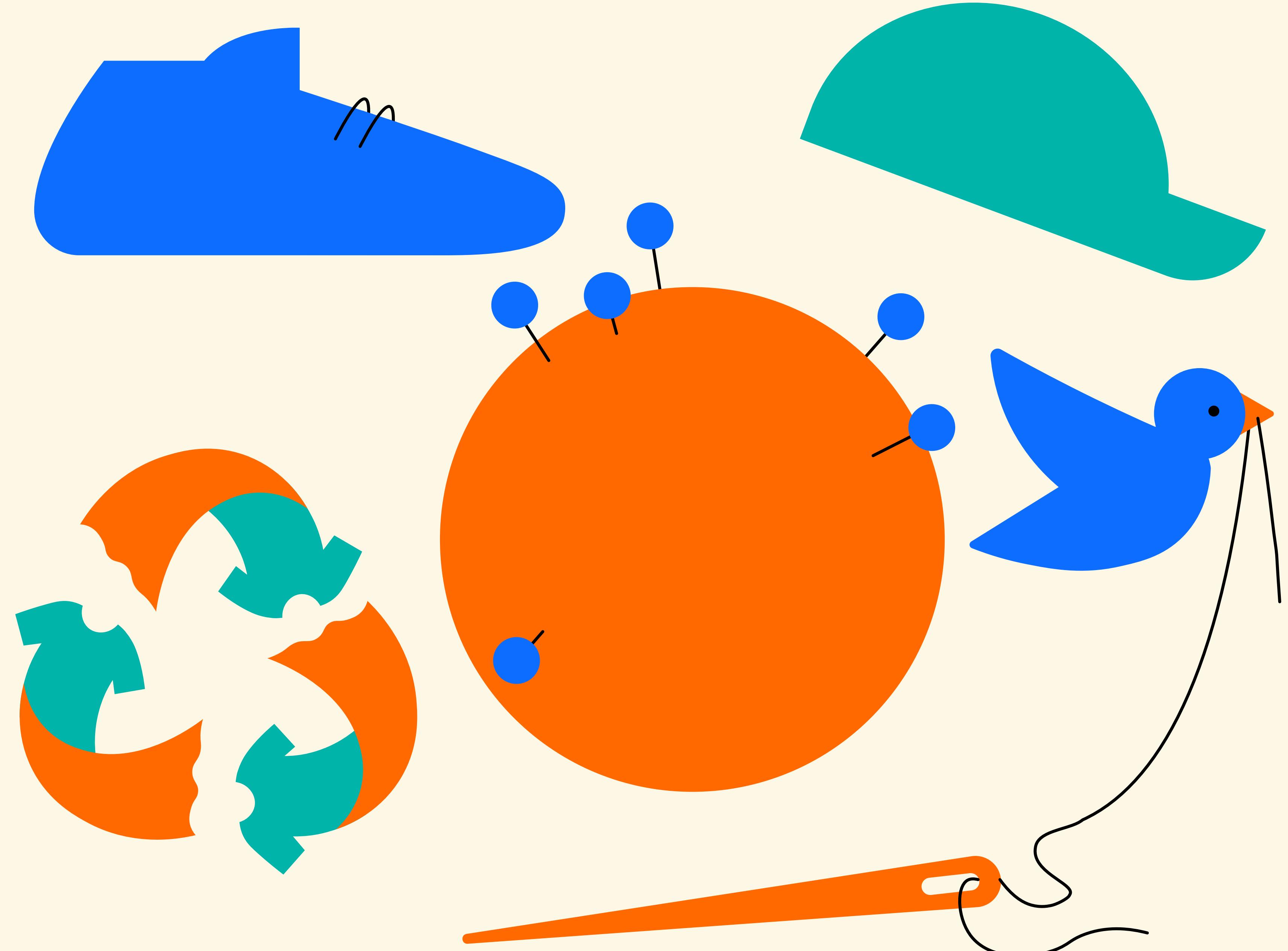
We strive to enable our customers to make more sustainable choices by providing transparent and substantiated product sustainability information.

[Read more on p. 24.](#)

Together with our customers and brand partners, we drive circularity in the fashion industry and extend the life of millions of products.

[Read more on p. 29.](#)

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



# Driving more sustainable choices



## The challenge

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Management approach (GRI 103-1/-2/-3): GRI 308; GRI 301-2

**The fashion industry** can make a big sustainability impact through its choice of materials and production processes. However, while there are certifications for a range of sustainable materials, we still lack common standards and data transparency. In addition, we know that a product can only be truly sustainable if we act across its full life-cycle, a fact reflected by the European regulatory agenda.

In a challenging world, people are concerned about the way they lead their lives, issues of social justice, and the impacts of environmental destruction. Nine out of ten Generation Z customers believe that companies have a responsibility to address environmental and social issues, and one in four Zalando customers consider sustainability when making a purchasing decision. However, our customers tell us sustainability can be complex to understand and to act on. They often struggle to find the right information, and experience an attitude-behavior-gap that represents the challenges they face.

We are committed to providing our customers with product sustainability information that is simple, credible, comparable, and substantiated, and we want to close the gap between our customers' sustainability values and their purchasing behaviors. That's why we continue to highlight more sustainable aspects of our products, including materials and processes. And over time, we are learning about where we can improve our offerings and be as accurate and transparent as we can be.

## Our commitment

**By 2023, we generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products.**

## Our progress

- **In 2021, we grew our sustainability assortment to more than 140,000 products, compared with around 80,000 a year earlier. The sale of these products accounted for 21.6% of our Gross Merchandise Volume, up from 16% in 2020.<sup>17</sup>**
- **In 2021, almost 60% of our customers bought at least one product carrying the sustainability flag, compared with 50% in 2020.<sup>18</sup>**

### Setting minimum product requirements

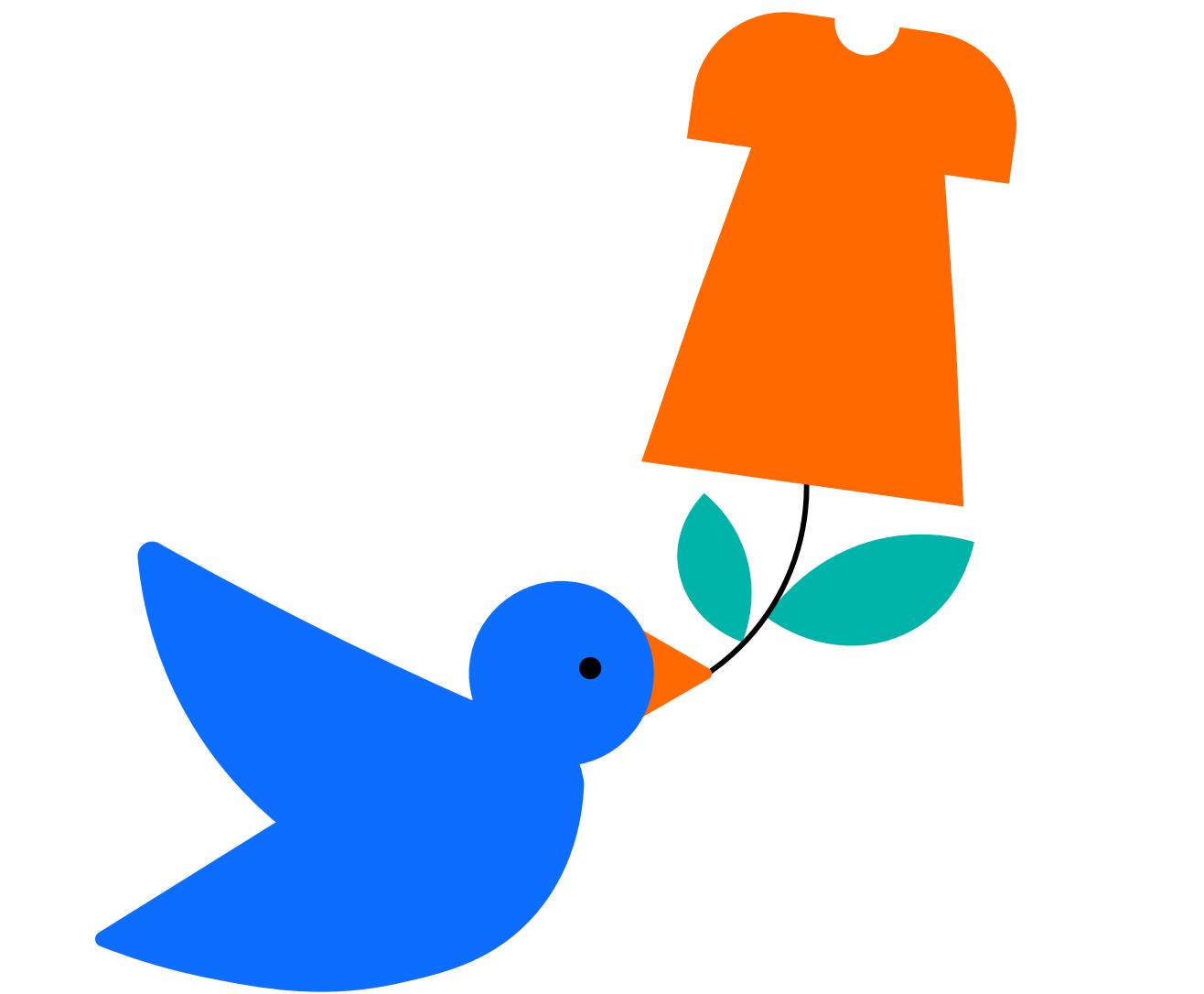
We are committed to raising standards across the board. With that in mind, all of our brand partners must adhere to our updated [Sustainable Sourcing Policy](#), [Animal Welfare Policy](#), [Product and Content Guidelines](#) and [Restricted Substances List](#) (RSL). Our Sustainable Sourcing Policy aims to ensure that all the goods we sell have been produced in an ethical and environmentally responsible way. It defines minimum requirements for the use of specific fibers, materials, and manufacturing methods. Our Animal Welfare Policy lists principles for business partners when supplying products made from animal-derived materials. Our Product and Content Guidelines highlight

offensive, illegal, or otherwise inappropriate matters in relation to products and content. Finally, the RSL specifies permitted limits of toxic and harmful substances, in line with REACH and other regulations.

### Defining more sustainable fashion

We believe that if we work together with our brand partners and customers, we can both promote products with lower impacts on people and the planet and help our customers make more sustainable choices. A big part of achieving that is the sustainability search filter in our Fashion Store and the sustainability flag on our products. The flagged products must have at least one sustainability attribute that fulfills our criteria. In 2021, we ramped up our functionality, extending the sustainability flag to Zalando Lounge, for all products that were previously in the Fashion Store assortment.

Our sustainability criteria cover the use of more sustainable materials and processes based on the Sustainable Apparel Coalition's Higg Materials Sustainability Index (Higg MSI) and Textile Exchange's Preferred Fiber and Materials List, as well as minimum content requirements for the materials. For example, for a cotton t-shirt to be flagged with "sustainability", it must contain at least 50% certified organic cotton.



Accepted materials and processes are certified to third-party environmental, animal welfare, and social standards, including the Global Organic Textile Standard, the Global Recycled Standard, and the Responsible Wool Standard. The full list of criteria can be found at our [Fashion Store](#). The sustainability information is collected from brands during ordering. We are continuously improving our weekly verification process — testing and validating the information provided by our brand partners. When we find inaccuracies we either remove the flag or correct the claims.

<sup>17</sup> For the Zalando group, after returns.

<sup>18</sup> For the Zalando Fashion Store, before returns.

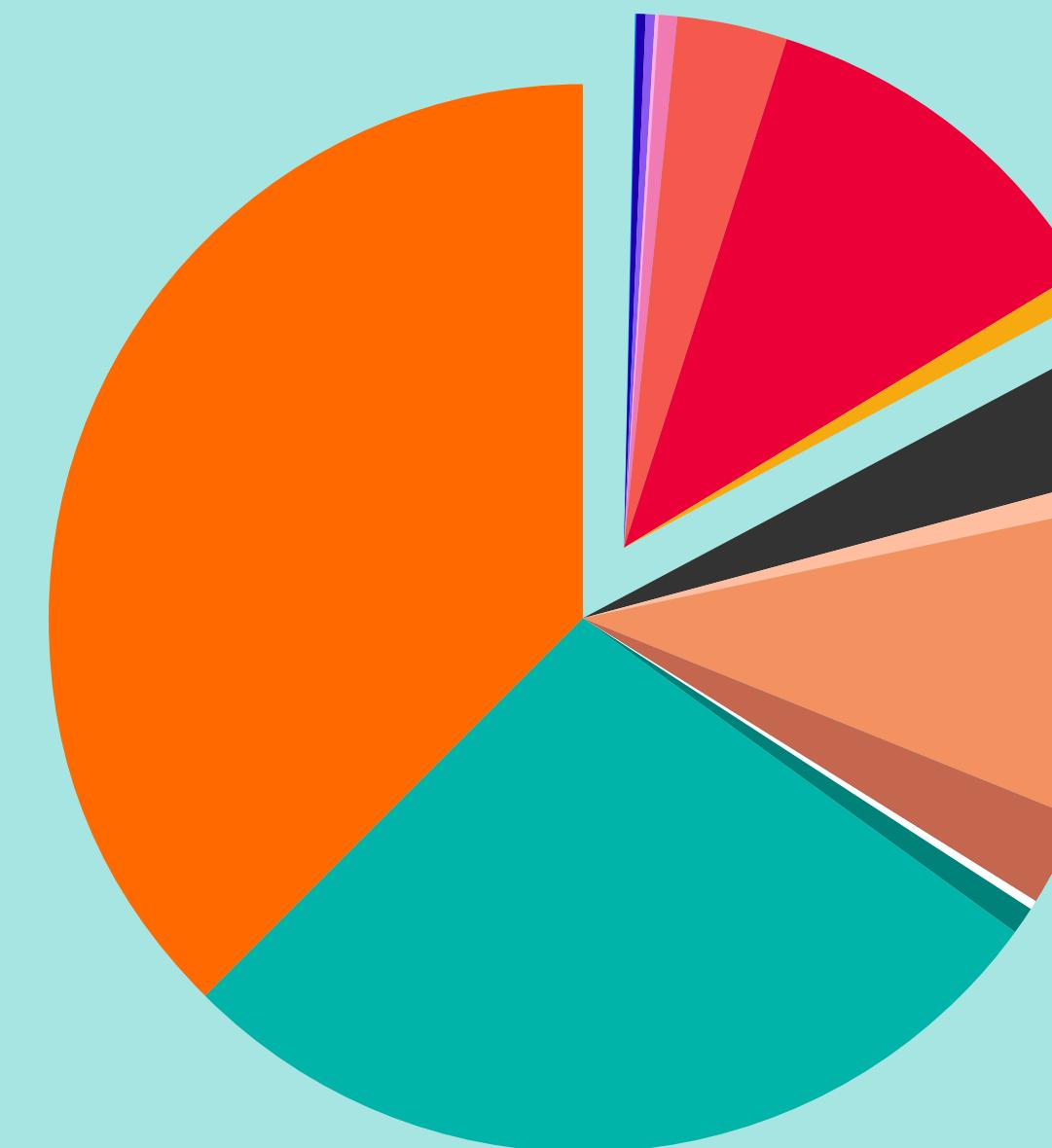
We review our criteria annually. This helps us scale innovation and challenge ourselves and our brand partners to transition to more sustainable assortments. That said, we always need to take into account the availability of materials and processes, as well as our customers' needs.

In 2021, we went even further in moving toward a more sustainable materials paradigm. We introduced Cradle to Cradle Certified®, and a tiered approach to recycled and organic materials (e.g. 30–50%, 50–70%, 70–100%). We stopped highlighting conventional cellulosic fibres, including linen, hemp and jute, which have relatively higher environmental impacts based on the Higg MSI.

We have removed Better Cotton from our sustainability criteria. The Better Cotton Initiative is a multi-stakeholder governance group of which we continue to be a member and that promotes better standards in cotton farming and practices across 21 countries. However, Better Cotton is not physically traceable in end products, which presents a challenge in the retail environment. We continue to support BCI on their journey towards greater transparency and will be collaborating with them to help create a fit-for-purpose physically traceable solution for the better cotton supply chain.

**Another option to help our customers choose**  
From our Attitude-Behavior Gap Report, we know that 50% of customers do not fully understand what sustainability means in a fashion context. To make sustainability

## Criteria used in our sustainability flag (as of Dec 31, 2021)



### Zalando logos

- 37.6% Organic Content
- 27.6% Recycled Material
- 0.8% Preferred Animal Fibers
- 0.3% More Sustainable Cotton
- 2.7% Eco-Processing
- 9.4% Eco-Material
- 1.0% Innovative Material
- 3.6% More sustainable beauty

### Third-party logos

- 0.0% Better Cotton Initiative<sup>19</sup>
- 0.9% Global Recycled Standard
- 11.2% Leather Working Group
- 3.5% Global Organic Textile Standard
- 0.6% Organic Content Standard
- 0.1% Fairtrade Cotton
- 0.4% Responsible Wool Standard
- 0.3% Responsible Down Standard
- 0.04% Cradle to Cradle Certified®

Third-party certifications have their own labeling rules that prevent retailers like Zalando from displaying third-party certifications unless the brand itself carries the same certification as its products. Smaller brand partners, in particular, struggle with the high costs and time required

to obtain brand-level certifications. Instead, they use certified materials (a t-shirt made with GOTS organic cotton, but the brand is not certified to this standard). To help our brand partners bridge this gap and continue to provide this important information for our customers, we have

developed our own logos, through which the use of certified materials and processes (e.g. organic, recycled, etc.) can be identified.

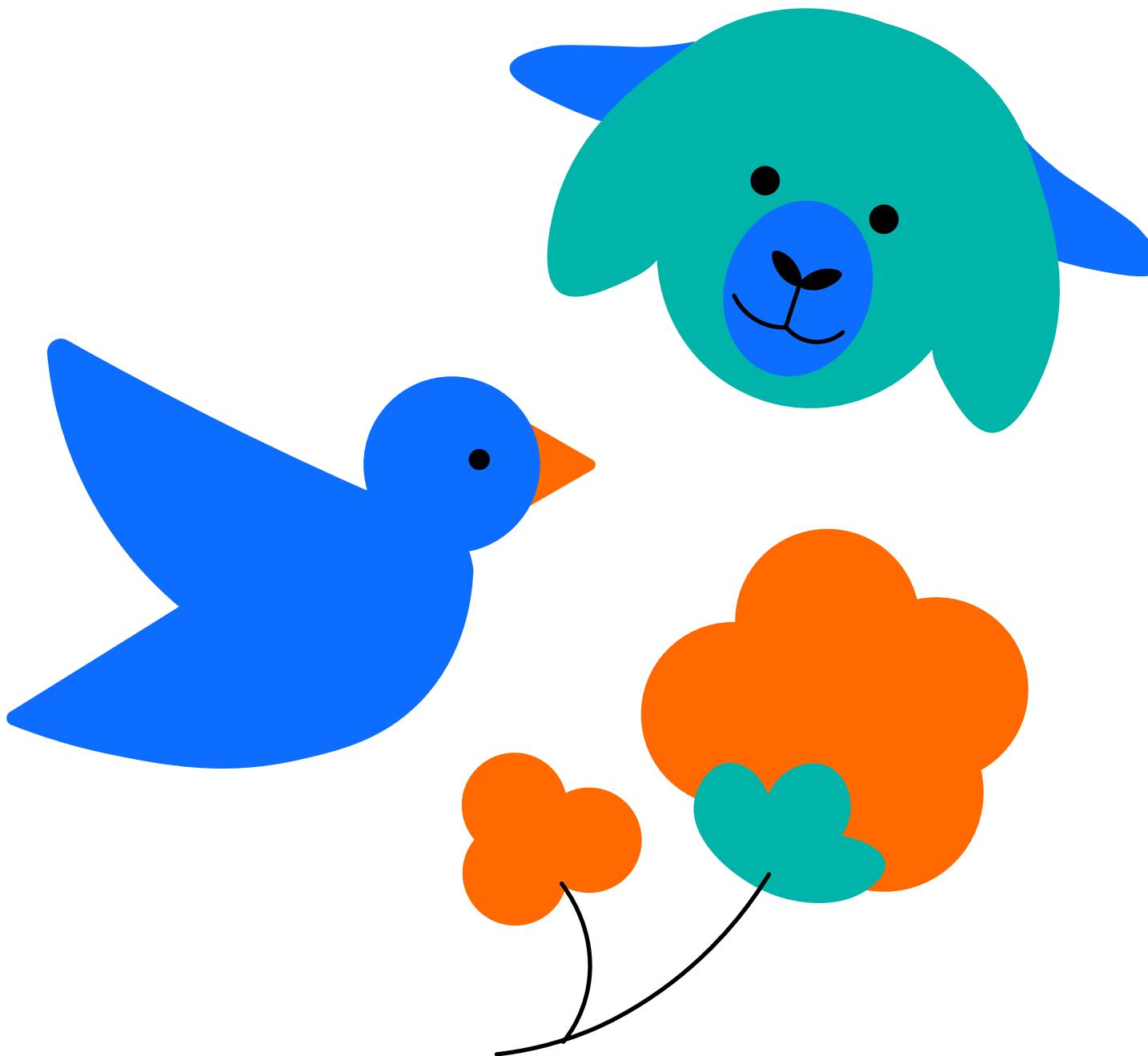
<sup>19</sup> Sustainability flag removed as of Dec 2021.

more intuitive and support our customers in finding products that reflect their values and interests, we have mapped our sustainability criteria to impact areas including water conservation, worker wellbeing, reusing materials, animal welfare, reducing emissions, and extending the life of fashion. Customers can filter by these themes and access friendly illustrations and explanations, on top of the sustainability flag and criteria.

#### Improving sustainability in our private labels

Our private labels<sup>20</sup> play an important role in helping us test new sustainable sourcing and production strategies, and we share our learnings with our brand partners. In line with our do.MORE strategy, we have set specific sourcing targets to drive uptake of more sustainable materials.

- **100% more sustainable man-made cellulosics by 2023** (includes LENZING™ TENCEL™, LENZING™ viscose, generic lyocell, and responsible modal and viscose).
- **100% more sustainable cotton by 2023** (includes organic cotton, recycled cotton, and cotton sourced through the Better Cotton Initiative).
- **100% more sustainable leather by 2023** (including from Leather Working Group-rated tanneries, chrome-free leather, and innovative leather alternatives).
- **100% responsible animal fibers by 2023** (includes organic and recycled standards, as well as Responsible Wool Standard, Responsible Alpaca Standard,



Responsible Mohair Standard, Responsible Down Standard).

- **50% recycled polyester by 2023.**

We are working to ensure that all our private label products reach the standard required for our sustainability flag and 100% of our sustainability flagship brand ZIGN already does so. We are proud to say that in 2021, we generated 65% of our private label GMV with more sustainable products.<sup>21</sup> On our way to scaling the sourcing of organic or recycled cotton, we continue to source Better Cotton. We are a member of the initiative, but this will not

be highlighted by our sustainability flag moving forward. This year we also renewed our brand certifications (Responsible Down Standard, Responsible Wool Standard, Recycled Content Standard, Organic Content Standard) and achieved certification for the Responsible Mohair Standard.

#### Our roadmap

- **Raise our standards and launch new circularity criteria:** We are reviewing our product sustainability requirements and adding circular design criteria. We plan to scale our verification processes for product-level sustainability claims and highlight innovations such as textiles made from recycled clothing.
- **Make product sustainability comparable and more credible:** We are working with the Sustainable Apparel Coalition and their technology partner Higg to implement the Higg Index Transparency Program, which we aim to launch in 2022–2023 to help customers compare product environmental impacts. This is in line with expected EU regulation relating to sustainability claims (Empowering consumers in the green transition) and environmental performance legislation (Substantiating green claims).

<sup>20</sup> Anna Field, Even&Odd, Friboo, Pier One, Yourturn, ZIGN.

<sup>21</sup> In 2020, we reported that 50% of our private label products fulfilled our sustainability criteria. The correct definition is that we generated 50% of our private label GMV with more sustainable products.

## Private label materials

Shoes & hard accessories<sup>22</sup>



**55.2%**

● Polyurethane

of which  
14%  
Water-based PU

**15.3%**

● Other<sup>23</sup>

**15.4%**

● Polyester

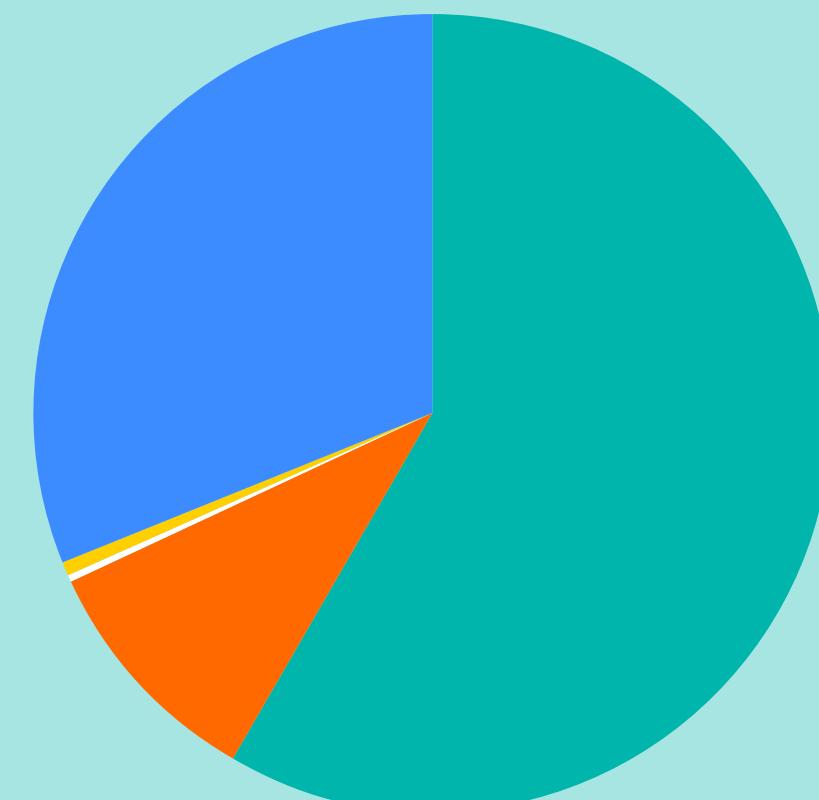
of which  
43%  
recycled polyester

**14.2%**

● Leather

of which  
67%  
more sustainable leather<sup>24</sup>

Apparel & soft accessories<sup>25</sup>



**58.5%**

● Cotton

of which  
54,8% 2245.7t  
Better Cotton  
29,6% 1212.2t  
organic cotton

**9.5%**

● Man-made  
Cellulosic Fibers

of which  
86.5% 506.4t  
more sustainable man-made cellulosics<sup>26</sup>

**30.9%**

● Synthetics

of which  
21% 455.2t  
recycled synthetics

**0.7%**

● Animal-derived  
fibers

of which  
11.2% 4.9t  
responsible animal-derived  
fibers<sup>27</sup>

**0.3%**

● Other

22 Share of number of items where material is majority in upper component.

23 Includes, amongst others: cotton, nylon, polycarbonate, metal.

24 More sustainable leather includes leather from Leather Working Group-rated tanneries, chrome-free leather and innovative leather alternatives such as Piñatex™.

25 Share of fiber, by weight, in main component.

26 More sustainable man-made cellulosics includes LENZING™ Viscose, LENZING™ TENCEL™, generic lyocell, modal and viscose sourced from Canopy Green-shirt.

27 Responsible animal-derived fibers includes organic and recycled standards as well as Responsible Wool Standard and Responsible Down Standard.

# Extending the life of fashion



## The challenge

When it comes to circularity, the gap between consumer attitudes and behaviors is wide. Many people are keen to embrace concepts such as repair and reuse, but few actually do so. One reason is a lack of easy-to-understand, accessible services. Right through the four stages of the product lifecycle — design and manufacture, use, reuse, and end of life — there are opportunities for us to do more.

In a linear economy, raw materials are collected and transformed into products that are typically used briefly and then thrown away. Circular economy aims to tackle that challenge. A lot of environmental impact is baked in during the design stage, where there are few standards for circular design. After that, when it comes to product use, consumers struggle to translate their values into actions,

with 58% saying they would like to repair but only 23% doing so.<sup>28</sup> Some 82% of clothing that goes to waste could be cleaned, repaired and reworn, or resold.<sup>29</sup> Just 1% are recycled back into high-quality products.<sup>30</sup>

Given the scale of the challenge, a system shift is required. Our mission is to use our unique position as a platform, our millions of customers, and our brand partnerships to close the attitude-behavior gap and enable more reuse, resale, and recycling. That will mean helping our customers adapt their behaviors, as well as creating new opportunities, and reducing the environmental impacts of products. For our brand partners, we want to be the place where they can test and scale circular solutions, and put more products on our platform that meet our circular design criteria.

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<sup>28</sup> Zalando, “[It Takes Two: How the Industry and Consumers Can Close the Sustainability Attitude-Behavior Gap in Fashion](#)”, 2021.

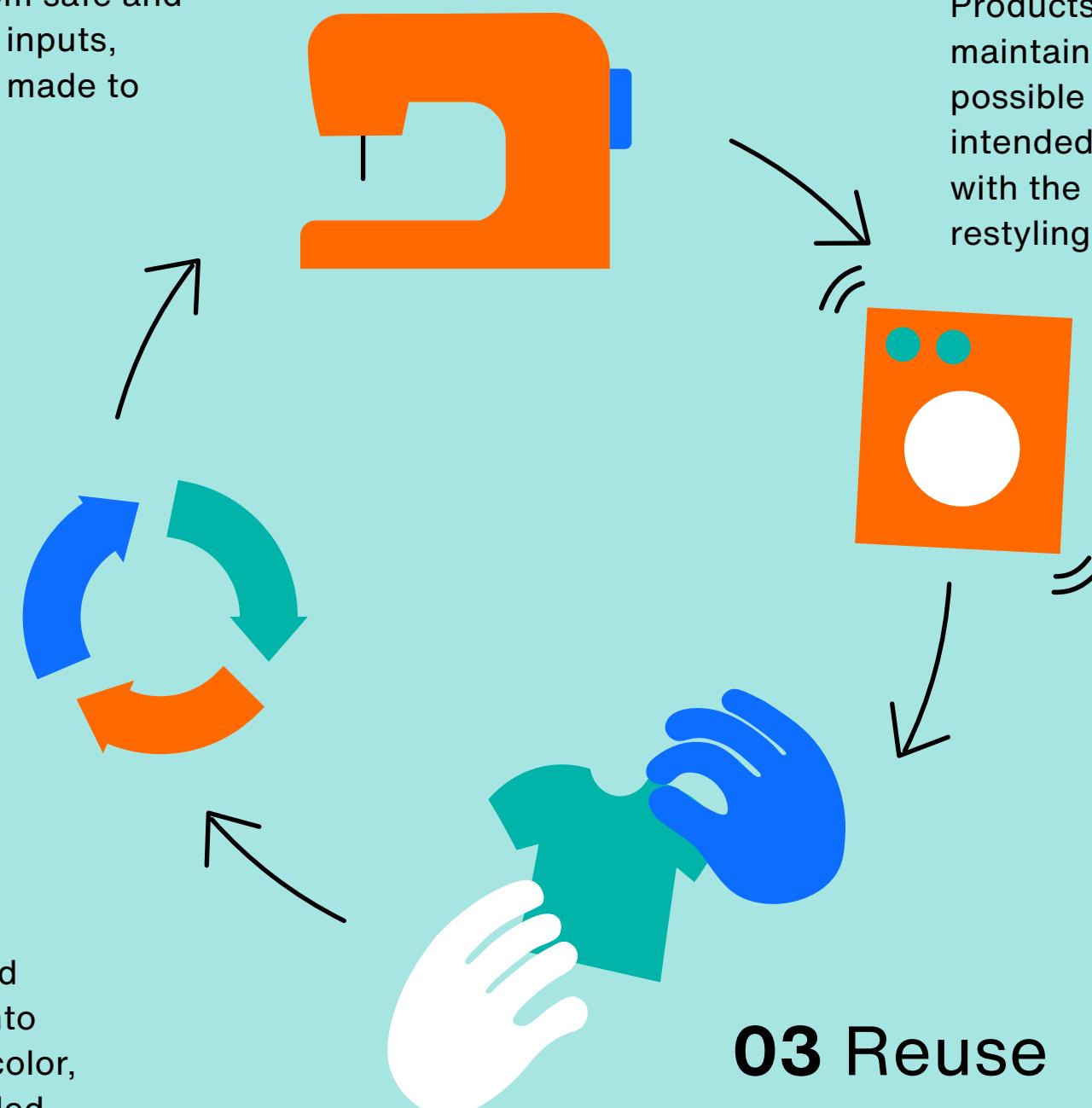
<sup>29</sup> Renewal Workshop, “[Leading Circular: Pathways for Evolving Apparel and Textile Businesses from Linear to Circular](#)”, 2021.

<sup>30</sup> Accenture, Fashion for Good: “[The Future of Circular Fashion](#)”, 2019.

## A simplified circularity flow

### 01 Design and manufacture

Products are designed for circularity (made from safe and recycled/renewable inputs, made to last longer, made to be made again).



### 04 Close the loop

Products are collected or traded in, sorted into their many material, color, fabric type and recycled into new materials.

### 02 Use

Products are used and maintained for as long as possible within their original intended-purpose, usually with the same owner (through restyling, care, or repair).

### 03 Reuse

Products may be transferred to a new owner or reused in a different context to their original intended purpose (through resale, sharing, rental).

## Our commitment

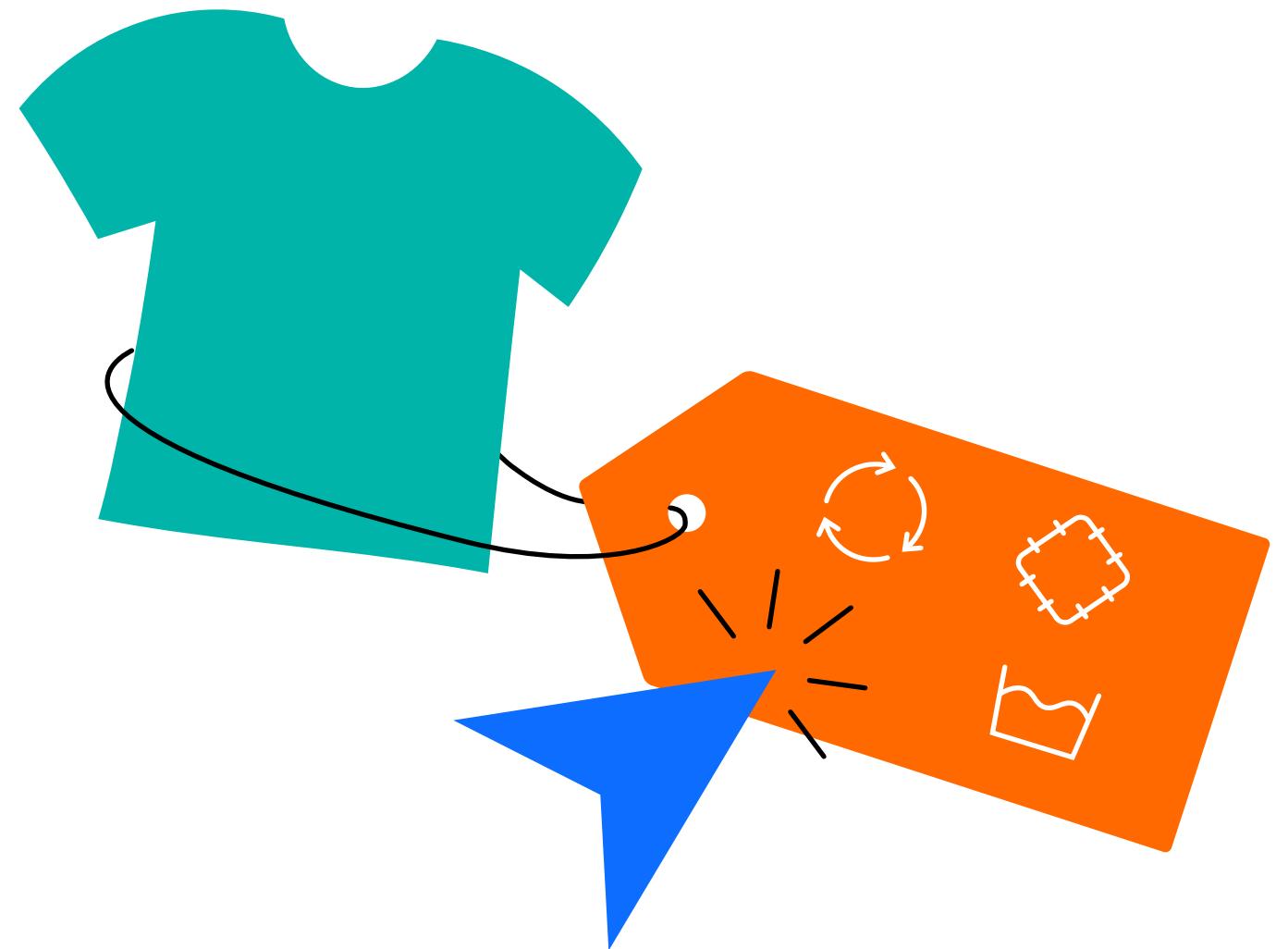
**By 2023, we apply the principles** of circularity and extend the life of at least 50 million fashion products.

## Our progress

- **Since 2020, we extended the life** of more than 2.3 million fashion products (more than 1.9 million in 2021).

In 2021, we launched our first circularity strategy across four pillars: design and manufacture, use, reuse, and close the loop. As per our target, we define “extend the life” as at least one circular action taking place during at least one of the four stages. Currently, our recommerce business is our main target contributor. However, we are developing and testing solutions across all four stages. This is a big task, requiring new infrastructure, new customer mindsets, and new ways of thinking about our business. We have made progress and we look forward to applying the lessons we have learned so far in the year ahead.

We have rolled out our circularity strategy on four key dimensions: desirability, viability, feasibility and sustainability (DVFS). We use the DVFS model to assess circular business opportunities, ensuring we factor in our customers (desirability), the business case (viability), partners, supply chain, and tech requirements (feasibility), and sustainability, measured through life cycle analysis and system mapping.



## Design and manufacture

In 2021, we developed circular design criteria based on circular.fashion's criteria framework and in line with the EU Sustainable Products Initiative as well as Ellen MacArthur Foundation's circular design principles. To translate these learnings into our operations, we offered training conducted by circular.fashion to over 200 colleagues including our private label designers and buyers, so that they can create collections that are circular by design. The criteria will also be introduced to brand partners in 2022.

We applied circular design skills in our “redeZIGN for circularity” capsule collection, which we expanded from five to 50 designs, covering textiles, shoes and accessories for men and women. This was a big milestone for us, and we hope it inspires other brands on the same journey. We collaborated with New York-based innovator EON to add digital product passports, linking customers to product and circularity information through a QR code stitched into the label. Customers can access a website to learn about where the product was produced, how to care for and repair it, and how to trade it in. Based on the learnings of the first collection in 2020, we added educational videos and reimaged parts of the customer experience.

## Use

We are pleased to report that in 2021 we launched an innovative care and repair pilot in Berlin. We partnered with tech company Save Your Wardrobe. Customers can enter a one-stop shop and connect with local repair, cleaning, and alteration providers. Feedback on the quality and service has been positive. Still, we need to learn more about our customer's needs and about engaging with care and repair services. We are also exploring ways in which we can offer care and repair tools and tips that people can use at home. Through these initiatives, we hope our customers can value their items for longer and reduce the environmental impact of everything they own.

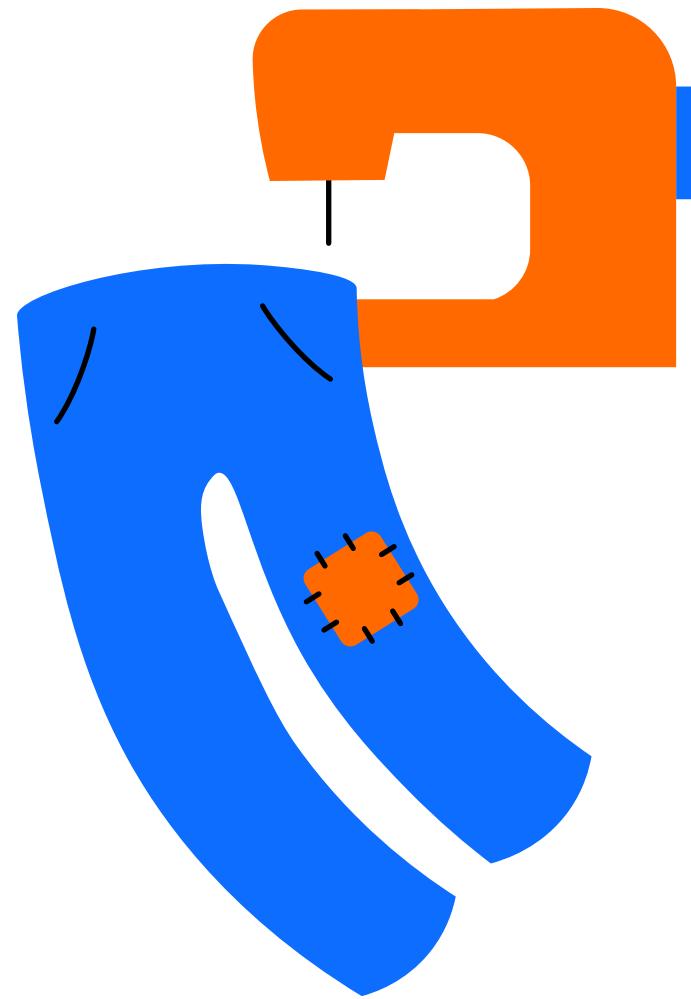
## Product passports

Until recently, product circularity was hampered by a lack of information. It was difficult to know what materials products contained, or to understand their origins and histories. However, the development of new data standards, innovations in digital labeling, and growing policy support for circular business models are changing things.

In the future, more and more clothes will include an embedded “digital product passport” (DPP) — supported by a scannable physical identifier, which is usually a QR code. Product passports can contain detailed information that can help customers look after their products, trace its origins, and embrace circular principles such as rental, repair, resale, and recycling. For brands, product passports offer the opportunity to continuously update information and to communicate new offers and ideas.



[redezign.zalando.com](http://redezign.zalando.com)



## Reuse

Our pre-owned assortment has grown more than ten-fold since the category launch in September 2020. We now stock more than 245,000 items — all delivered in plastic-free packaging. Over the past year, we also scaled our Pre-owned category to six new markets, bringing the total to 13.

When customers sell items to Zalando, they are offered credit in the form of either a non-expiring Zalando gift card or a donation to the Red Cross or WeForest. For items that do not meet our eligibility criteria, customers can choose either to have them returned or donated to charity.

In 2021, we relaunched our Zircle App, the only platform offering customers a one-stop solution to conveniently sell and buy pre-owned items. Customers can transact either between each other or via Zalando.

## Close the loop

Our industry faces a significant challenge in ensuring the right end-of-use for products, starting with sorting non-wearable items to the right waste streams. That is why we are excited to be part of the Sorting For Circularity Project with our partner Fashion for Good, which plans to launch an open source platform to support post-use circularity. Leveraging near-infrared technology for highly-accurate sorting, the platform will provide comprehensive analysis for matching textile waste with recyclers and material reprocessors. We are also a member of Accelerating Circularity Project Europe (ACPE), which convenes brands, retailers, recyclers, and sorters to establish systems that will use existing textiles for new products. Zalando sits on the ACPE steering committee and is a member of ACPE textile and footwear working groups.

To scale textile-to-textile recycling and reduce our industry's reliance on virgin raw materials, we have invested in two innovators. [Ambercycle](#) is a Los Angeles-based company that has created a technology to recycle textile waste into a new fiber called cycora®. With the [funds we provided](#), the company plans to scale up production. We have also [invested](#) in Finland-based [Infinited Fiber](#)

[Company](#), which has created Infinna™, a regenerated, premium fiber. At the end of life, garments made from the material can be recycled with other textile waste in the same process. Our investment will help the company build a brand new factory in Finland. We also plan to provide feedstock and use Infinna™ fiber in our private label production.

## Roadmap

- **Design and manufacture:** We will launch our first circular design criteria, continuously scale circular design in our private labels, and develop an approach for digital product passports.
- **Use:** We will test care advice for customers, continue to iterate on our care and repair services collaboration with Save Your Wardrobe, and look into expanding our care and repair product line.
- **Reuse:** We will continue to scale our recommerce business, raising customer awareness, optimizing their experience, and extending our pre-owned assortment. We will launch research into customer behaviors and demand patterns in reuse business models.
- **Close the loop:** We will continue to develop our partnerships with recyclers and expand our knowledge of shoe recycling.

# People

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## Focus SDGs

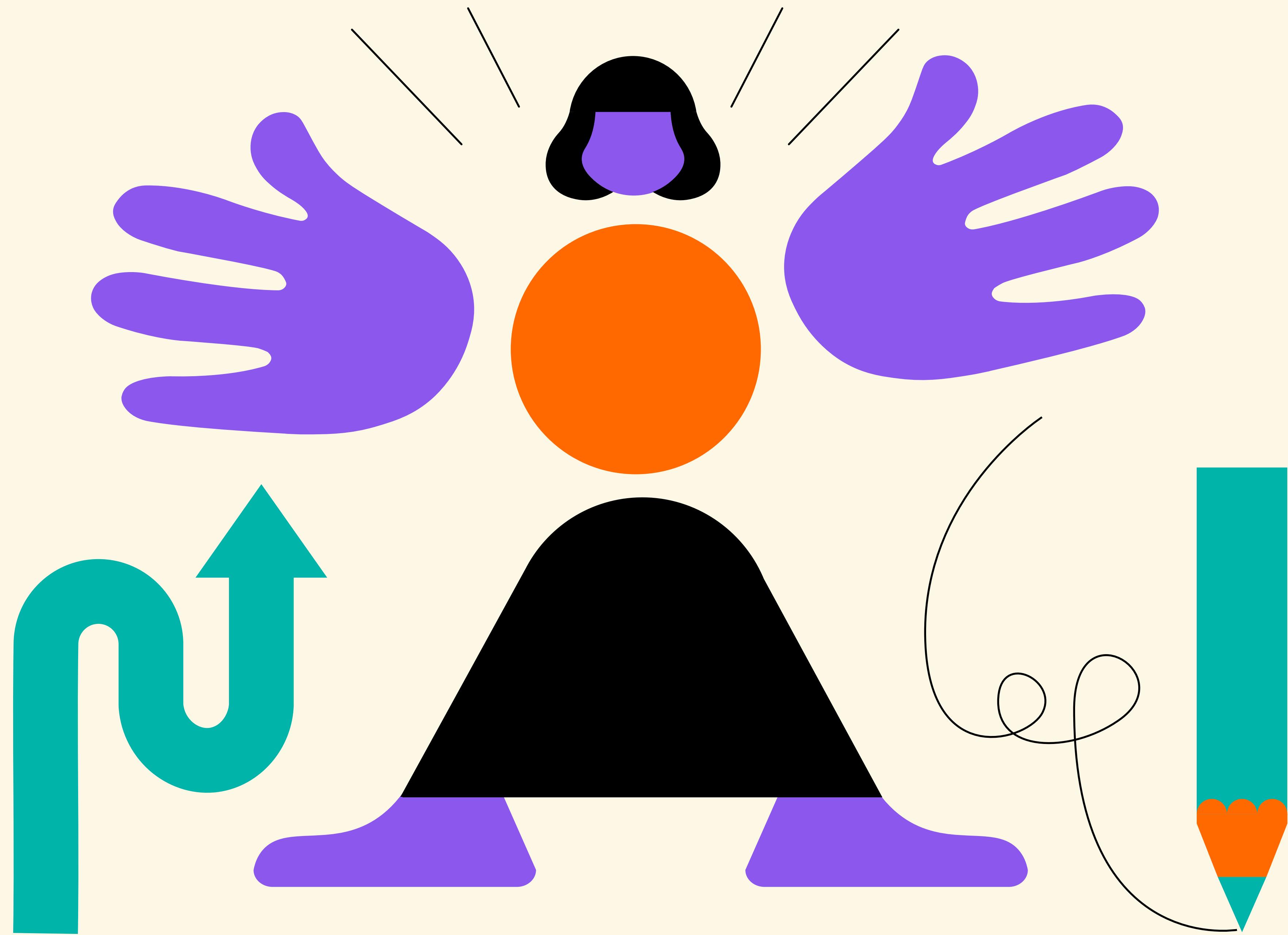
We want to build a more ethical fashion industry by setting high standards for ourselves and our partners. [Read more on p. 34.](#)

In an evolving world of work, we support our colleagues with skilling opportunities that will help them reach their potential and continue lifelong learning. [Read more on p. 39.](#)

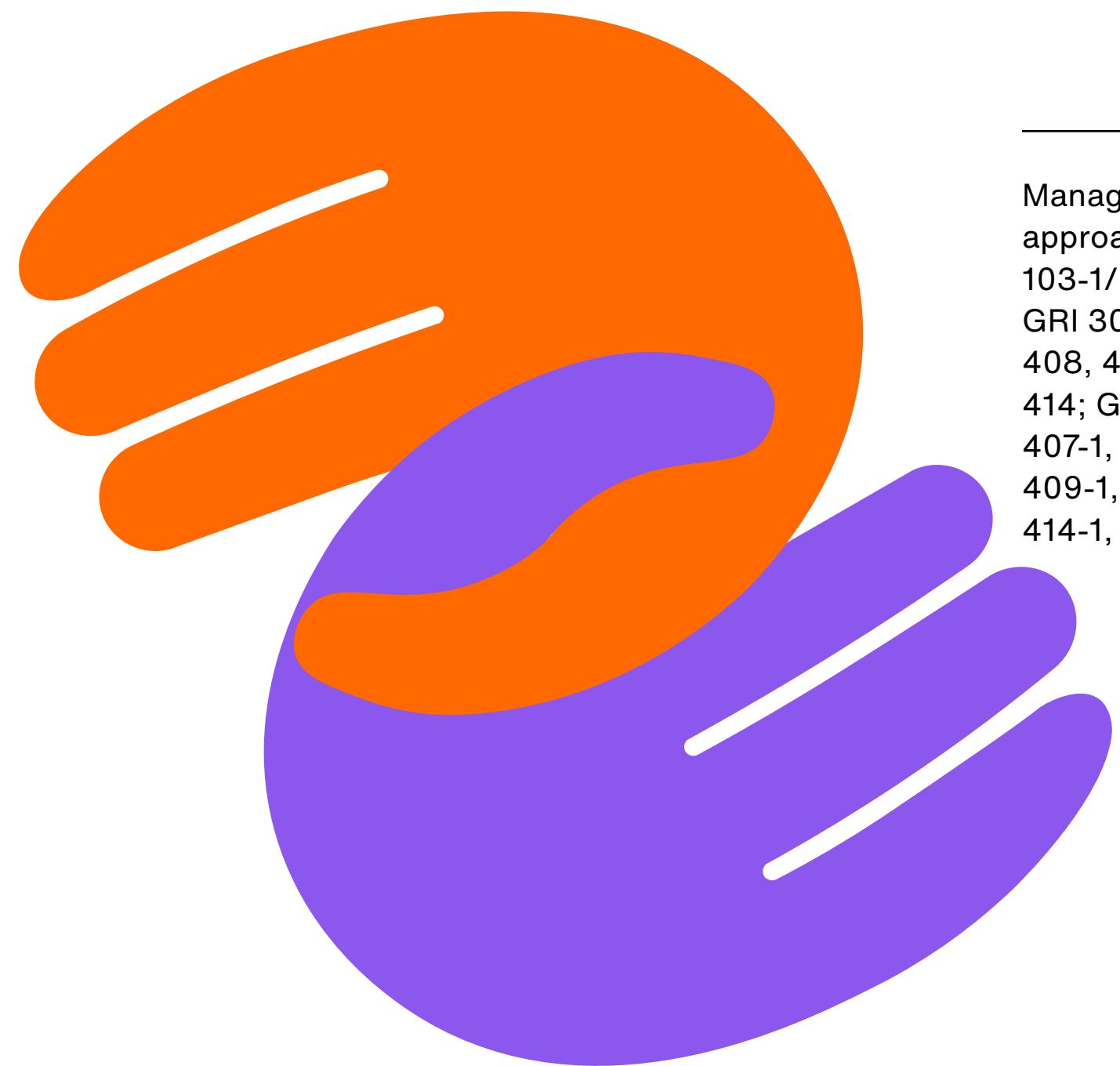
4  
QUALITY  
EDUCATION



8  
DECENT WORK AND  
ECONOMIC GROWTH



# Raising the bar on ethical standards



Management approach (GRI 103-1/-2/-3): GRI 308, 407, 408, 409, 412, 414; GRI 308-1, 407-1, 408-1, 409-1, 412-1, 414-1, 414-12

## The challenge

**The fashion industry** has a long-standing association with poor working conditions in supply chains, as well as unfair trade, unsustainable production, damage to the environment, and challenges around animal welfare. From the cotton fields of the US to factories in Vietnam and Bangladesh, we know we have a lot of work to do. To get there, we need to have the right due-diligence processes in place and implement them in collaboration with our supply chain partners. The key to making this happen lies in establishing the highest possible standards on human rights, labor rights, and ethics. As we balance multiple stakeholder needs, and as the EU moves towards harmonizing corporate governance frameworks, we are also working to strengthen our supply chain resilience, and that of the industry, and to create a more level playing field.

As an e-commerce player delivering to customers in 23 countries, and working with more than 7,500 business partners including 5,800 brands, we have a critical role to play in holding ourselves and our partners accountable to the highest ethical standards. Our responsibility as a platform means we can, and should, ask more of our partners, just as they ask more of their supply chains.

## Our commitment

**By 2023, we have continuously increased** our ethical standards and only work with partners who align with them.

## Our progress

- **Updated key policies;** namely our [Code of Conduct](#), Social Standards (for logistics and customer care), Sustainable Sourcing Policy, Animal Welfare Policy and Product & Content Guidelines.
- **New tracking processes** in contract management systems to ensure that all our business partners agree to our Code of Conduct.
- **A human rights** risk assessment in all our internal business units.

## The due diligence framework

Respect for human rights and the environment is non-negotiable across our business. Using a due diligence framework allows us to identify and act on risks in our operations, supply chains, and business partnerships. The framework is based on standards including the World Benchmarking Alliance's [Corporate Human Rights Benchmark](#) and [OECD Due Diligence Guidance](#). When we identify an issue, we work with our partners to address it. In extreme cases, we consider pausing or ending the relationship. Since the launch of our do.MORE sustainability strategy in 2019, we have accelerated integration of the due diligence process into our operations.

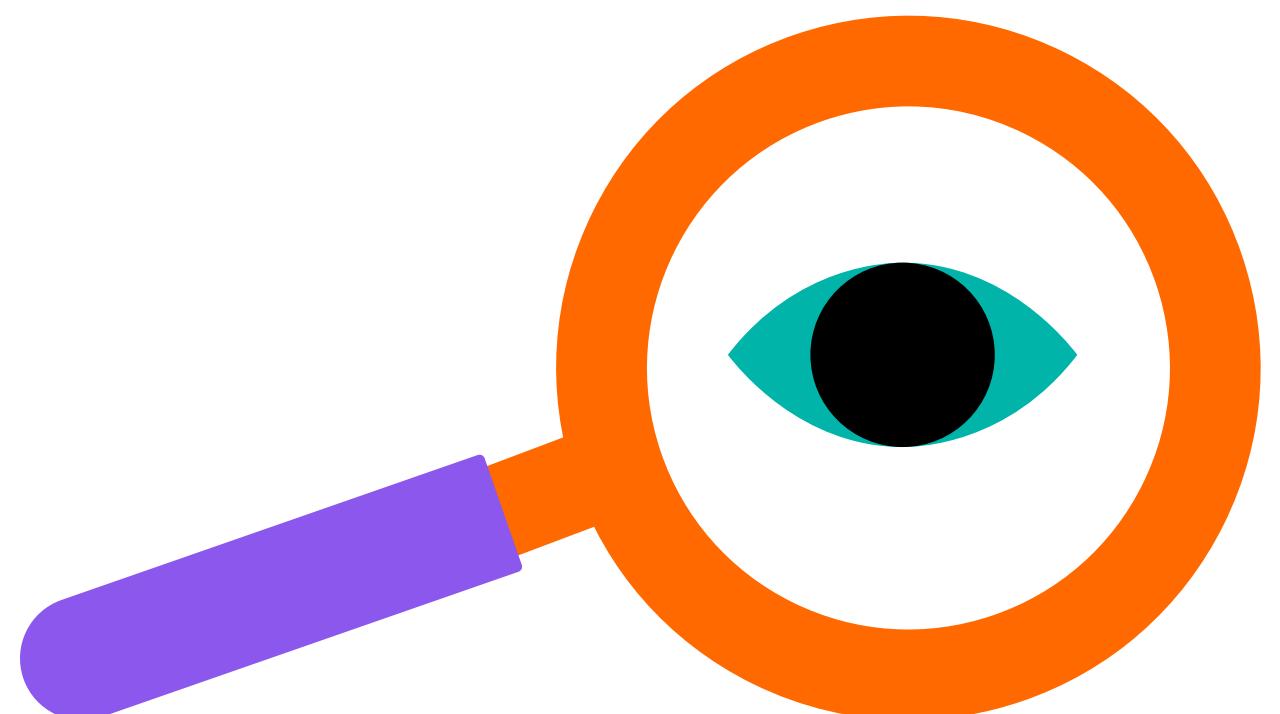
The framework is built on six pillars:

**01 Policies.** Our ethical standards are the cornerstones of our partner relationships. In addition to updating our sourcing policies and Social Standards for logistics and customer care, we this year published a new Code of Conduct, updating our requirements for human and labor rights, environmental protection, fair and ethical business practices, monitoring, and complaints, as well as adding missing aspects such as diversity and inclusion, corporate digital responsibility, and greenhouse gas emissions. We introduced new tracking processes in contract management systems to ensure we maintain fair and consistent oversight.

## Due diligence framework



**02 Onboarding.** We pre-screen defined groups of partners for evidence of sanctions, political risk, adverse media, or geo-political red flags, and check whether they have robust anti-bribery and anti-corruption systems in place.<sup>31</sup> We inform them about our ethical standards during the onboarding process. For brand partners we have three minimum requirements: They must have at least one dedicated employee for sustainability in their supply chains. They must comply with our Code of Conduct, have their own Code of Conduct, and communicate this to their suppliers and factories. And they must be able to identify their Tier 1 production sites (names and location: cutting, sewing, stitching, lasting, finishing). As part of the onboarding process, brand partners are also asked to commit to annual self-assessments and, where applicable, to set science-based targets.



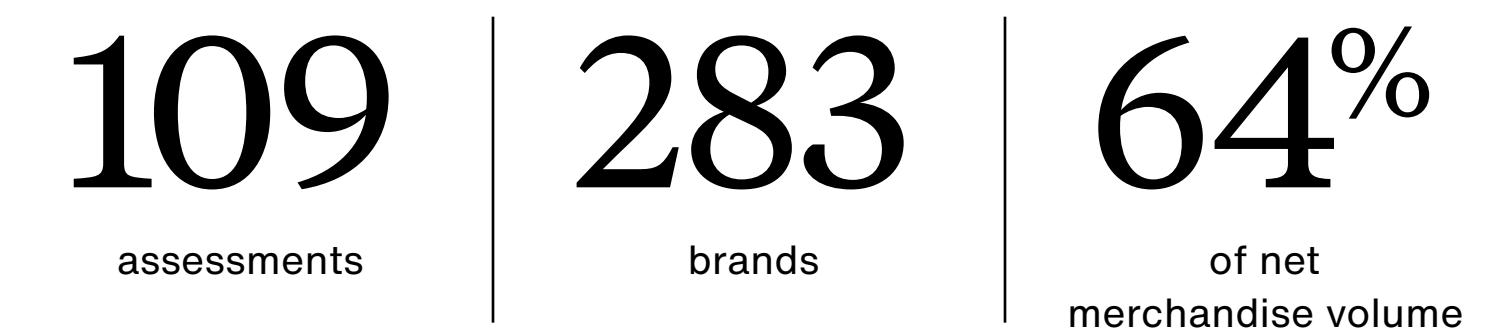
**03 Risk assessment.** This year we have taken the big step of conducting risk assessments across our business units, continuing our collaboration with Verisk Maplecroft. In each assessment, suppliers were assessed on human rights risk (child labor, decent wages, decent working time, discrimination, freedom of association, informal workforce, migrant workers, minority rights, modern slavery, health and safety, right to privacy, women's and girls' rights, young workers), based on their location, industry and spend. The results feed into a standardized risk profile (extreme risk, high risk, moderate risk, and low risk) which in turn informs levels of monitoring.

**04 Monitoring.** We align monitoring programs with risk profiles. The programs may comprise self assessments, verification of documents, or third-party audits.

#### — Brand self assessments

Our primary brand self-assessment is based on the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (BRM), covering social standards, working conditions, and environmental practices. However, we understand that our brand partners are

on a learning journey, so along with other SAC members we are working with the SAC, Higg, retailers, and brands to develop a more accessible version called BRM Foundations which is planned to be released in 2022.



Our long-term goal is to rely on this reporting to direct our efforts and disclose consistent information to our customers about impact, performance, and practices. However, we face challenges in ensuring the required data quality and feasibility of verifications. We will continue to work with the SAC and Higg to support brands throughout the process and explore options for data validation and verification.

#### — Audit of private label suppliers

We believe transparency drives change and helps companies and consumers make informed choices.

<sup>31</sup> According to commodity groups, namely logistic services, professional services, corporate property, packaging and direct business partners in sourcing for private labels and in overstock management.

## Supporting our supply chain

In 2021, we signed the “International Accord for Health And Safety in the Textile and Garment Industry”, which aims to foster factory safety and support workers’ rights in Bangladesh. In addition, we have worked hard to support our suppliers during the pandemic. We have respected our purchasing commitments and have not canceled any finished or in-process orders. We have continued to pay under our general terms and are in close contact with our suppliers on any actions or order modifications. We have also offered improved payment terms for factories in need. We have worked with production lead time buffers and extended deliveries, and will continue to be mindful of any delay that might be caused by COVID-19.



[internationalaccord.org](https://internationalaccord.org)

We have published all of our private label Tier 1 suppliers and factories, and these provide us with social audits annually or on a timeframe recommended by the auditing standard. In our private label supply chain, we define Tier 1 suppliers and factories as those involved in the final manufacturing of the product and its packaging for shipping. In addition, we disclose Tier 2 factories, relating to core final material manufacturers and leather tanneries for our shoes and accessories products. All of our audits are evaluated against an internal non-compliance matrix, based on our Code of Conduct, local legal requirements, and industry standards including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative). Findings of non-compliance are classified as minor, major, critical and zero tolerance, and based on these the factory is issued an overall rating and a corrective action plan (CAP). If a critical or zero tolerance non-compliance issue is found, the factory must remediate the issue and provide a new audit. In 2021, we evaluated 175 audit reports and declined to onboard five factories or suppliers for not meeting audit requirements.

16

countries

116

sourcing partners

213

factories

12

fulfillment centers

7

countries

4

service providers

### Audit of logistics

We set out our expectations for fulfillment centers, Zalando premium logistics providers, and customer care teams in our Social Standards. These were updated in 2021 to be more comprehensive and align with provisions of our new Code of Conduct, such as grievance mechanisms and diversity and inclusion, in addition to existing legal obligations around remuneration, working hours, and freedom of association. Our external partners audit Zalando and third-party sites against our Social Standards at least once a year. In case of non-compliance, a corrective action plan (CAP) is formulated and the site must remediate the issue.

**05 Partner review.** Partner reviews are a vital part of our sustainability efforts, and we have put in place remediation strategies to accompany our monitoring cycles. For our brand partners, we are launching an annual review process from 2022 onwards based on compliance with ethical requirements, commitment to annual self-assessment, and setting of science-based targets, where applicable. If the brand struggles to engage or demonstrate progress, we trigger an escalation process.

**06 Offboarding.** When partners fail to demonstrate progress on ethical standards within agreed time frames, or are implicated in zero tolerance issues with no sign of remediation, we will pause and eventually end the relationship.

Through the various steps of our due diligence cycle, we in 2021 investigated six alleged violations of our ethical standards. Two relationships were paused, of which one was reinstated after satisfactory remediation and one was offboarded.



## Our roadmap

- **In 2022, we will continue** strengthening and expanding the due diligence cycle — creating a non-compliance matrix at group level and ensuring we formalize our partner reviews.

## Tackling the living wage

Paying a living wage is a complex challenge that can only be solved through industry collaboration. We play our part by advocating for a living wage through collective bargaining and responsible purchasing, working through multi-stakeholder initiative ACT (Action, Collaboration, Transformation). To discuss the issues and promote fairness, in 2021 we worked with an external partner to offer workshops and appointed “living wage champions” for our private label teams, so that expertise is spread across the company.

In 2022, we plan to conduct more workshops with Zalando leadership teams and develop an implementation strategy.



[actonlivingwages.com](http://actonlivingwages.com)

# Preparing our workforce for the future

## The challenge

Management approach (GRI 103-1/-2/-3): GRI 401, 403, 404; GRI 404-2

**Disruption of business models**, technology, and digitization are changing the world of work, and COVID-19 has accelerated these trends. The OECD estimates that up to 1 billion people need to be re-skilled by 2030 to match changing demands for skills.<sup>32</sup> In addition, behavioral shifts are profoundly reshaping ways of working. With an increased appetite for professional growth and willingness to switch jobs, today's workforce underlines the need for organizations to define effective upskilling and reskilling. Therefore, we believe that preparing the workforce for the future, within or outside Zalando, is an urgent imperative.

## Our commitment

**By 2023, we have supported 10,000 people** in the workforce by providing skilling opportunities that match future work requirements.

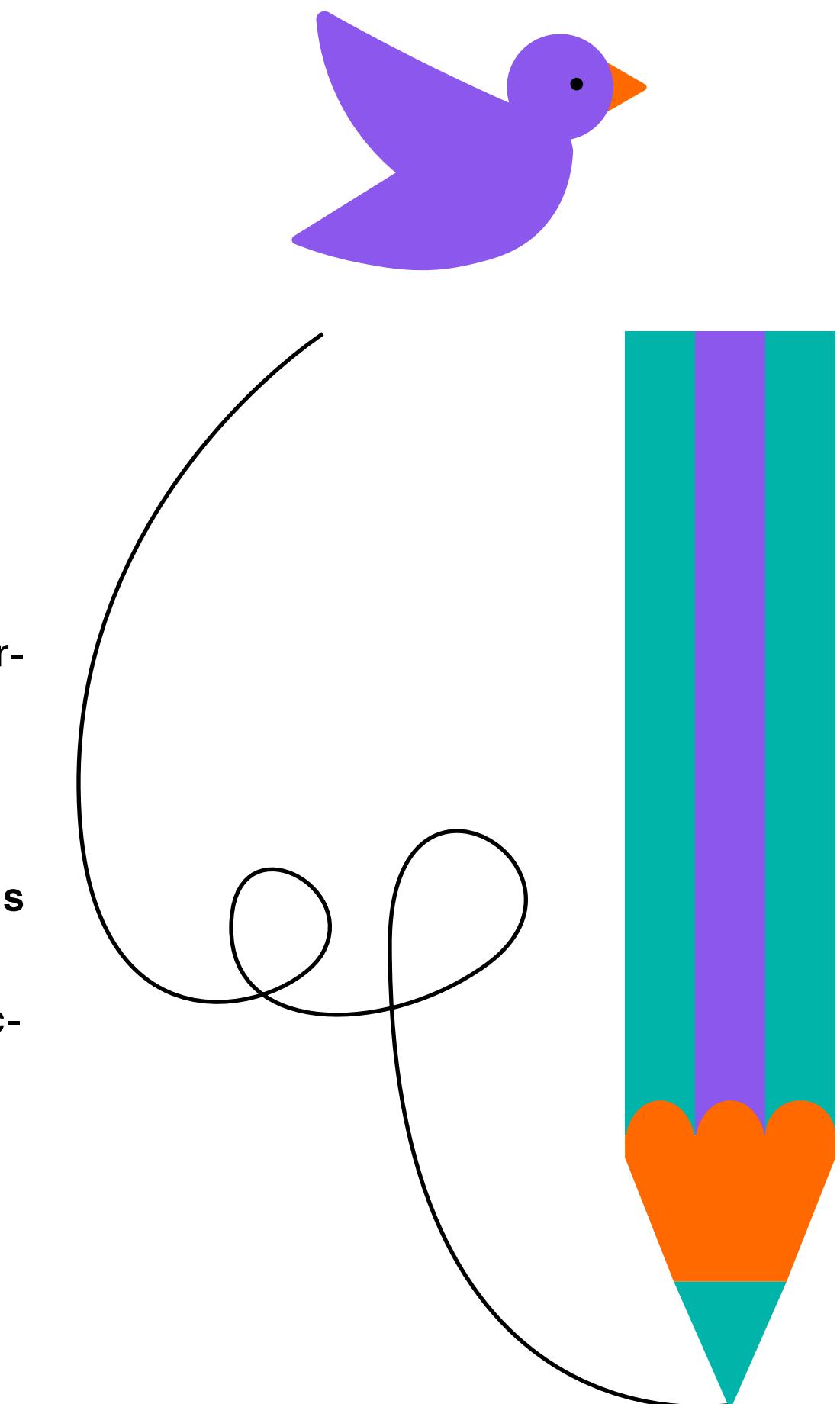
## Our progress

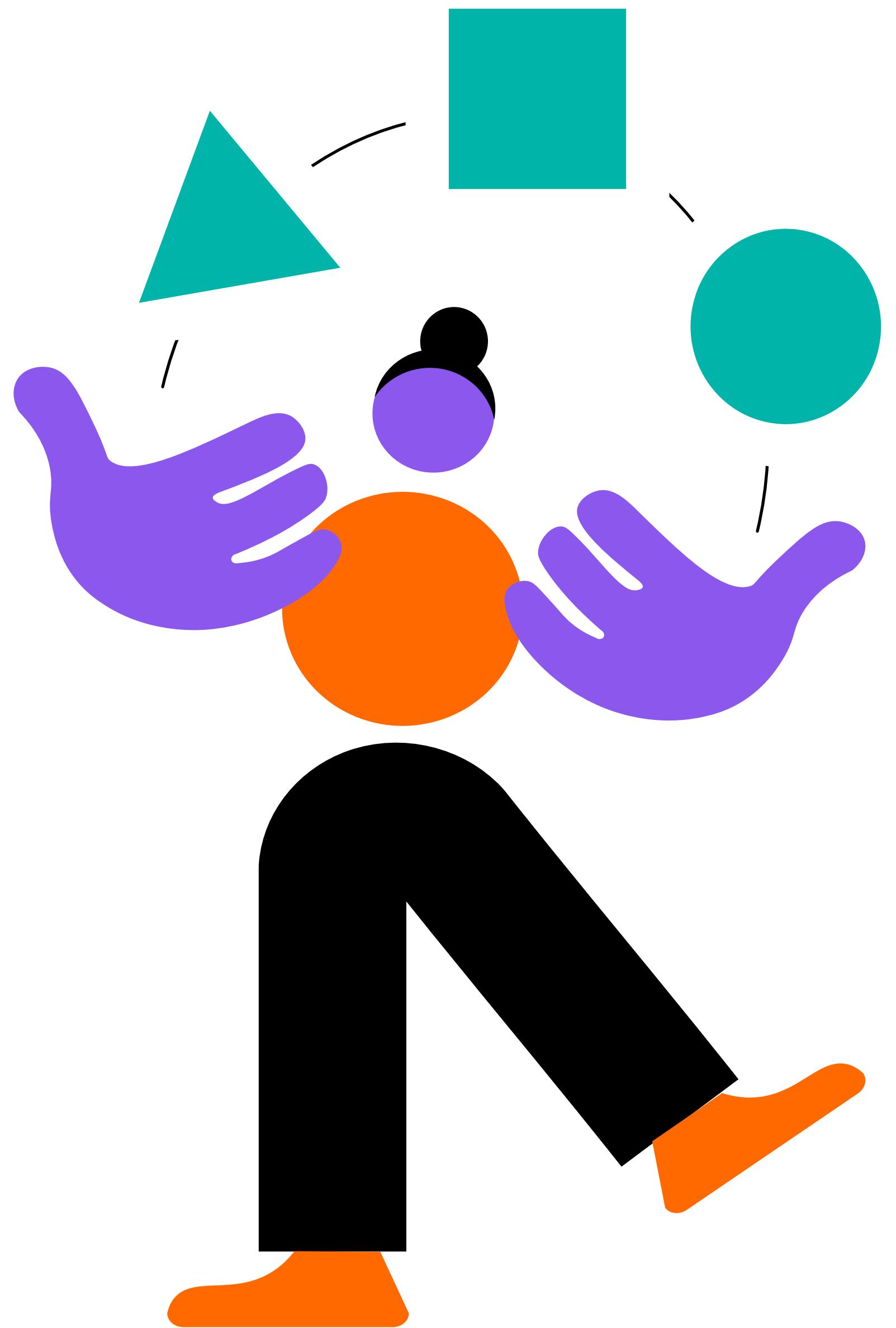
- **Since 2020, we have provided** skilling opportunities to 2,773 people (1,417 in 2021).

Skilling opportunities encompass upskilling, reskilling, and meta-skilling. Upskilling means providing additional skills to perform a role where the requirements will change. Reskilling, by contrast, is defined as acquiring new skills to transition to a new role in the same or different area. Meta-skilling means enabling individuals to develop a new mindset and embracing lifelong learning.

**Skilling opportunities linked to future-of-work megatrends**  
We have identified six megatrends associated with the future work. These are working more inclusively, embracing new technologies, working in new environments, working more collaboratively, being at the forefront of innovation, and working with more empathy. To prepare

<sup>32</sup> World Economic Forum, "[We need a global reskilling revolution — here's why](#)", 2020.





Zalando's employees for these evolutions, we are curating our learning catalog. We are helping our colleagues learn in areas including new technologies (machine learning), new ways of working (time management, change leadership) and vital soft skills such as inclusivity and empathy (unBias, positive psychology). By 2021, we provided skilling opportunities through 84 courses.

#### **Skilling opportunities linked to changing business needs in the short-/mid-term**

Zalando and the wider industry face a range of skilling needs, and in particular our growth will be supported by skills in technology and logistics. To ensure we step up, we have launched a range of tech-focused programs, for example for women in engineering. We have also provided new skills for operational roles in some of our warehouses. One course is focused on material flow technology and IT. We offer similar skilling opportunities in our Zalando Stores. With the support of local chambers of commerce, we have piloted dedicated programs for logistic workers and security guards, including the option to obtain professional certification (Professional Certification: Fachkraft Lagerlogistik).

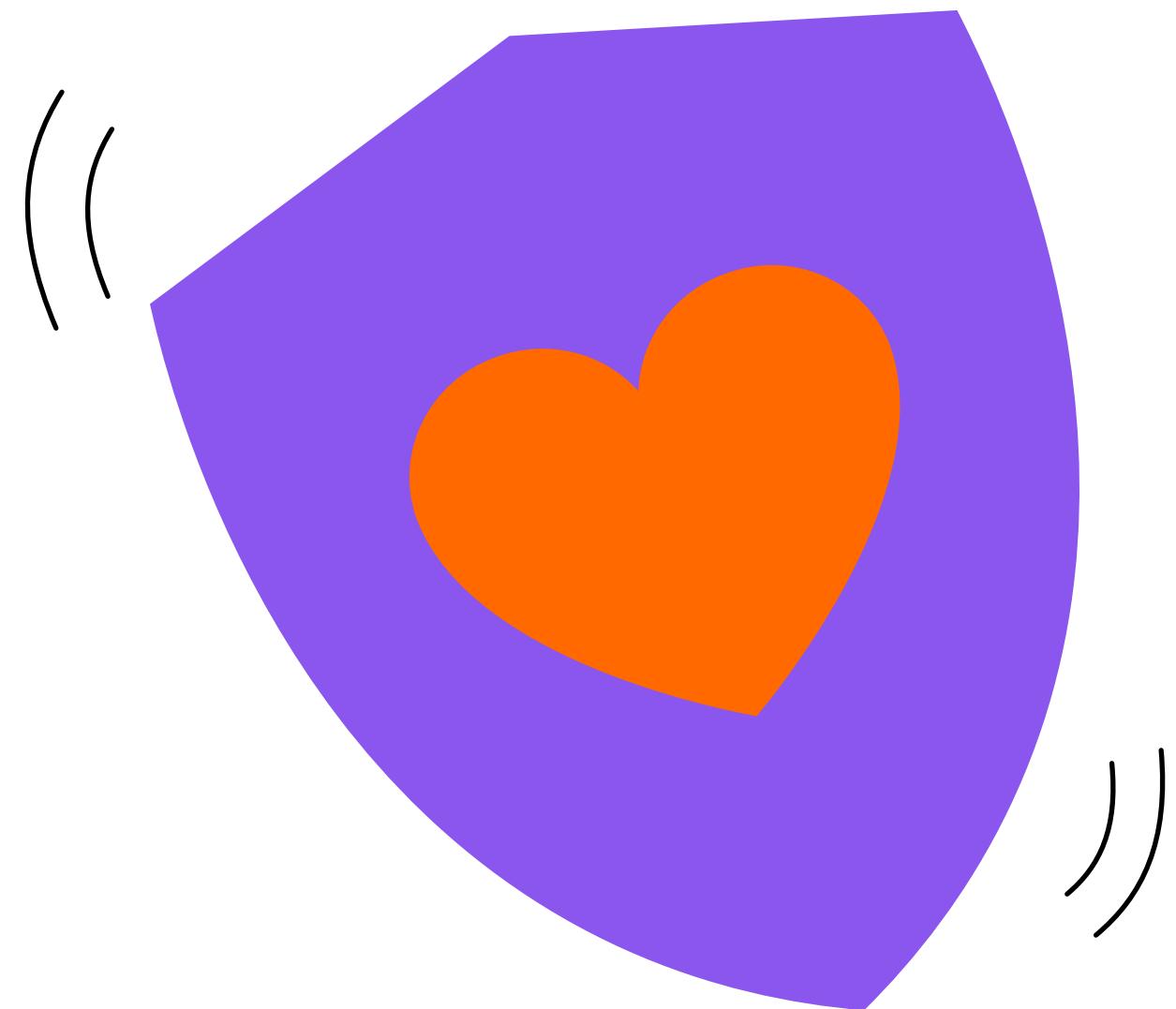
#### **Skilling opportunities linked to our upstream supply chain**

In 2021, we worked with our partners Shimmy Technologies and BSR's HERproject™ to develop an innovative upskilling program in a supplier factory in Bangladesh. The program is focused on six key themes: digital literacy, efficiency training, gender equality, financial literacy, workplace communication, and health and wellbeing, including COVID-19 awareness. An overarching theme for our project is female empowerment. In future, we plan to offer more upskilling and reskilling programs in our private label supply chain, as well as the supply chains of our brand partners.

### **Our roadmap**

- **Based on the foundation** we laid down in 2020 and 2021, we will apply the learnings from our pilots and will scale initiatives from the three skilling opportunity areas provided to both Zalando employees and workers in our supply chain.
- **We will integrate skilling** into Zalando's overall talent management, continuously providing skilling opportunities to people within and beyond Zalando in a more data-driven and effective way.

# Ensuring the health and safety of our colleagues

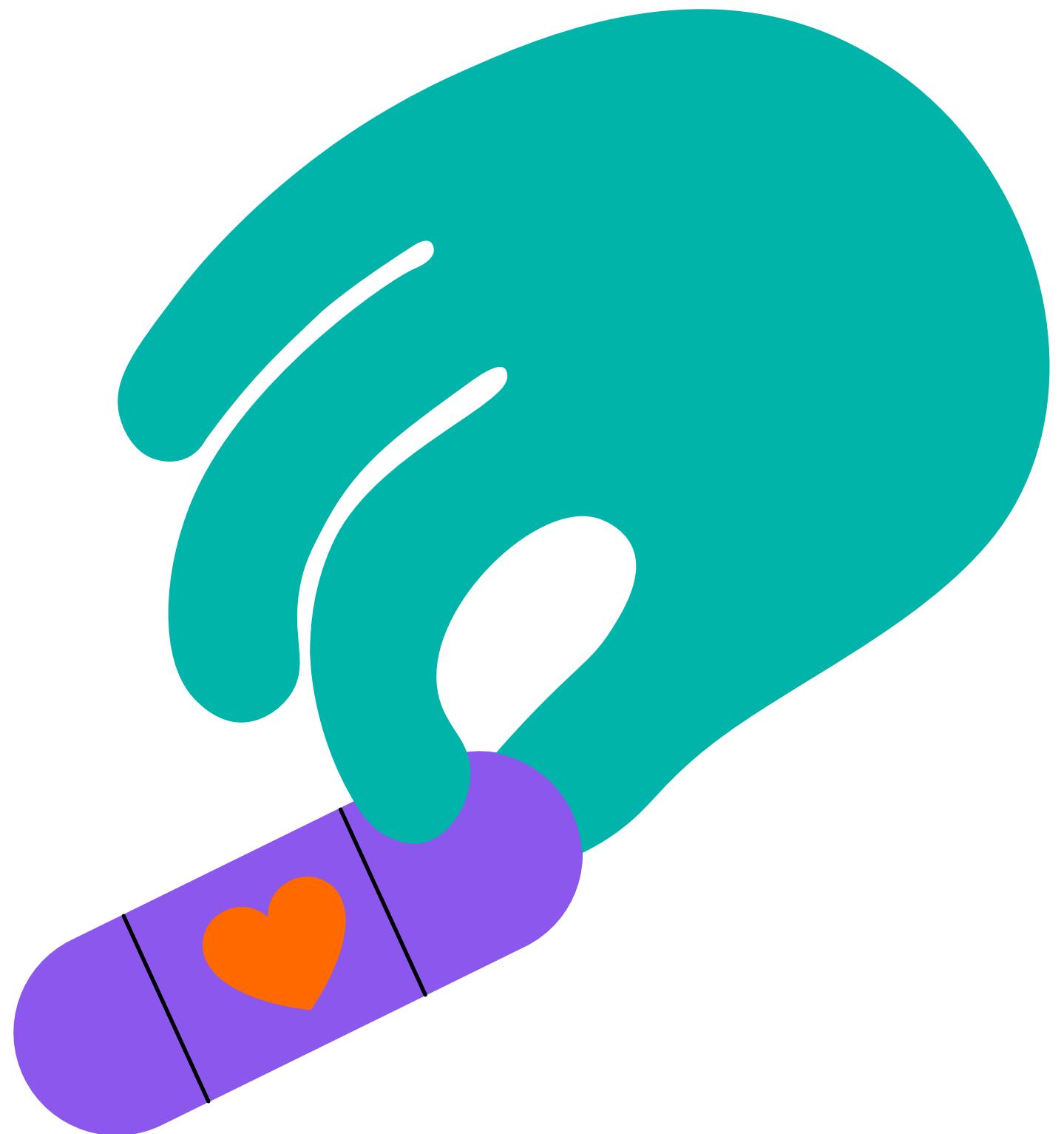


**The health and safety of our employees** is our highest priority, especially during the COVID-19 pandemic. Over the past year, we continued to expand our Employee Assistance Program (EAP), extending it to colleagues in logistics teams. The program provides unlimited consultations for physical or mental health, as well as work-related, personal, and practical problems. In July, we launched our Work-Life Service (WLS), offering family-related support including emergency childcare and support around nursing care to all employees.

Under both the EAP and WLS, family members living in the same household and those sharing a home with employees can also access the services. In October 2021, we launched a pilot to train employees as certified Mental Health First Aiders. The pilot aims to ensure that employees have a good understanding of mental health issues and of how to support their peers. Following a high level of interest in the training, more employees will become certified in 2022. Our Mental Health First Aiders receive regular supervisory support.

Through our health and safety teams, we have established central resources of knowledge, competence, and governance. We hold ourselves to high standards, both in emergency situations and day-to-day business. In all our locations, we comply with, or exceed, local and international health and safety standards. We continuously improve our management systems. We also offer training to managers to help them support the wellbeing of their teams, as well as specialist counseling on a range of leadership challenges.

In Germany, we conduct corporate health assessments (CHAs), in line with the Occupational Health and Safety Act, §5 and §6 (“Gefährdungsbeurteilung psychischer Belastungen”) and in 2021 expanded these to our international customer support units and production studios (zStudios). We take a holistic approach to health management, including providing medical consultations with our company doctors, supporting employees with high sickness absence rates through our company integration management (“Betriebliches Eingliederungsmanagement”, BEM, according to SGB IX §167), providing in-house psychosocial consultations, and offering preventive support measures, such as a workplace wellness app, fitness discounts and ergonomic training. This focuses on all aspects of an employee’s life that impacts their wellbeing.



**6,000**

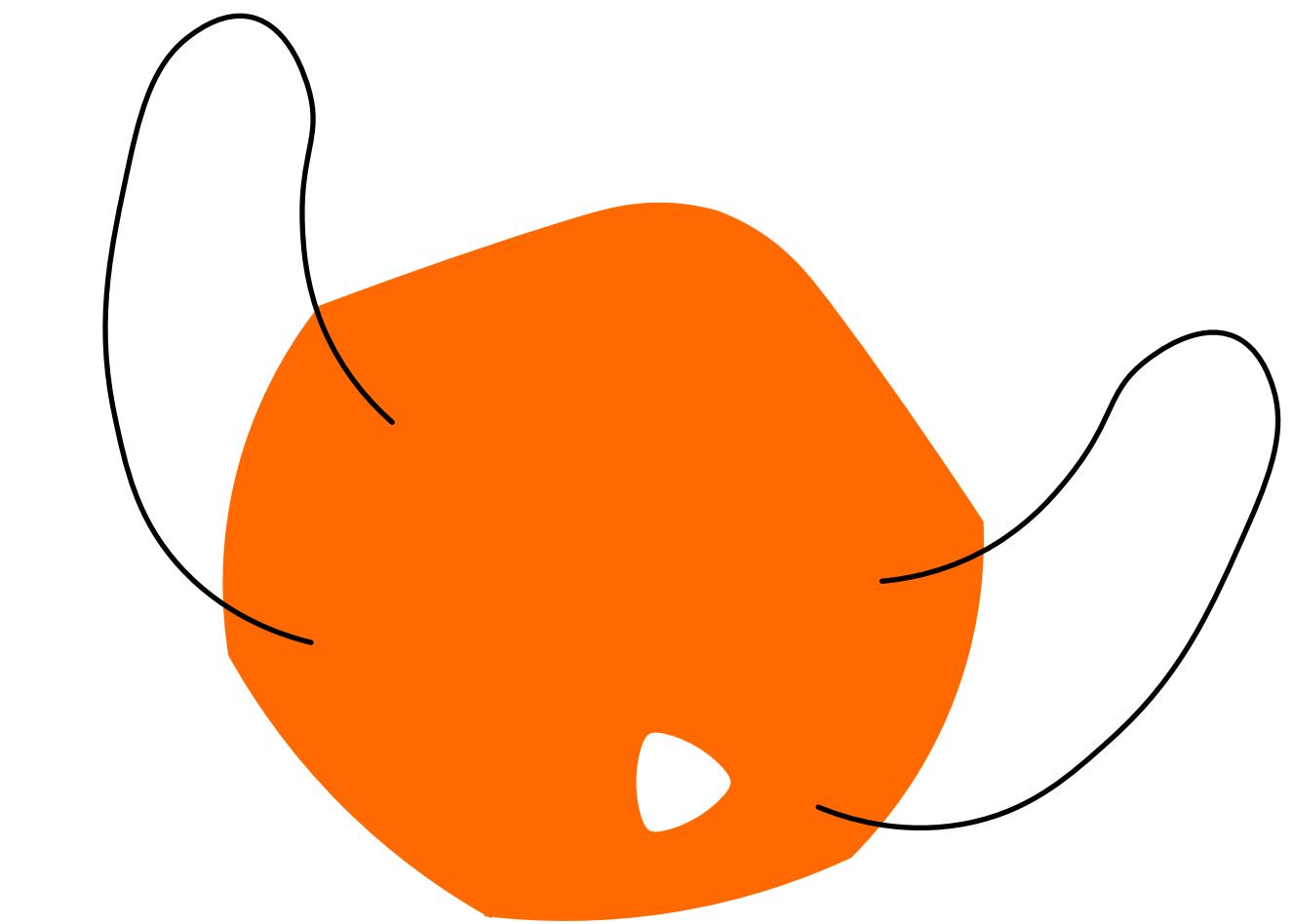
vaccinations were administered under the COVID-19 vaccination program to employees and their plus ones.

### Our action on COVID-19

To effectively respond to the ongoing pandemic, we continuously ask our employees to work from home if possible. When colleagues cannot work from home (for personal or work-related reasons), we strictly follow the local health requirements, e.g. 3G requirements in Germany (working onsite only if vaccinated, recovered or tested). Further, we ensure low people density onsite (steered through a desk booking tool), amongst many other precautionary measures.

We ensure that our employees can access regular testing. In 2021, we conducted more than 400,000 COVID-19 tests at our German locations. We are proud to have offered COVID-19 vaccinations to our employees and their plus ones (family member or friend). Some 6,000 vaccinations have already been administered in Germany under the program and we continue to offer this service. We have also complied with all the requirements of Germany's SARS-CoV-2 occupational health regulation (SARS-CoV-2 Arbeitsschutzverordnung) and provided e-learning and presentations on COVID-19, vaccinations for office employees, and dedicated training at warehouses.

We continue to operate a dedicated information hub, as well as our own case management and contact tracing teams. When a confirmed case is reported, we investigate and inform contact persons to ensure safety on site. Employees who contract COVID-19 are provided with all necessary information and support to help them manage



illness and meet government requirements. Our cross-functional task-forces have developed communication channels to provide updates to the workforce.

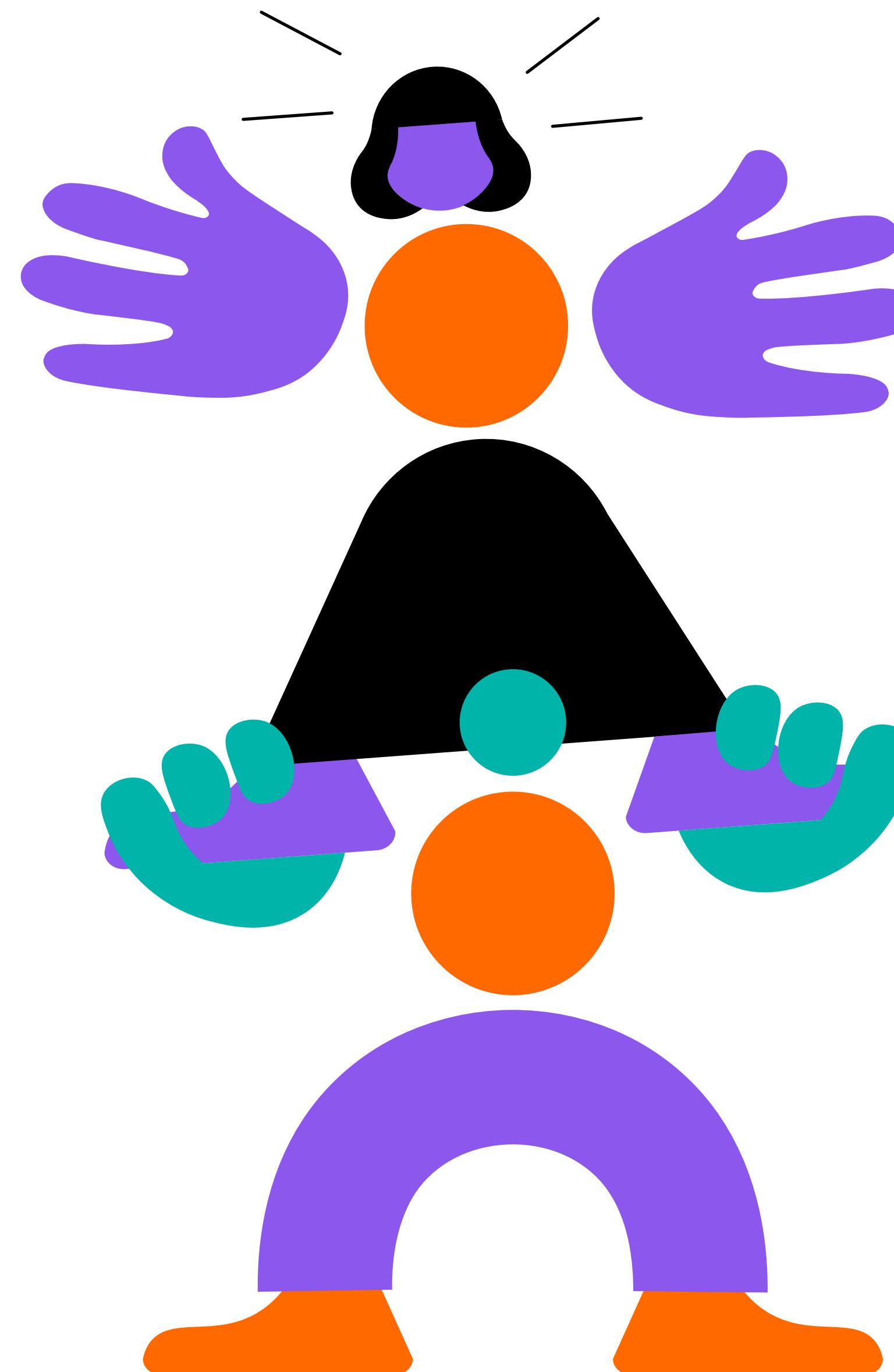
To ensure a safe working environment, we carry out daily cleaning and disinfection. In warehouses, the workstations are placed, wherever possible, 1.5 meters apart or separated by perspex screens. Employees work in fixed groups and some physical spaces — break rooms and locker rooms have been reformatted, while markers and security personnel remind colleagues of distancing rules. We distribute free protective face masks and, to minimize the chance of infection, have adjusted air exchange through our ventilation systems. In our production studios, we maintain separate working areas, have extended the distance between sets, and ensured production teams remain in fixed positions.

# Being part of the solution

We **always strive** to be an outstanding corporate citizen. We want to play an active role in our communities, helping solve problems and contributing our creativity and energy. Through our various programs, we support our colleagues in making a difference, extend our relief efforts around the world, and drive change through partnerships with non-profit organizations.

## Volunteering

Zalando offers employees an opportunity to take two working days a year for volunteering. In Germany, we have worked with volunteering portal vostel.de since 2015, providing a simple way to get involved. In 2021, 218 Zalando employees supported 44 projects through 879 hours of voluntary work. However, the impacts of COVID-19 meant most of these had to be carried out online. One example was to mentor young people on



218	44	879
Zalando employees volunteered	supported projects	hours of volunteering

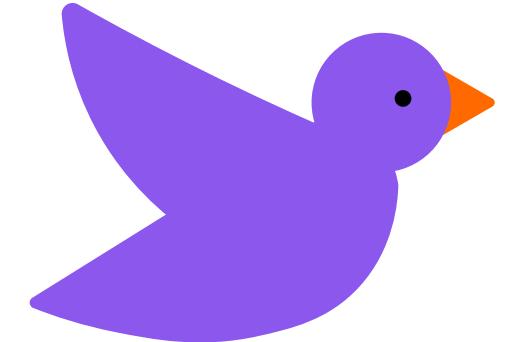
job applications. Zalando employees supported 19 students by screening resumes and offering tips on cover letters and interviews. Two students directly had interviews after the mentoring sessions and successfully received apprenticeship places.

## Humanitarian aid

In 2021, we donated more than 190,000 Zalando items worth more than EUR 900,000 to organizations supporting people in need. In addition, we supported disaster relief efforts with a total of EUR 180,000 donated to respond to global crises. When torrential rain in July caused some of the worst flooding in Europe for 60 years, Zalando supported the recovery effort through our long-term partner the German Red Cross. We also sent packaging to help with the transport of aid and equipment, and supported our local teams. Some 40 employees worked in the severely affected town of Bad Münster-eifel, performing tasks such as cleaning a local elementary school.

# 53,103 km

collectively biked, ran and walked within 2 weeks



## Community engagement

We aim to drive change through strategic partnerships. In total, we donated around EUR 650,000 in 2021 as part of a multitude of local and global projects.

Our first priority during the pandemic is to protect our employees, our company, and our communities. In particular, the pandemic has made it hard for some people to maintain a healthy work-life balance and good mental health. To address those issues, we have offered colleagues an opportunity to take part in a charity sport challenge (#ZalandosMoveForACause). Almost 500 Zalando employees collectively walked, ran and biked 53,103 kilometers over two weeks. We supported their efforts with a donation to our long-term partner WeForest and GSJ-Berlin, a local social organization focused on sport activities for disadvantaged young people.

We also initiated an exciting partnership with SOS Children's Villages worldwide, aiming to encourage creativity and innovative thinking in the leaders of the future by providing access to ICT infrastructure and digital training opportunities. We support the Digital Village initiative, an umbrella project that offers digital literacy and learning to vulnerable children in Austria, Belgium, Croatia,

France, Germany, Italy, Spain, and Portugal. In future, our colleagues will also support training opportunities through skills-based online volunteering.

We have continued our collaboration with our partner Ashoka on the Changemakers United program. The program aims to unlock and scale solutions to the immediate and medium-term effects of the pandemic on our societies and economies. This year, the program was expanded to another 25 European entrepreneurs. The areas of work include access to healthcare and effective healthcare provision, mental health, the future of education, and economic inclusion. Since its inception, the European branch that we support has worked with 48 entrepreneurs in 16 countries.

In one example, Norwegian entrepreneur, Jimmy Westerheim, aims to break the stigma around mental health. Our program has enabled him to grow his core team, and deepen connections with several European cities and global stakeholders. It has also supported collaborations with other changemakers on a mission to transform societies' approach to health. The project's Life Experience Library recorded 649,000 views in 2021, from 472,000 in 2020.

Based on the success of the European program, a global program was launched, helping 123 entrepreneurs in 34 countries.

# Annex



# Non-financial report 2021

The report presented below is the combined non-financial report for ZALANDO SE and the Zalando group in accordance with Section 289b (1) and (3) in conjunction with Section 315b (1) and (3) HGB (German Commercial Code) and Article 8 of the EU Taxonomy Regulation. All information, including relevant key performance indicators (KPIs), is provided separately for ZALANDO SE and the Zalando group wherever possible. Due to the different approaches of the GRI Standards as referenced in the Zalando Sustainability Progress Report and the German implementation of the CSR Directive on Non-Financial Reporting (CSR-RUG) regarding materiality requirements, we have not applied any framework to the non-financial report 2021.

## Overview non-financial report 2021

CSR-RUG required aspects	Topic reported	Reported in
Environment	Transportation and delivery	Planet: "Reducing our carbon footprint"
	Packaging and product waste	Planet: "Reimagine packaging, minimize waste"
Human rights	Human rights	People: "Raising the bar on ethical standards"
Employee matters	Employee development	People: "Preparing our workforce for the future"
Social matters	Community engagement	People: "Being part of the solution"
Anti-corruption	Anti-corruption	"Corporate governance"
Additional	Sustainability assortment, incl. product design and product transparency	Products: "Driving more sustainable choices"
	Sustainability services	Products: "Extending the life of fashion"

The selection of material topics for our non-financial report is based on the materiality analysis that we finalized in 2019. In order to identify the material topics for Zalando, we created a shortlist of 18 sustainability topics categorized along three value chain stages (product manufacturing, operations, consumers) and validated and ranked through customer and employee surveys, as well as expert interviews. The shortlist was assessed in terms of the business relevance and impact – positive as well as negative – of our business model on the corresponding topics. Eight topics were identified as material in accordance with CSR-RUG. Relevant information on each of these topics is set out in the table above.

## Business model

Our vision at Zalando is to be the Starting Point for Fashion. Ever since it was founded in 2008, Zalando has enjoyed tremendous growth and is viewed as a major success story in European e-commerce today. But we won't stop here: It is our goal to be the one destination that customers naturally gravitate to whenever they think about fashion and lifestyle. The most important building block on that journey is to transition our business towards a true platform business. And we are well on the way: Zalando has a very strong reach and engagement with more than 48 million active customers and partnerships with more than 5,800 global and local fashion and lifestyle brands as well as to almost 7,000 brick-and-mortar stores, complemented by private label products.

We are a European online fashion and lifestyle platform connecting customers and brand partners, offering our customers a one-stop shopping experience, “endless choice” of fashion and lifestyle articles, a “seamless convenience” experience among others with predominantly free delivery and returns as well as diverse payment options wrapped into an inspirational and “tailored digital experience”.

We engage with our customers across multiple propositions, spanning from Fashion to Beauty, Pre-owned, Zalando Lounge or our loyalty membership program Zalando Plus.

To become the Starting Point for Fashion, Zalando continued to further expand internationally and launched in six new markets in Central and Eastern Europe in 2021. Our localized offering addresses the distinct preferences of the customers in each of the 23 European markets served: Austria, Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. Our pan-European logistics network with 12 fulfillment centers allows us to serve our customers throughout Europe.

## Corporate governance

Our Code of Ethics sets expectations and provides guidance on how we want to do business and is the basis of all group policies. It is available on the corporate website and has been communicated to the employees in various languages. Under the Code of Ethics, all employees are required *inter alia* to comply with the law and our group policies, including, but not limited to, anti-corruption practices, antitrust regulations, data protection, insider compliance and tax provisions. Our Code of Ethics also sets our expectations with regard to diversity and inclusion, respectful behavior and avoidance of conflicts of interest. Fostering a speak-up culture so that employees actively participate and raise concerns or report compliance breaches is an essential part of Zalando's culture. This expectation is complemented by the promise to protect all those who report an incident in good faith from negative consequences.

Our Code of Conduct for business partners sets the minimum standards by which business partners who produce or supply goods and services for us must abide. It is published on the corporate website. We expect every business partner to acknowledge these standards to assure a safe and fair working environment and to commit to compliance with applicable laws and regulations regarding human and labor rights, environmental protection as well as fair and ethical business practices (the latter includes anti-corruption and anti-financial crime, privacy law and fair competition as well as intellectual property). We also require appropriate management systems and due diligence processes to be in place.

Zalando's Compliance & Business Ethics Team is responsible for monitoring, managing, documenting and reporting on compliance risks deriving from breaches of the law, group policies and ethical standards in business on a group-wide level. Our compliance management system encompasses policy management, a help desk function, whistleblowing management (including internal investigations where required), business partner due diligence, compliance-related trainings, and monitoring of certain types of expenses.

All our employees in scope (as described in more detail in the following) are trained on compliance, our Code of Ethics, Code of Conduct and group policies, including anti-corruption related policies, e.g. our group policy benefits, gifts, events & expenses. Mandatory compliance training is conducted as face-to-face training courses for leads, and generally as e-learning courses for employees without leadership responsibility. The e-learning courses are mandatory for all employees who have a Zalando email address (except for defined roles with low compliance risks in logistics and stores). Employees at entities outside Berlin<sup>33</sup> receive classroom training instead of e-learning courses to facilitate personal contact with the central Compliance & Business Ethics Team. Due to the ongoing COVID-19 pandemic in the reporting period, the face-to-face format was conducted via video chat.

In the reporting period, 27 compliance basics face-to-face training courses were carried out. Compared to 2020 (43), we reduced the number of training courses by combining courses and raising the average number of participants. In sum, we trained a comparable number of colleagues. 5,409 employees completed the compliance basics e-learning courses (2020: 4,116), among them 2,995 employees of ZALANDO SE (2020: 2,277). Each mandatory training course is followed by mandatory refresher courses every other year. Employees receive an automatic reminder to fulfill their training obligations. If the employees do not fulfill their obligations, the lead will be informed and reminded repeatedly until the training is completed.

Various communication channels are available to facilitate the reporting of presumed compliance infringements to the Compliance & Business Ethics Team. They can inter alia be reported – in various languages – via a whistleblowing tool from a third-party provider, on an anonymous basis if preferred. The anonymous and protected reporting channel is available to employees as well as third parties. All reported cases are managed by the Compliance & Business Ethics Team; serious cases of (potential) compliance violations are additionally managed by a compliance panel. Information on detected compliance infringements, important updates of processes or policies, as well as training attendance quotas are reported to the Management Board and the audit committee of the Supervisory Board at least on a quarterly basis.

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<sup>33</sup> Includes all logistics entities as well as entities in Dublin, Helsinki, Zurich and China.

The standards and scope of our Code of Conduct were revised in 2021. The roll-out is planned for 2022. The revised version reflects the most recent regulatory developments and aims to appropriately cover and stress all salient topics. We have included a section on corporate digital responsibility and highlighted the importance of a digitally inclusive and sustainable future. We encourage all business partners to recognize their own digital responsibility in line with the Corporate Digital Responsibility Code<sup>34</sup>. Moreover, we have included an even clearer statement of consequence management with regards to violations of our standards. Also according to the revised Code of Conduct, business partners are expected to comply with applicable national and international regulations and must establish appropriate anti-bribery and anti-corruption policies and communicate them to all business areas. Zalando carries out business partner due diligence reviews (sanction list screening and compliance database and adverse media checks, followed by an in-depth review carried out by the Compliance & Business Ethics Team if any findings are made) for defined groups of business partners<sup>35</sup> and in cases where potential compliance risks are apparent.

The Compliance & Business Ethics Team and the Risk Management Team work closely together with the Legal and Internal Audit Teams in fulfilling their tasks in a cross-functional approach. The Management Board bears overall responsibility for the proper functioning of the risk and compliance management system as well

as the system of internal controls and the Supervisory Board monitors the effectiveness of the systems.

## Sustainability strategy and governance

The materiality analysis described above was further leveraged to prioritize our efforts within the do.MORE strategy. With the introduction of our sustainability strategy do.MORE in October 2019, we aimed for a meaningful transformation of our business in line with our new vision to be a sustainable fashion platform with a net-positive impact for people and the planet. Having a net-positive impact means that we aim to run our business in a way that gives back more to society and the environment than we take. We recognized the growing expectations from stakeholders, the necessity to future-proof our business and the obligation to be a part of the solution to global challenges. Our high ambitions that we set out in the do.MORE strategy in the form of six concrete goals covering three strategic pillars affect the entire Zalando group:

### Planet

- By 2025, we achieve our science-based targets to reduce carbon emissions in line with the Paris Agreement, including an 80% reduction in emissions of our own operations compared to 2017.

- By 2023, we design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics.

### Products

- By 2023, we generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products.
- By 2023, we apply the principles of circularity and extend the life of at least 50 million fashion products.

### People

- By 2023, we have continuously increased our ethical standards and only work with partners who align with them.
- By 2023, we have supported 10,000 people in the workforce by providing skilling opportunities that match future work requirements.

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<sup>34</sup> Further information on the Code of the CDR initiative launched by the Federal Ministry of Justice and Consumer Protection (BMJV) available at <https://cdr-initiative.de/en/kodex>

<sup>35</sup> According to commodity groups, namely logistic services, professional services, corporate property, packaging and direct business partners in sourcing for private labels and in overstock management.

An important element to achieving our goals is a corresponding and clear governance structure that allows us to integrate sustainability into all business units. Each of the six goals is managed in a workstream structure with an executive sponsor<sup>36</sup>, as well as project management and expert support from the central Sustainability department and representatives from relevant business units. The sponsors, together with representatives from Sustainability, Corporate Affairs, Finance, Marketing, Digital Experience and Offprice teams meet every quarter in the Sustainability Forum, which is chaired by Co-CEO David Schneider. As the highest decision-making body, the Sustainability Forum serves as the overarching steering committee and keeps the necessary strategic oversight. In August 2021, we further established the D&I and sustainability committee of the Supervisory Board. It meets on a bi-annual basis and deals with the diversity and inclusion strategy as well as the sustainability strategy of the Management Board and supports the Supervisory Board in its engagement with their implementation and the related reporting.

Our Governance & Risk team identifies, assesses and monitors risks that might impact our business performance in a bi-annual risk cycle. The scope of the cycle also includes social and environmental risks. As part of the bi-annual risk cycle and in preparation for our non-financial report, the Sustainability and Governance & Risk teams jointly analyzed risks as well as potential

negative impacts that emanate from our business and business relationships as well as from our products and services on the material topics identified. As a result, we currently do not consider any net risks assessed to have a high probability and high negative impact on the material topics. We aim at managing potential negative implications through the corresponding teams with adequate due diligence processes and measures.

# Planet

## Reducing our carbon footprint

Climate change is the most pressing issue of our generation. According to the Intergovernmental Panel on Climate Change (IPCC), human-caused greenhouse gas (GHG) emissions are the leading contributor to rising global temperatures and other signs of climate change. To avoid the worst effects of climate change, the Paris Agreement calls for collective action across society to limit global temperature increases to between 1.5 and 2 degrees Celsius (°C) compared to pre-industrial levels. The implementation of actions to mitigate and avoid greenhouse gases along the entire value chain needs to be accelerated. Therefore, with the launch of our do.MORE strategy, we set science-based targets<sup>37</sup> (SBTs) and committed to offset emissions that cannot be reduced in our own operations, deliveries and returns. Our targets, approved by the Science Based Targets initiative in 2020, cover our GHG emissions footprint and are

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<sup>36</sup> In the order of the goals in this report: SVP Zalando Technology Foundation, SVP Logistics, VP Category Women, VP Corporate Development/M&A, VP Zalando Direct and VP People Products.

<sup>37</sup> As defined and approved by the Science Based Targets initiative (SBTi).

aligned with the latest science and the ambition to limit global temperature increases to 1.5°C:

- Zalando commits to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 80% by 2025 against a 2017 base year. Zalando commits to increase annual sourcing of renewable electricity from 34% in 2017 to 100% by 2025.
- Zalando commits to reduce Scope 3 GHG emissions from private label products by 40% per million EUR gross profit by 2025 from a 2018 base year. Zalando also commits that 90% of its suppliers by emissions covering purchased goods and services sold on its platform, packaging and last-mile-delivery partners will have science-based targets by 2025.

Compared to 2020, our total GHG emissions (Scope 1, 2 and 3) increased by 24% to 5,589,068 metric tons of carbon dioxide equivalent (t CO<sub>2</sub>e).<sup>38</sup> This increase was driven by a 24% rise in our Scope 3 emissions. Our total location-based emissions were 5,649,964 metric tons – a 24% increase from 2020.

We reduced our Scope 1 and 2 GHG emissions by 64% against a 2017 base year (compared to 64% in 2020). We switched to biogas for heating our German fulfillment centers. For new warehouses we avoid using gas by installing electrical heat pumps as already done in Verona (Italy) and Rotterdam (Netherlands). Nevertheless, due to constant circulation of fresh air to ensure the health and

safety of logistics employees during the pandemic, our gas consumption for heating has increased. We also continued the procurement of renewable electricity to reduce our energy-related emissions. In 2020, we joined the RE100 initiative and achieved our target of supplying all our own offices, fulfillment centers and outlet stores with 100% renewable electricity. We continued to fulfill this commitment in 2021: We source renewable electricity, purchase guarantees of origin, and have solar panels on our fulfillment center in Lahr and Verona. This year we also installed solar panels at our new fulfillment center in Rotterdam.

As most of our emissions lie in product supply chains, we have committed to pursue substantial emissions reduction not only in our own operations, but also by leveraging our outreach to partners both upstream and downstream. Our absolute product emissions decreased by 14% compared to 2020. In line with our SBTs, private label emissions decreased by 45% per million EUR gross profit from a 2018 baseline. The main driver behind the reduction was the strong growth of our business. Although this relative reduction is positive, we will continue to pursue absolute emission reductions in our supply chain. We know that production processes beyond Tier 1 hold a significant part of our carbon footprint. As a starting point, we are in the process of identifying our main carbon hotspots in our supply chain as well as alternative materials and processes, in order to define potential

improvement programs that can be implemented directly in our supply chain.

We have committed to engage our biggest partners, covering 90% of our emissions from sold products, packaging and last-mile delivery, to set their own SBTs by 2025. We observe a general uptake in the number of companies setting SBTs which supports our goal in addition to our own engagement efforts. Currently, partners covering around 51% of our 2021 supplier-related emissions have set science-based targets (compared to 34% in 2020). In 2021, we developed and implemented engagement strategies such as a broad communication approach towards brands including educational formats (webinars, office hours), as well as a consulting pilot offering individual guidance on SBT setting. For brand partners we developed an escalation mechanism in case they are unwilling or unable to set targets by the end of 2025, which includes eventually ending the business relationship. For our logistics and packaging partners we integrated SBTs as an additional agenda topic to existing business review meetings and added it as a requirement for new partnerships in a phased approach.

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<sup>38</sup> Greenhouse gas emissions are disclosed as CO<sub>2</sub> equivalents (CO<sub>2</sub>e). All greenhouse gases regulated by the UN Kyoto Protocol have been accounted for: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), sulfur hexafluoride (SF<sub>6</sub>), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs). For better legibility, the emissions are simply referred to as carbon emissions and reported in metric tons of CO<sub>2</sub>.

**Greenhouse gas emissions by Scope**

In metric tons CO <sub>2</sub> e	2021	2020 <sup>39</sup>
Scope 1 <sup>40</sup> (market-based)	7,690	8,497
Scope 2 <sup>41</sup> (market-based)	2,414	1,124
Scope 3 <sup>42</sup>	5,578,964	4,500,473
<b>Total</b>	<b>5,589,068</b>	<b>4,510,094</b>
Emissions neutralized by carbon offsets	438,931	257,360
<b>Net carbon emissions</b>	<b>5,150,137</b>	<b>4,252,734</b>

In addition to the above reduction measures such as sourcing renewable electricity or biogas, we continue to offset all remaining emissions from our own operations (Scope 1 and 2) and from packaging and upstream transportation and distribution (incl. deliveries and returns). To achieve this, we procured carbon removal credits for 438,931t CO<sub>2</sub>e (compared to 257,360 in 2020). These are verified emission reductions (VERs) from Gold Standard certified reforestation projects in Ethiopia, Uganda, Panama, Colombia and a Verified Carbon Standard (VCS) certified project in Indonesia. Furthermore, our customers continue to have the check-out option to contribute to these efforts with a per order fee of 25 ct including VAT.

**Reimagine packaging, minimize waste**

Historically, e-commerce has been associated with take-make-waste packaging models, having a significant impact on the environment as they require high natural resources consumption and results in large amounts of waste. At Zalando we consider packaging as one of the most strategic topics in the e-commerce landscape – with strong brand building potential as one of our main touchpoints to customers, as well as high innovation potential with regards to new materials and logistics processes. While packaging sustainability is a key strategic topic, we must also ensure that our products arrive with our customers safely and undamaged. Packaging has the core function of protecting packed products along our automated and manual processes for warehousing and transportation. To tackle these challenges we are focusing our efforts on applying the principles of circularity to the design of our packaging and have set ourselves the following goal: By 2023, we design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics.<sup>43</sup>

In 2021, the Zalando group used more than 68,000t of packaging materials (53,000t in 2020), 89% of which stem from recycled input materials (87% in 2020). Moreover, 99% of our total packaging was recyclable<sup>44</sup> (99% in 2020). We reduced the volume of single-use plastic packaging per item produced for our private labels<sup>45</sup> by

13% to an average of 5.1g, compared with 5.9g in 2020. The procured amount of single-use plastic packaging per item shipped from Zalando group<sup>46</sup> increased by 4% to an average of 8.1g (compared to 7.8g in 2020), mainly due to the procurement of high volumes of polybags (thin protective sleeves around textiles) as a buffer to hedge for the global supply chain disruption caused by COVID-19.

<sup>39</sup> Due to changes in our accounting methodology, the 2020 emission data has been adjusted in this report.

<sup>40</sup> The location-based value for Scope 1 in 2021 is 10,429t CO<sub>2</sub>e.

<sup>41</sup> The location-based value for Scope 2 in 2021 is 60,571t CO<sub>2</sub>e.

<sup>42</sup> Includes the following emission categories: purchased goods (Private Labels, Wholesale, Partner Program, Offprice, Zircle, packaging), purchased goods and services (non-product), capital goods, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, use of sold products, end-of-life treatment of sold products, investments.

<sup>43</sup> Single-use plastic packaging is plastic packaging intended to be used only once before being disposed of.

<sup>44</sup> Recyclability refers to packaging material that is suitable for high-quality and mechanical recycling as per the German Packaging Act (VerpackG).

<sup>45</sup> In scope is all customer-facing single-use plastic packaging procured by Zalando private labels (our own fashion brands).

<sup>46</sup> In scope is all customer-facing single-use plastic packaging procured by Zalando group as an online retailer (excl. private labels and items shipped by brand partners).

In our packaging design, we try to prioritize materials that are recyclable and made of high recycling content. Zalando shipping boxes and beauty bags are made from 100% recycled paper and polybags are made from 90% recycled plastic. This year we started switching from our plastic shipping bags made of 80% post-consumer recycled plastic (PCR) to paper bags that are recyclable and either fully made from recycled materials or from a mix of recycled content and other responsible virgin fiber sources (FSC® Mix certified<sup>47</sup>), to achieve the desired quality and robustness of the packaging. We have also joined the Canopy Pack4Good initiative<sup>48</sup> as a commitment to protecting the world's forests through our approach to sourcing paper-based packaging.

In addition to the paper shipping bags, we also piloted paper alternatives to plastic void fill and tape in our Zalando Lounge business. Due to ongoing global supply chain disruptions for paper and warehouse equipment, we expect the replacement of plastic tape with a paper alternative to take place by mid-year 2022.

In our private labels, we increased the recycled content in our packaging by switching from 83% to 100% recycled cardboard shoe boxes, increasing recycled content in our shipping cartons from 0% to 42%, and started transitioning to 100% recycled polybags in our production countries in China, Bangladesh, Turkey, India and Ukraine.

# Products

## Driving more sustainable choices

We know that customers want to make more sustainable choices, but struggle to find the right information to help and do not understand what sustainability means in a fashion context. Our commitment is to provide our customers with product sustainability information that is simple, credible, and comparable. The growing customer demand acts as a further incentive for brands to grow their share of more sustainable products. We rely on the wide range of third-party certifications and industry standards to enable customers to make the choices they are increasingly looking to make. To continuously expand this sustainability assortment, we have set ourselves the following goal: By 2023, we generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products.<sup>49</sup>

As of December 31, 2021, we offered our customers more than 140,000 more sustainable products (80,000 in December 2020). With the sale of these products, we generated 21.6% of GMV<sup>50</sup> (16% in 2020). Overall, almost 60%<sup>51</sup> of our Fashion Store customers made the decision to buy at least one more sustainable product (50% in 2020).

Products are highlighted with the sustainability flag when they have at least one sustainability attribute that fulfills Zalando's required criteria. In 2021, the sustainability flag

was extended to our Zalando Lounge, for all products that were previously in the Fashion Store assortment. The criteria cover the use of more sustainable materials and processes based on the Sustainable Apparel Coalition's Higg Materials Sustainability Index and Textile Exchange's Preferred Fiber and Materials List, as well as minimum content requirements for those materials (e.g. a cotton t-shirt needs to contain at least 50% certified organic cotton). The accepted materials and processes are certified to third-party environmental, animal welfare and social standards. The full list of criteria can be found in our Fashion Store. This product-specific sustainability

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47 FSC® N003557

48 Further information on our engagement to protect the world's forests in our Forest Protection Policy:  
<https://corporate.zalando.com/sites/default/files/media-download/Zalando%20Forest%20Protection%20Policy.pdf>

49 Products that fulfill at least one of our sustainability criteria. For fashion: Better Cotton Initiative, Fairtrade, Global Organic Textile Standard, Organic Content Standard, Global Recycled Standard, Responsible Wool Standard, Responsible Down Standard, Leather Working Group, Cradle to Cradle, eco-material (lyocell, responsible forest-based materials (min. 50%), organic materials (min. 50%), sustainably-sourced cotton (min. 50%), recycled materials (min. 30%), responsibly-sourced wool/down, eco-processing (bluesign®, leather tanned without chrome, water-based PU (min. 50%)), innovative materials (leather alternatives, bio-based alternatives to fossil fuels, materials upcycled from waste, regenerative organic farming, (min. 20%)). For beauty: Less packaging (min. 50%), Organic (min. 50%), Natural (Min. 95%), Forest-friendly (min. 100%), Biodegradable, Kind to animals.

50 After returns for Fashion Store Wholesale, Fashion Store Partner Program, Fashion Store Connected Retail, Lounge, Outlets, Zalon.

51 Before returns, as the potential return does not change the customer's initial decision for a more sustainable product.

information is collected from the brand during the order process along with other important data like material, care and size. We continuously aim to improve our weekly verification process, by testing and validating the information provided by brand partners as well as of claims being made by them. When we find inaccuracies we either remove the flag or correct the claims.

As part of our annual review in 2021, we have introduced Cradle to Cradle Certified® and a tiered approach to recycled and organic materials (e.g. 30–50%, 50–70%, 70–100%). We also removed previously accepted materials such as conventional linen, hemp, and jute. In addition, we have announced to our brand partners that Better Cotton will no longer be accepted under the criteria from January 1, 2022, because it uses a mass balance system and is not physically traceable to a specific product.

To help customers understand and engage with our sustainability assortment more easily, in 2021 we introduced an educational layer to the online shopping experience that displays the sustainability assortment corresponding to selected impact areas: Water Conservation, Worker Wellbeing, Reusing Materials, Animal Welfare, Reducing Emissions and Extending the Life of Fashion. For this new browsing experience, we have mapped our existing sustainability criteria to these impact areas. This is not a perfect solution, but it is our next step in helping our customers to understand more sustainable fashion better and make more informed choices.

## Extending the life of fashion

The current dominant model of production in the fashion industry follows a linear “take, make, waste” logic that has severe environmental impacts. The circular economy, on the other hand, is a system that is restorative by design. It aims to ensure that resources never become waste but are kept at their highest value for as long as possible, cycling through different loops until they either return to earth as nutrients or are recycled into new products. With the launch of our do.MORE strategy, we set ourselves the following goal: By 2023, we apply the principles of circularity and extend the life of at least 50 million fashion products. In 2021, we launched our first circularity strategy for this goal. We have defined a simplified circularity flow and implemented our initiatives across four key dimensions: 1) Design and manufacture, 2) Use, 3) Reuse and 4) Closing the loop.

Since 2020, we have extended the life of more than 2.3 million fashion products (1.9 in 2021). We define “extending the life” of a product to mean that at least one circular action takes place within at least one of the four process flow stages. In practical terms, this means that as soon as we extend the life of a product in one of these stages, we count the product towards our 50 million goal. Although some stages may be more effective than others, our long-term ambition is to connect all stages and enable products to flow in a holistic system (designed with circular principles in mind, used as long as possible

before being resold or passed on to the next owner, and then recycled into a new product).

For the Design and Manufacture stage, we have started working together with the Berlin-based start-up circular fashion to define industry-wide circular product criteria, which we plan to launch in 2022. We also trained and up-skilled private label teams with circular design practices. Last but not least, we launched a second “redeZIGN for circularity” capsule collection which includes a digital product passport for each item provided by New York based technology firm EON. Via a QR code in the label, customers can go to a product site to learn where the product was produced, how to care for it, repair it and how to trade it into Zalando.

For the Use stage, in 2021 we launched a Care and Repair pilot program in Berlin. Items are picked up from customer's homes and delivered to local aftercare providers. We have partnered with Save Your Wardrobe, a London-based tech company, to support in developing the digitally-enabled booking journey, to identify high quality service providers and to manage customer support.

For the Reuse stage, we expanded our Pre-owned category in the Fashion Store to 13 markets. Customers can sell or buy pre-owned items while experiencing Zalando's usual convenience proposition. All items are quality checked by Zalando. After trading in their fashion items, customers can choose to either receive a Zalando gift

card in the respective amount or support one of two donation partners, the Red Cross or WeForest. Items that do not fulfill quality requirements can either be sent back to the customer or donated.

For the Closing the Loop stage, we have partnered with Fashion for Good to scale an open-source platform for textile waste management. This project will provide a comprehensive textile waste analysis using more accurate, innovative Near Infrared technology, while also mapping textile recyclers' capabilities. We are also part of the European edition of accelerating circularity (ACPE) which convenes brands, retailers, recyclers and sorters to create a systems change through industry collaboration to define, establish and accelerate at scale circular textile-to-textile supply chains by diverting waste from landfills and reducing the need for virgin materials for lowering industry impacts. Last but not least, we invested into the textile regeneration technology group Infinitid Fiber Company, who will use the proceeds to build a flagship factory in Finland to scale its regenerated textile fiber Infinna™. We plan to provide feedstock to Infinitid Fiber Company and to use Infinna™ fiber in our private label production. We also invested in Ambercycle, a Los Angeles based company which has created a proprietary technology used for recycling textile waste into a new fiber called cycora®. With the funds raised the company plans to scale up production of the fiber.

# People

## Raising the bar on ethical standards

The fashion industry has endemic problems when it comes to human rights and social standards. Because of our business model, size and reach, we see it as our responsibility to lead the way in creating a more ethical fashion industry. This means laying out clear standards for our own company and business partners and fostering meaningful collaborations to create the change we want to see. We set ourselves the following goal: By 2023, we have continuously increased our ethical standards and only work with partners who align with them.

The due diligence framework is the foundation of our work regarding human rights and ethical standards. This framework allows us to identify and act upon real and potential risks in our direct operations, supply chains, and business partnerships. The framework is based on guidelines and indicators from the Corporate Human Rights Benchmark and OECD Due Diligence Guidance. It covers policies, onboarding, risk assessment, monitoring, partner review and offboarding. This will also help us achieve our commitment to provide our customers with product sustainability information that is simple, credible, and comparable.

With regards to policies, partners are required to agree to Zalando's ethical standards. These include our Code of Conduct for all business partners, and, depending on the business, our Sustainable Sourcing Standards (for brands) and Social Standards (for Logistics and Customer Care). In addition to updating our sourcing policies and Social Standards, this year we published a new Code of Conduct, which will be rolled out in 2022. It outlines the standards to which we hold ourselves and our business partners accountable, in the areas of human rights and labor rights, environmental protection, fair and ethical business practices, monitoring and complaints. In this context we have taken the opportunity to set up new tracking and approval processes in contract management systems.

With regards to onboarding, Zalando carries out business partner due diligence (sanction list screening and compliance database and adverse media checks, followed by an in-depth review carried out by the Compliance & Business Ethics Team in case of findings) for defined groups of business partners<sup>52</sup> and in cases where potential compliance risks are apparent. In addition, we have started to integrate parameters around ethical standards into the onboarding process and expect partners to comply. For example, for brand partners these include having at least

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<sup>52</sup> According to commodity groups, namely logistic services, professional services, corporate property, packaging and direct business partners in sourcing for private labels and in overstock management.

one employee dedicated to overseeing sustainability topics, having their own Code of Conduct for business partners and having transparency of the location of at least Tier 1 production sites.

With regards to risk assessments, we continued our collaboration with Verisk Maplecroft and used their methodology and risk database to conduct risk assessments across our business units. In each assessment, suppliers were assessed on human rights risks, based on their location, industry and spend. The result is a standardized risk profile (extreme risk, high risk, moderate risk, and low risk) which in turn informs the required monitoring.

Based on the risk profiles, we are implementing different monitoring actions such as self-assessments, verification of evidence documents and audits. Our primary brand self-assessment is based on the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (BRM), covering social standards, working conditions, and environmental practices. However, we understand that our brand partners are on a learning journey, so along with other SAC members we are working with the SAC, Higg, retailers, and brands to develop a more accessible version of the BRM, which is planned to be released in 2022. Our private label Tier 1 suppliers and factories<sup>53</sup> provide us with social audits annually or on a timeframe recommended by the auditing standard. All of our audits are evaluated against an internal non-compliance matrix, based on our Code of Conduct, local legal requirements,

and industry standards including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative). Findings of non-compliance are classified as minor, major, critical and zero tolerance, and based on these the factory is issued an overall rating and a corrective action plan (CAP). If a zero tolerance non-compliance issue is found, the factory must remediate the issue and provide a new audit. In 2021, we evaluated 175 audit reports and declined to onboard five factories or suppliers for not meeting audit requirements.

We set out our expectations for fulfillment centers, Zalando premium logistics providers, and customer care teams in our Social Standards. These were updated in 2021 to be more comprehensive and align with provisions of our new Code of Conduct, such as grievance mechanisms and diversity and inclusion, in addition to existing legal obligations around remuneration, working hours, and freedom of association. Our external audit partners audit Zalando and third-party sites against our Social Standards at least once a year. In case of non-compliance, a corrective action plan (CAP) is formulated and the site must remediate the issue.

With regards to partner reviews, remediation strategies are put in place where necessary after monitoring cycles. For example, for brand partners, we are launching an annual review process from 2022 onwards, encompassing the assessment of relevant sustainability requirements and current commitment status of the brand. If the brand

is unwilling to engage or demonstrate progress, an escalation process is triggered.

Finally, with regards to offboarding, in cases where partners fail to demonstrate progress within agreed time frames or are implicated in zero tolerance issues with no sign of remediation, we will pause and eventually end the business relationship.

Through the various steps of our due diligence framework, we investigated six alleged violations of our ethical standards in 2021. Two existing relationships were paused, of which one was reinstated after satisfactory remediation and one partner was offboarded.

## Preparing our workforce for the future

In an ever-evolving world, we have to bridge the transition of skills needed by people now and in the coming years to match future work requirements in our value chain. The world of work is constantly evolving, and personal growth and development are more important than ever for employees while new industries continue to emerge that disrupt the status quo. Unpredictable events like the COVID-19 pandemic are proof points that companies and individuals need to evolve their skills to adapt and

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<sup>53</sup> Further information on our private label Tier 1 suppliers and factories available at <https://corporate.zalando.com/en/sustainability/our-private-label-suppliers>

build resilience. In all of this constant change, the greatest skill we have is the ability to learn – to take on new information, develop new skills, learn new ways of working, and adapt to the changing world of work. That is why we set ourselves the following goal: By 2023, we have supported 10,000 people in the workforce by providing skilling opportunities that match future work requirements. The scope of the goal is split between our own workforce, the workforce in our private label supply chain and in our brand partner supply chains.

Since 2020, 2,773 people<sup>54</sup> received skilling training (1,417 in 2021, of which 951 in ZALANDO SE). For Zalando, skilling encompasses upskilling, reskilling and metaskilling. Upskilling means providing additional skills to perform a current role where the requirements will be changing in the near or distant future. Reskilling means acquiring new skills to transition from a current role to a new future role in the same or different area. Metaskilling means having a growth mindset, which is about enabling individuals to develop a new mindset embracing lifelong learning and other overarching life skills that could have a wider social impact (e.g. flexibility and adaptability, initiative and self-direction).

We plan to achieve the goal via three approaches: (1) by providing skilling opportunities that match the mega trends<sup>55</sup> of future work requirements to all Zalando employees through our Zalando training platform, (2) by providing upskilling and reskilling to Zalando employees with

specific learning interventions and educational programs for clear capability shifts of identified affected roles and by providing them with professional certification, and finally (3) by offering upskilling and reskilling programs that address need-gaps of the workforce in our private labels supply chain factories and brand partner supply chain factories.

This year we have commenced assessing external partner platforms to broaden and deepen our learning catalog, now including new technologies (machine learning), new ways of working (time management, change leadership) and soft skills such as inclusivity and empathy. In our customer fulfillment, we are progressing towards having a career path development program supporting the talent to evolve into entry-level managerial positions, such as becoming a specialist or team lead. We have also piloted dedicated programs for logistic workers and Security Guards to obtain professional recognized certifications with support from local chambers of commerce.

Last but not least, we conceptualized a skilling pilot for a supplier factory in Bangladesh, which kicked-off in November. Based on academic research, NGO consultations and interviews as well as a survey in factories, six key topics were selected: digital literacy, efficiency training, gender equality, financial literacy, workplace communication, health and wellbeing including COVID-19 awareness. These modules will be implemented by our project partners Shimmy Technologies and BSR's HERproject™.

## Being part of the solution

As a large employer, we strive to be a good corporate citizen and want to play an active role in the communities around our various locations by offering our expertise and resources to help solve local and global societal problems. Over the past years, we have built a Corporate Citizenship program founded upon three action pillars. In our Volunteering pillar we support our employees with two volunteering days per year and offer them skill-based volunteering opportunities. In our Humanitarian Aid pillar, we continue to support people in need with our disaster relief fund and in-kind donations. Our Community Engagement pillar allows us to drive change in a specific area via strategic, financial investments in partnerships with non-profit organizations. The selection of partners and projects is based on our communities' needs and Zalando's areas of expertise to ensure we drive meaningful impact.

Our partner for corporate volunteering is vostel.de, with whom we have been working since their founding in 2015. In 2021, 218 Zalando employees supported 44 projects

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<sup>54</sup> Includes ZALANDO SE and Zalando group employees and supply chain workers in private labels.

<sup>55</sup> We have identified the following mega trends: working more inclusively, embracing new technologies, working in new environments, working more collaboratively, being at the forefront of innovation, and working with more empathy.

through 879 hours of volunteering. Due to the COVID-19 pandemic, we worked with vostel.de to curate a variety of online volunteering opportunities, for example, online mentoring for young people who need help with their job application process.

As part of our regular humanitarian aid efforts, we also donated more than 190,000 Zalando items worth more than EUR 900,000 to organizations supporting people in need. Additionally, we donated EUR 180,000 to respond to global crises. For instance, following the severe flooding in Western and Central Europe in July 2021 Zalando supported the German Red Cross. These funds went towards flood fighting activities, care and support for victims and emergency personnel, and also towards vital infrastructure which has been directly impacted by this disaster. We also sent packaging to help with the transport of aid and equipment supplies. Additionally, around 40 Zalando employees from the Mönchengladbach warehouse volunteered in a hard hit region by cleaning out an elementary school.

In addition to employee volunteering and targeted humanitarian aid, it is also our aim to drive change through strategic partnerships as part of our broader community engagement. We donated more than EUR 650,000 in 2021 to support a number of causes. For example, we organized a charity sport challenge for which almost 500 Zalando employees collectively moved, walked or ran more than 53,000 km. We supported their efforts with a donation to WeForest and GSJ-Berlin. We also expanded our Changemakers United program together with our partner Ashoka to another 25 entrepreneurs in 2021. The areas of work include access to healthcare and effective healthcare provision, mental health, future of education, and economic inclusion. Last but not least, in 2021 we supported “Digital Village”, an umbrella program run by the SOS Children’s Villages International. The program, covering Austria, Belgium, Croatia, France, Germany, Italy, Portugal and Spain, aims to foster digital literacy and learning among vulnerable children.

# Reporting on EU Taxonomy

With the Action Plan on Financing Sustainable Growth published in 2018, the European Commission set the objective to redirect capital flows towards sustainable investment. In this context, a standardized classification system – the EU Taxonomy – was established to define criteria classifying economic activities as being environmentally sustainable.

As of fiscal year 2021, companies subject to the Non-Financial Reporting Directive (Directive 2014/95/EU) are required to report in line with the EU Taxonomy Regulation (Regulation (EU) 2020/852). According to Article 8 of the regulation, companies have to extend their non-financial disclosures by reporting on how and to what extent the company's activities are associated with economic activities that qualify as environmentally sustainable.

In this first reporting year, the scope covers the eligibility of economic activities (Taxonomy eligibility) with regards to their (i) total turnover, (ii) capital expenditure (capex) and (iii) operational expenditure (opex) according to the Climate Delegated Acts published in June and July 2021. The Climate Delegated Acts cover two environmental

objectives as defined in Article 9 of the regulation: (a) climate change mitigation and (b) climate change adaptation. Additional Delegated Acts covering the four remaining environmental objectives of the EU Taxonomy are expected to be published by the European Commission later in 2022.

## Our approach

In an initial screening, we assessed all activities outlined in Annex I and Annex II of the Climate Delegated Acts to identify activities that could be applicable to our business model. Of those assessed, one material Taxonomy-eligible activity in line with climate change mitigation was identified within the Zalando group related to the leasing of assets covering our office buildings and warehouses.

In our Consolidated Financial Statements for fiscal year 2021, we have recognized additions to our lease assets from right-of-use assets in the amount of EUR 189.7m which represents 35.8% of all additions to right-of-use assets, property, plant & equipment and intangible assets in 2021. The total sum is in line with the additions as reported in the Notes to the Consolidated Financial Statements of our Annual Report 2021, under 3.5.7 (11.) Intangible Assets, (12.) Property, Plant and Equipment and (13.) Right-of-Use Assets and Lease Liabilities. Under the definition of the EU Taxonomy Regulation, these additions to our lease assets are deemed to be part of Taxonomy-eligible capex to be reported which is related

to economic activity 7.7 listed in Annex I of the Climate Delegated Act. Further, we have not identified any additional material capex nor Taxonomy-related turnover or opex.

## Outlook on future reporting

Since the full scope of the EU Taxonomy Regulation is not yet implemented, reporting in line with the regulation will evolve over time. The reporting approach for fiscal year 2021 reflects the current legislative status on Taxonomy-eligibility. In coming reporting periods, we will respond to further specifications of the regulation and adapt our reporting approach accordingly. We expect an increasing amount of our economic activities to be covered by the EU Taxonomy regulation, as the remaining Delegated Acts are published in 2022.

# Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial report 2021 of ZALANDO SE. The following text is a translation of the original German independent assurance report.

## To ZALANDO SE, Berlin

We have performed a limited assurance engagement on the non-financial report of ZALANDO SE, Berlin, (hereafter the "Company"), which is combined with non-financial report of the Group for the period from 1 January 2021 to 31 December 2021 (hereinafter the "non-financial report"). The non-financial report is included in the annex to the Sustainability Report of ZALANDO SE, Berlin, (hereinafter the "Company").

Not subject to our assurance engagement are other references to disclosures made outside the non-financial report.

## Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial report in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "Reporting on the EU Taxonomy Regulation" of the non-financial report.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud (manipulation of the non-financial report) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Reporting on the EU Taxonomy Regulation" of the non-financial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

## **Independence and quality assurance of the auditor's firm**

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”: Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

## **Responsibilities of the auditor**

Our responsibility is to express a conclusion with limited assurance on the non-financial report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan

and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s non-financial report is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section “Reporting on the EU Taxonomy Regulation” of the non-financial report. Not subject to our assurance engagement are other references to disclosures made outside the non-financial report.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the non-financial report about the preparation process, about

the internal control system related to this process, and about disclosures in the non-financial report

- Inquiries of the employees regarding the selection of topics for the non-financial report, the risk assessment and the policies of the Company and the Group for the topics identified as material
- Inquiries of employees of the Company and the Group responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the non-financial report
- Identification of likely risks of material misstatement in the non-financial report
- Analytical procedures on selected disclosures in the non-financial report at the level of the Company and the Group
- Evaluation of the presentation of the non-financial report
- Evaluation of the process to identify the economic activities taxonomy-eligible and the corresponding disclosures in the non-financial report

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

#### **Assurance conclusion**

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of the Company for the period from 1 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section “Reporting on the EU Taxonomy Regulation” of the non-financial report.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial report.

#### **Restriction of use**

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

#### **General Engagement Terms and Liability**

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and govern our relations with third parties in the context of this engagement ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). In addition, please refer to the liability provisions contained therein no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the

summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 28 February 2022

**Ernst & Young GmbH**  
Wirtschaftsprüfungsgesellschaft

Richter  
Wirtschaftsprüferin  
(German Public Auditor)

Johné  
Wirtschaftsprüferin  
(German Public Auditor)

# Key figures

This table includes key figures related to our three strategic pillars: planet, products and people, as defined in our do.MORE strategy. Since the strategy was launched in late 2019, we include key data of the financial years 2020 and 2021 in this report. For coming reporting periods, we aim at reporting on a three-year-basis to show progress in our strategic pillars over time.

	Unit	2021	2020	Unit	2021	2020	
<b>Planet</b>							
<b>Carbon footprint</b>							
Greenhouse gas (GHG) emissions				Energy use by source (Scope 1 and 2)			
– Scope 1 emissions <sup>56</sup> (market-based)	t CO <sub>2</sub> e	7,690	8,497	– Electricity (100% renewable)	MWH	131,736	114,527
– Scope 2 emissions <sup>57</sup> (market-based)	t CO <sub>2</sub> e	2,414	1,124	– District heating	MWH	12,603	5,868
– Scope 3 emissions <sup>58</sup>	t CO <sub>2</sub> e	5,578,964	4,500,473	– Natural gas	MWH	13,133	28,366
– Scope 3 emissions by source				– Biogas	MWH	24,612	–
– Products (manufacturing)	t CO <sub>2</sub> e	3,455,800	2,737,546	– Car fleet	MWH	973	885
– Use of sold products	t CO <sub>2</sub> e	939,134	857,463	Packaging & waste			
– Purchased goods and services (non-product)	t CO <sub>2</sub> e	329,935	340,478	Operational waste and disposal methods (from fulfillment centers, offices, and stores)			
– Upstream transportation and distribution (including deliveries & returns)	t CO <sub>2</sub> e	527,612	303,314	– Non-hazardous waste	t	30,980	25,164
– Capital goods	t CO <sub>2</sub> e	159,455	118,270	– Reuse	t	16	9
– Packaging	t CO <sub>2</sub> e	84,524	72,813	– Recycling	t	29,275	23,606
– End-of-life treatment of products sold	t CO <sub>2</sub> e	54,144	47,686	of which paper & packaging (paper, cardboard & plastic)	t	29,098	23,553
– Other <sup>59</sup>	t CO <sub>2</sub> e	28,360	22,903	of which other materials (e.g. scrap metal, e-waste)	t	177	53
– Total (Scope 1, Scope 2 and Scope 3 emissions)	t CO <sub>2</sub> e	5,589,068	4,510,094				
– Emissions neutralized by carbon offsets	t CO <sub>2</sub> e	438,931	257,360				
– Net carbon emissions	t CO <sub>2</sub> e	5,150,137	4,252,734				

56 The location-based value for Scope 1 in 2021 is 10,429t CO<sub>2</sub>e.

57 The location-based value for Scope 2 in 2021 is 60,571t CO<sub>2</sub>e.

58 Includes the following emission categories: purchased goods (Private Labels, Wholesale, Partner Program, Offprice, Zircle, packaging), purchased goods and services (non-product), capital goods, fuel and energy related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, use of sold products, end-of-life treatment of sold products, investments.

59 Includes the following emission categories: fuel and energy related activities, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, and investments.

	Unit	2021	2020
– Incineration (with energy recovery)	t	1,338	1,268
– Incineration (without energy recovery)	t	351	281
– Hazardous waste	t	39	3
– Total	t	31,019	25,167
<b>Products</b>			
Assortment			
Gross Merchandise Volume (GMV) generated with more sustainable products <sup>60</sup>	%	21.6	16
Number of more sustainable products (as of Dec 31)	Number	> 140,000	> 80,000
<b>Circularity</b>			
Number of products with extended life (as of Dec 31)	Number	> 1,900,000	> 340,000
<b>People</b>			
Employees			
Number of employees			
– Total	Number	17,043	14,194
– Women	%	47.2	46.4
– Men	%	52.8	53.6
– Non-binary <sup>61</sup>	%	0.0	0.0
Number of nationalities	Number	141	137
International employees			
– Total	%	58.0	53.0

	Unit	2021	2020		Unit	2021	2020
International employees in leadership				Share of women in leadership			
– Overall	%	48.1	45.0	– Overall	%	35.7	31.0
– Management Board	%	20.0	20.0	– Management Board	%	20.0	0.0
– SVP	%	33.0	18.0	– SVP	%	33.0	36.0
– VP	%	58.0	43.0	– VP	%	36.0	20.0
– Director	%	53.0	53.0	– Director	%	38.0	40.0
– Head	%	47.0	44.0	– Head	%	35.0	29.0
Employees per country (head count)				Share of women in Logistics			
– Austria	Number	2	0	– Share of women in Logistics	%	40.0	39.0
– Belgium	Number	2	0	– Share of women in technical job groups	%	21.0	18.4
– China	Number	18	17	Parental leave			
– Denmark	Number	2	0	– Total	Number	591	706
– Finland	Number	144	105	– Women	%	60.0	66.0
– France	Number	3	0	– Men	%	40.0	34.0
– Germany	Number	16,383	13,617	Employment type			
– Hong Kong	Number	1	1	Full-time employees			
– Ireland	Number	116	118	– Total	Number (%)	14,262 (84)	12,250 (88)
– Italy	Number	58	49	– Women	%	78.0	82.0
– Netherlands	Number	14	2	– Men	%	88.0	94.0
– Norway <sup>62</sup>	Number	2	0	Part-time employees			
– Poland	Number	181	183	– Total	Number (%)	2,781 (16)	1,674 (12)
– Portugal	Number	2	2				
– Spain	Number	5	1				
– Sweden	Number	3	0				
– Switzerland	Number	35	29				
– UK	Number	72	70				

60 Zalando group, after returns.

61 In 2021 and 2020, less than 1% of our employees have self-disclosed as non-binary on our People-system.

62 In our Sustainability Progress Report 2020, the number of employees based in Finland was falsely reported as being based in Norway (105 employees). We have retroactively corrected this data in this current report.

	Unit	2021	2020
— Women	%	22.0	18.0
— Men	%	12.0	6.0
Employment contracts			
Temporary contracts			
— Total	Number (%)	3,672 (21.5)	2,220 (16)
— Women	%	22.0	17.0
— Men	%	21.2	15.0
Permanent contracts			
— Total	Number (%)	13,371 (78.5)	11,974 (84)
— Women	%	78.0	83.0
— Men	%	78.8	85.0
New hires			
— Total	Number	6,003	3,092
— Women	%	46.1	44.3
— Men	%	53.9	55.7
Turnover rate			
Voluntary turnover rate			
— Total	%	13.3	9.4
— Women	%	47.0	52.0
— Men	%	53.0	48.0
Skilling			
Number of people received skilling training (upskilling, reskilling and meta-skilling) <sup>63</sup>	Number	1,417	1,356
Occupational health and safety			
Absentee rate			
— Zalando group	%	6.6	7.3
— Zalando Logistics <sup>64</sup>	%	10.1	11.7

	Unit	2021	2020
<b>Private label supply chain</b>			
<b>Number of Tier 1 suppliers (as of Dec 31)</b>			
— Bangladesh	Number	7	6
— China	Number	45	42
— Denmark	Number	2	2
— France	Number	1	1
— Germany	Number	2	3
— Hong Kong	Number	8	7
— India	Number	9	9
— Italy	Number	3	3
— Morocco	Number	1	1
— Netherlands	Number	3	3
— Pakistan	Number	1	1
— Portugal	Number	10	7
— Romania	Number	1	1
— Singapore	Number	1	2
— Spain	Number	5	5
— Taiwan	Number	4	4
— Turkey	Number	11	12
— United Kingdom	Number	2	3
— Total	Number	116	112
<b>Number of Tier 1 factories (as of Dec 31)</b>			
— Albania	Number	1	0
— Bangladesh	Number	15	13
— Cambodia	Number	1	1
— China	Number	117	110
— India	Number	14	12

	Unit	2021	2020
— Indonesia	Number	1	1
— Italy	Number	4	2
— Morocco	Number	4	1
— Myanmar	Number	1	1
— Pakistan	Number	1	1
— Portugal	Number	23	20
— Romania	Number	4	4
— Spain	Number	4	4
— Sri Lanka	Number	0	1
— Turkey	Number	18	20
— Ukraine	Number	1	1
— Vietnam	Number	4	3
— Total	Number	213	195
Number of audit reports evaluated for new and existing Tier 1 factories.	Number	175	229

<sup>63</sup> In our Sustainability Progress Report 2020, we disclosed that 1,355 people received skilling opportunities. This number has been corrected to 1,356 people in this current report.

<sup>64</sup> Including Zalando Logistics SE & Co. KG, Zalando Logistics Süd SE & Co. KG, Zalando Logistics Mönchengladbach SE & Co. KG.

# GRI content index

GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations
	<b>GRI 101: Foundation 2016</b>		
	<b>GRI 102: General disclosures 2016</b>		
	1. Organizational profile		
GRI 102: General disclosures 2016	102-1 Name of the organization	6, 47	
	102-2 Activities, brands, products, and services	6, 47	
	102-3 Location of headquarters		See Combined management report in Annual Report 2021
	102-4 Location of operations	6, 47	
	102-5 Ownership and legal form		See Combined management report in Annual Report 2021
	102-6 Markets served	47	
	102-7 Scale of the organization		See Combined management report in Annual Report 2021
	102-8 Information on employees and other workers	64–65	See Key figures table
	102-9 Supply chain	6	
	102-10 Significant changes to the organization and its supply chain	6, 37–38	
	102-11 Precautionary principle or approach	47–49	
	102-12 External initiatives	7, 12, 14, 21, 29, 31, 32, 37, 43, 44	
	102-13 Membership of associations	26, 27, 31, 32, 36, 38	

GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations
2. Strategy			
GRI 102: General disclosures 2016	102-14	Statement from senior decision-maker	2
3. Ethics and integrity			
GRI 102: General disclosures 2016	102-16	Values, principles, standards, and norms of behavior	25, 34–38, 47–49
4. Governance			
GRI 102: General disclosures 2016	102-18	Governance structure	9

GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations
5. Stakeholder engagement			
GRI 102: General disclosures 2016	102-40 102-41	List of stakeholder groups Collective bargaining agreements	10
		In Germany, we do not apply collective bargaining agreements to Zalando (incl. ZALANDO SE and all warehouses). However, we align the salaries of logistics workers with locally applicable collective bargaining agreements. Outside of Germany, the following mandatory national collective bargaining agreements apply:	
		— France: Mandatory national sectoral collective bargaining agreement Distance selling, applicable to 100% of the Zalando employees.	
		— Italy: Mandatory national sectoral Logistics collective bargaining agreement, applicable to 100% of the Zalando employees.	
	102-42	Identifying and selecting stakeholders	We plan to extend our reporting on stakeholder engagement in the future.
	102-43	Approach to stakeholder engagement	We plan to extend our reporting on stakeholder engagement in the future.
	102-44	Key topics and concerns raised	7, 10
6. Reporting practice			
GRI 102: General disclosures 2016	102-45	Entities included in the consolidated financial statements	See Combined management report in Annual Report 2021
	102-46	Defining report content and topic boundary	See About this report

GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations
102-47	List of material topics		Material topics identified in our 2019 materiality assessment: human rights, OHAS, product design, energy and resource consumption, biodiversity and ecosystems, corporate governance, diversity and inclusion, employee rights, packaging and product waste, transportation and delivery, data privacy, sustainable assortment, sustainability services, product transparency
102-48	Restatements of information		See footnotes in Key figures table
102-49	Changes in reporting		For the first time, we include an index to report on the Sustainability Accounting Standards Boards (SASB) Standards as part of our annual Sustainability Progress Report.
102-50	Reporting period		January 1 – December 31, 2021
102-51	Date of most recent report		March 2021
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		See About this report
102-54	Claims of reporting in accordance with the GRI Standards		See About this report
102-55	GRI content index	66-70	
102-56	External assurance	60-62	Our non-financial report including relevant key performance indicators (KPIs) was audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft with limited assurance in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (revised).

GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations
<b>GRI 200: Economic topics</b>			
Anti-corruption			
GRI 103: Management approach 2016	103-1		Explanation of the material topic and its boundary
	103-2		The management approach and its components
	103-3		Evaluation of the management approach
GRI 205: Anti-corruption 2016	205-2		Communication and training about anti-corruption policies and procedures
<b>GRI 300: Environmental topics</b>			
Materials			
GRI 103: Management approach 2016	103-1		Explanation of the material topic and its boundary
	103-2		The management approach and its components
	103-3		Evaluation of the management approach
GRI 301: Materials 2016	301-2		Recycled input materials used
			18-21, 28
Energy			
GRI 103: Management approach 2016	103-1		Explanation of the material topic and its boundary
	103-2		The management approach and its components
	103-3		Evaluation of the management approach
GRI 302: Energy 2016	302-1		Energy consumption within the organization
			14

GRI Standard	Disclosures		Page	Notes in case of omissions and further explanations
<b>Emissions</b>				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	12-17	
GRI 305: Emissions 2016	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
	305-1	Direct (Scope 1) GHG emissions	13, 63	
GRI 305: Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	13, 63	
	305-3	Other indirect (Scope 3) GHG emissions	13, 63	
	305-5	Reduction of GHG emissions	13, 16	
<b>Waste</b>				
GRI 306: Management approach 2020	306-1	Waste generation and significant waste-related impacts	18-22	
GRI 306: Waste 2020	306-2	Management of significant waste-related impacts	18-22	
	306-3	Waste generated	22, 63-64	
	306-4	Waste diverted from disposal	22, 63-64	
Supplier environmental assessment	306-5	Waste directed to disposal	22, 63-64	
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	15-16, 34-38	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		

GRI Standard	Disclosures		Page	Notes in case of omissions and further explanations
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	16, 36	
<b>GRI 400: Social topics</b>				
<b>Employment</b>				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	39-42	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	65	
<b>Occupational health and safety</b>				
GRI 403: Management approach 2018	403-1	Occupational health and safety management system	41-42	
<b>Training and education</b>				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its boundary	39-40	
	103-2	The management approach and its components		
	103-3	Evaluation of the management approach		
GRI 404: Training and education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	39-40	

GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations	GRI Standard	Disclosures	Page	Notes in case of omissions and further explanations
<b>Diversity and equal opportunity</b>							
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary  103-2 The management approach and its components  103-3 Evaluation of the management approach		<u>See Diversity &amp; Inclusion Report 2021</u>	GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary  103-2 The management approach and its components  103-3 Evaluation of the management approach	34-38	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	64		GRI 409: Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	36	
<b>Freedom of association and collective bargaining</b>							
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary  103-2 The management approach and its components  103-3 Evaluation of the management approach	34-38		GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary  103-2 The management approach and its components  103-3 Evaluation of the management approach	34-38	
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	36		GRI 412: Human rights assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	37	
<b>Child labor</b>							
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary  103-2 The management approach and its components  103-3 Evaluation of the management approach	34-38		GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary  103-2 The management approach and its components  103-3 Evaluation of the management approach	34-38	
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	36		GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria  414-2 Negative social impacts in the supply chain and actions taken	37	

# SASB index

## Financial year 2021

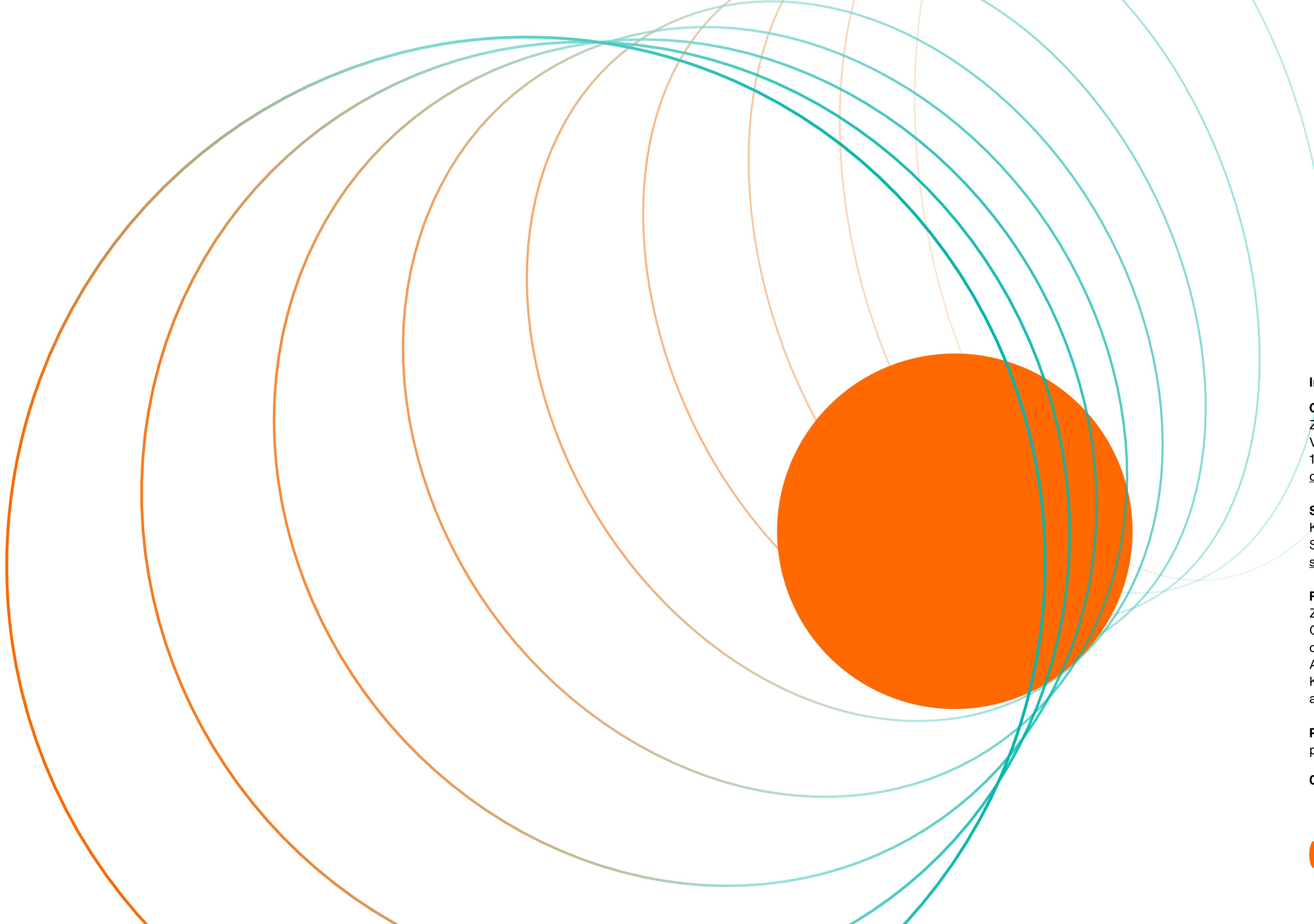
This is Zalando's second index to report on the Sustainability Accounting Standards Boards (SASB) Standards. The below index is a further step on our journey towards providing more transparency to our stakeholders on key sustainability topics as part of the do.MORE strategy.

This index refers to the financial year 2021 and considers the industry-specific sustainability accounting standards "Apparel, accessories & footwear" and "E-commerce" (version 2018-10). The index contains references to our Annual Report 2021, Sustainability Progress Report 2021, Diversity & Inclusion Report 2021 as well as to further information and documents available on our corporate website. In the coming years, we plan to further develop this index as part of our annual corporate reporting.

Code	Metric	Performance/reference
<b>Apparel, accessories &amp; footwear</b>		
Management of chemicals in products		
CG-AA-250a.1	Discussion of processes to maintain compliance with restricted substances regulations	<b>Restricted Substances List (see p. 25)</b>  To control chemical compliance Zalando established a Restricted Substances List (RSL) which specifies permitted limits of toxic and harmful substances. It is applicable to all our partners and suppliers. The RSL was developed in line with REACH regulations, as well as legislative and regulatory requirements set by trading territories that Zalando operates within. All Zalando partners and suppliers are required to implement a robust chemical management system and due diligence testing to ensure compliance with Zalando's Restricted Substances List and relevant international standards and legislations.
CG-AA-250a.2	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	To prove that a product is compliant it must undergo a comprehensive product and material testing by accredited laboratories. For our Private Label products, testing is conducted based on a risk-based approach developed with the support of a third-party auditing company and incorporating two risk dimensions: the supplier and the product.

Code	Metric	Performance/reference	Code	Metric	Performance/reference
	Environmental impacts in the supply chain				
CG-AA-430a.1	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements	<p><b>Sustainability Progress Report 2021 (p. 16)</b></p> <p>In 2021, 187 factories (Tier 1) supplying our Private Labels, representing 96% of our production volume, completed the SAC's Higg Facility Environmental Module and shared their results. This tool provides facilities a clear picture of their environmental impacts. It helps them identify and prioritize opportunities for performance improvements and includes water use/efficiency and waste water.</p>	CG-AA-440a.2	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard, by standard	<b>Sustainability Progress Report 2021 (p. 26)</b>
CG-AA-430a.2	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment or an equivalent environmental data assessment		Activity metric		
	Labor conditions in the supply chain		CG-AA-000.A	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1	<p><b>Sustainability Progress Report 2021 (p. 37, 65)</b></p> <p>In 2021, we disclosed 100% of our Tier 1 suppliers (Private Labels) on our corporate website and also shared this data with the Open Apparel Registry (OAR) to further enhance transparency, access OAR IDs for these facilities and facilitate collaboration with stakeholders. We are committed to increasing transparency and disclosing deeper levels of our supply chain on an ongoing basis. In addition, we disclose Tier 2 factories, relating to core final material manufacturers and leather tanneries for our shoes and accessories products.</p>
CG-AA-430b.1	Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labor code of conduct, (3) percentage of total audits conducted by a third-party auditor	100% of our Tier 1 factories are audited by a certified third party before onboarding. In 2021, a total of 175 audit reports for new and existing Tier 1 factories were evaluated. New certified external audits from all existing factories are required on a regular basis.			
CG-AA-430b.2	Priority non-conformance rate and associated corrective action rate for suppliers' labor code of conduct audits	<b>Sustainability Progress Report 2021 (p. 38)</b>			
CG-AA-430b.3	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	<b>Sustainability Progress Report 2021 (p. 15-16, 34-38)</b>			
Raw materials sourcing					
CG-AA-440a.1	Description of environmental and social risks associated with sourcing priority raw materials	<p><b>Sustainable Sourcing Policy (see p. 25)</b></p> <p>In our Sustainable Sourcing Policy, we set the baseline for social, environmental and chemical compliance. The policy applies to all Zalando business partners and aims at reducing social and environmental risks in manufacturing processes and raw material sourcing (e.g. human rights risks related to forced labor or environmental risks related to deforestation or animal welfare).</p>			
			CG-EC-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	<p><b>Sustainability Progress Report 2021 (p. 14)</b></p> <p>(1) Total energy consumed: 659,005 GJ</p> <p>(2) 459,850 GJ grid electricity was consumed in 2021, which is around 70% of total energy consumption.</p> <p>(3) 562,853 GJ renewable energy (electricity and biogas) was consumed in 2021, which is around 85% of total energy consumption.</p>
			CG-EC-130a.2	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	We do not currently have access to the water information of our suppliers.

Code	Metric	Performance/reference	Code	Metric	Performance/reference
	Data privacy & advertising standards			Data security	
CG-EC-220a.1	Number of users whose information is used for secondary purposes	<p>Zalando provides its customers transparency about their data usage within our Privacy Notice.</p> <p>We primarily process this information to provide and improve our services, to enable users with a personalized user experience on our website, fulfill orders, for our customer care service, account administration and fraud prevention.</p> <p>For Zalando it is important to enable each customer to make choices about their personal data. Our Cookie Consent solution therefore enables customers to decide whether their data should be used for personalization of their Zalando experience and/or whether their data can be used for marketing purposes.</p>	CG-EC-230a.1	Description of approach to identifying and addressing data security risks	<b>Annual Report 2021 (Consolidated management report, Risk and opportunity report)</b> Cybersecurity threats from internal or external attacks or internal control weaknesses may damage vital aspects of specific Zalando domains, including our customer-facing applications. Comprehensive solutions to prevent those threats include technological security solutions, defined preventive approaches, and specialized in-house resources like the IT Security Team to identify, detect, protect, respond, and recover from dangers relating to cybersecurity threats and incidents.
CG-EC-220a.2	Description of policies and practices relating to behavioral advertising and user privacy	<p><b>Annual Report 2021 (Consolidated management report, Risk and opportunity report)</b></p> <p>For Zalando data privacy is a customer promise. Zalando therefore implemented internal Privacy Principles that provide guidance for strategy business questions to its employees.</p> <p>We provide a public Privacy Notice to customers to transparently inform about the ways Zalando processes customer data. Next to it, we established several customer-facing tools like a Privacy portal and a Cookie Consent banner so that customers can get informed and exercise their privacy rights.</p> <p>Zalando set-up and maintains records of processing activities and PIAs where needed and governs important privacy topics like data retention with group wide policies.</p>		Employee recruitment, inclusion & performance	
			CG-EC-330a.1	Employee engagement as a percentage	<b>Diversity &amp; Inclusion Report 2021</b>
			CG-EC-330a.2	(1) Voluntary turnover rate for all employees	<b>Sustainability Progress Report 2021 (p. 65)</b>
			CG-EC-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	<b>Sustainability Progress Report 2021 (p. 64)</b>
			CG-EC-330a.4	Percentage of technical employees who are H-1B visa holders	This metric does not apply to Zalando as the H-1B visa is specific for the US.
				Product packaging & distribution	
			CG-EC-410a.1	Total greenhouse gas (GHG) footprint of product shipments	<b>Sustainability Progress Report 2021 (p. 13, 15, 63)</b>
			CG-EC-410a.2	Discussion of strategies to reduce the environmental impact of product delivery	<b>Sustainability Progress Report 2021 (p. 12-17, 18-21)</b>
				Activity metric	
			CG-EC-000.A	Entity-defined measure of user activity	<b>Annual Report 2021 (Overview: Zalando at a glance)</b>
			CG-EC-000.B	Data processing capacity, percentage outsourced	We do not currently track the percentage of outsourced processing capacity.
			CG-EC-000.C	Number of shipments	<b>Annual Report 2021 (Overview: Zalando at a glance)</b>



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**Realization and production**  
Zalando Corporate Brand  
Communications with the  
collaboration of Strichpunkt –  
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03/2022

