Sustainability Progress Report 2022

zalando

Our progress:
2022 at a glance

Planet

Carbon footprint

78%
reduction of Scope 1 & 2 emissions

14%
reduction of private label emissions per gross profit

58%
of partners, by emissions, have set SBTs

2025 goal progress:

80%	40%	90%

Packaging

5.1g
single-use plastic packaging per item shipped

2023 goal progress: 49%

0g

Products

Assortment

17%
of GMV generated with more sustainable products

2023 goal progress: 68%

25%

Circularity

We extended the life of more than

4m
products

2023 goal progress: 8%

50m

People

Ethical standards

We updated and tested our human rights risk assessment, preparing for rollout to all direct suppliers in 2023.

We published a new Policy Statement on Zalando's Human Rights Strategy, setting out principles for human rights due diligence.

Skilling

5,016
people have received skilling opportunities, encompassing upskilling, reskilling and meta-skilling.

2023 goal progress: 50%

10,000 people

About this report

Format and content

GRI 2-2, 2-3

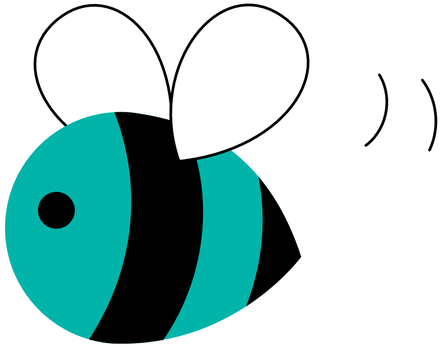
This third Zalando Sustainability Progress Report is structured around the six sustainability commitments detailed in our do.MORE strategy. Despite progress on the commitments over the past year, we know we can do more to improve our sustainability performance and support positive change across the fashion industry. We are committed to these goals, and to using our position to lead the way toward a more sustainable future.

In this report, we describe our progress, our projects, and the challenges we face. We also look to the year ahead, and the steps we will take to become a more sustainable fashion platform with a net-positive impact for people and the planet. The report describes our progress over the financial year January 1 to December 31, 2022. For each of our targets, we describe the challenges we face, our commitment, our progress, and our contribution in detail. In short reflections, we highlight our insights and aspirations. Finally, we provide roadmaps outlining our planned next steps.

The report is published in English and German and is available on our corporate website. Additional information can be found online. For questions or feedback, please contact us at sustainability@zalando.de.

Materiality assessment

The content herein is based on our do.MORE strategy and a materiality analysis completed in 2019. To identify our most material sustainability topics, we created a shortlist focused on three key aspects of our business: product manufacturing, operations, and consumers. We validated and ranked the list 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 the reporting requirements of the Global Reporting Initiative (GRI) (and eight topics in accordance with the CSR Directive on Non-Financial Reporting). We use the analysis to prioritize our efforts in the context of our strategy.



Reporting standards & frameworks

This report references the international GRI sustainability reporting standards. The GRI content index and a key figure table can be found in the annex. We also adhere to Sustainability Accounting Standards Board (SASB) standards, enabling us to disclose financially material sustainability information. The SASB index 2022 can be found in the annex. In 2022, we published our second report on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The report (covering the financial year 2021) is available on our corporate website.

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

Zalando's combined non-financial declaration for ZALANDO SE and Zalando group can be found in Zalando's 2022 Annual Report.

SUSTAINABLE DEVELOPMENT GOALS

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Index

Foreword 2

Strategy 5

Planet 11

Products 24

People 37

Annex 50

The power to learn

GRI 2-22

Three years ago, we set off on a journey. Through our do.MORE strategy, we aimed to become a sustainable fashion platform with a net-positive impact for people and the planet. We wanted to accelerate our progress and improve our performance, as well as use our position in the industry to collaborate with our partners in achieving our goals.

As we have progressed on our journey, we have learned that we can achieve a lot. Working with our colleagues, partners, and customers, we know we can make a positive impact through the way we do business. One reason is that, despite employing more than 16,000 people, we have retained our start-up DNA. For us, it is collaboration and looking ahead that count, as well as the willingness to keep trying in challenging times. We try, learn, try harder – embracing a spirit of continuous improvement in a fast-changing world.

> “As we have progressed on our journey, we have learned that we can achieve a lot. Working with our colleagues, partners, and customers, we know we can make a positive impact through the way we do business.”

David Schneider
Co-CEO, ZALANDO SE

As we make progress, we continuously review our targets, deciding whether we are achieving the impact we desire and adjusting as necessary. At the end of the day, it is not only KPIs that matter, but the sustainability impact we can make over time. We have gained valuable knowledge and insights along our journey, which we will use to revise our own approach to sustainability and derive new actions. Through these actions, we will continue navigating our journey with the goal of making a more positive impact on people and the planet.

The past year has been challenging, both economically and because of the current geopolitical situation. We believe flexibility is especially important now, as the world faces significant uncertainty. We are also coping with regulatory change, for example through the EU’s first circular economy package and associated regulations. The package contains new directives relating to sustainability claims, ecodesign, packaging waste, corporate due diligence, and reporting rules. We welcome these new rules, which will create a more level playing field across our industry. Moreover, they are a sign that regulators see sustainability as a vital element of our future economy.

The legislative program will continue to challenge and support us as we move forward. For ourselves and our partners, implementation will require a lot of detailed work. Through small steps, we will achieve a lot. At the same time, we need to be ready to act decisively when opportunities arise to make a step change.

One of our key aims going forward will be to ensure that we share our lessons and insights with our partners. Knowledge has that rare quality of multiplying when shared, and this is precisely the effect we anticipate. A good example of the principle in action is our collaborative FASHION LEAP FOR CLIMATE platform, which we launched this year with ABOUT YOU and YOOX NET-A-PORTER. The platform provides unique learning opportunities and step-by-step guidance on measuring emissions and setting targets aligned with climate science, as well as access to expert support.

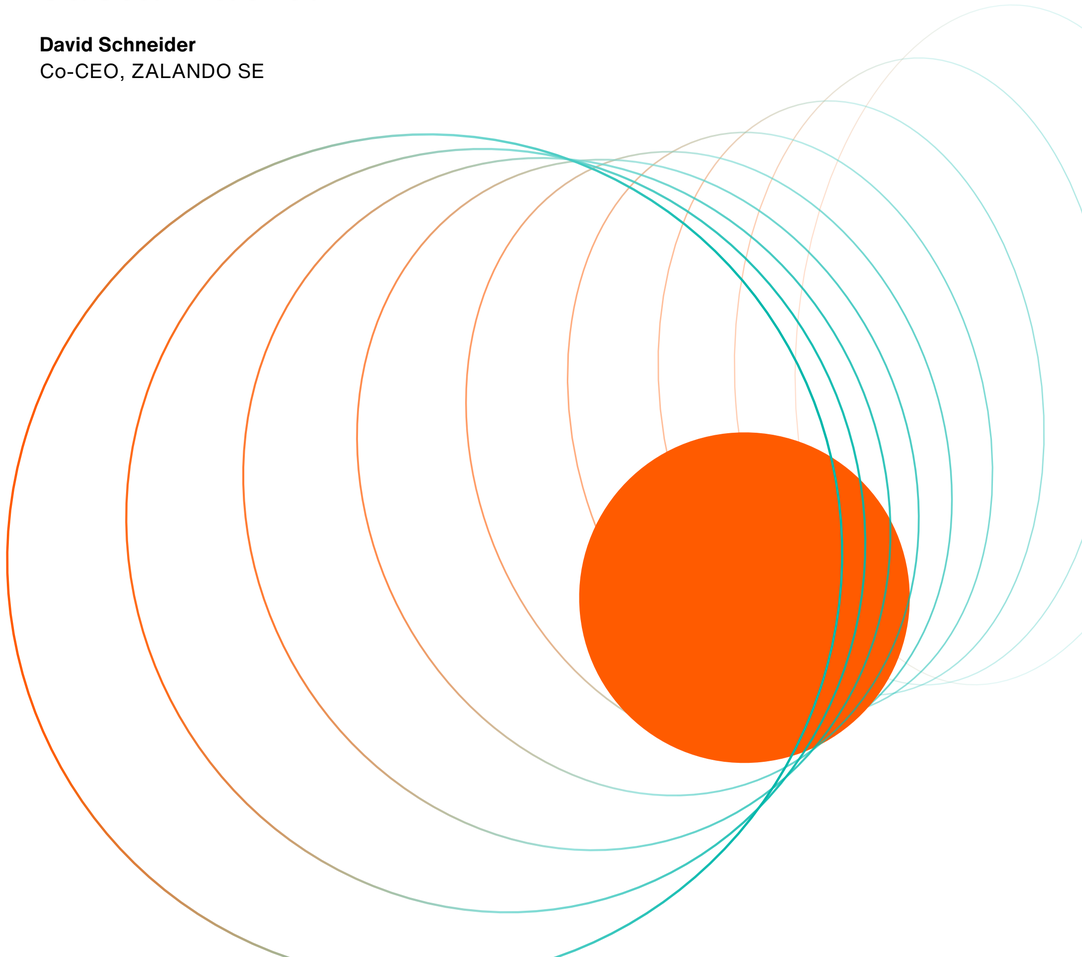
We faced several challenges in the past, and knowing that many more lie ahead, we will not underestimate the fundamental changes we will need to make as we try to answer the big questions around climate change, human rights, and the circular economy. However, we are focused on improving with each step and never losing sight of the big picture.

Three years after the start of our do.MORE strategy, it is clear we are still on a journey and we are still learning. This is probably the most positive lesson of our experience: seeing the enormous power that lies in our ability to learn. Constant learning and openness to change will remain the basis for following our ambition of shaping the fashion industry to be more sustainable.

David Schneider
Co-CEO, ZALANDO SE

> “Constant learning and openness to change will remain the basis for following our ambition of shaping the fashion industry to be more sustainable.”

David Schneider
Co-CEO, ZALANDO SE

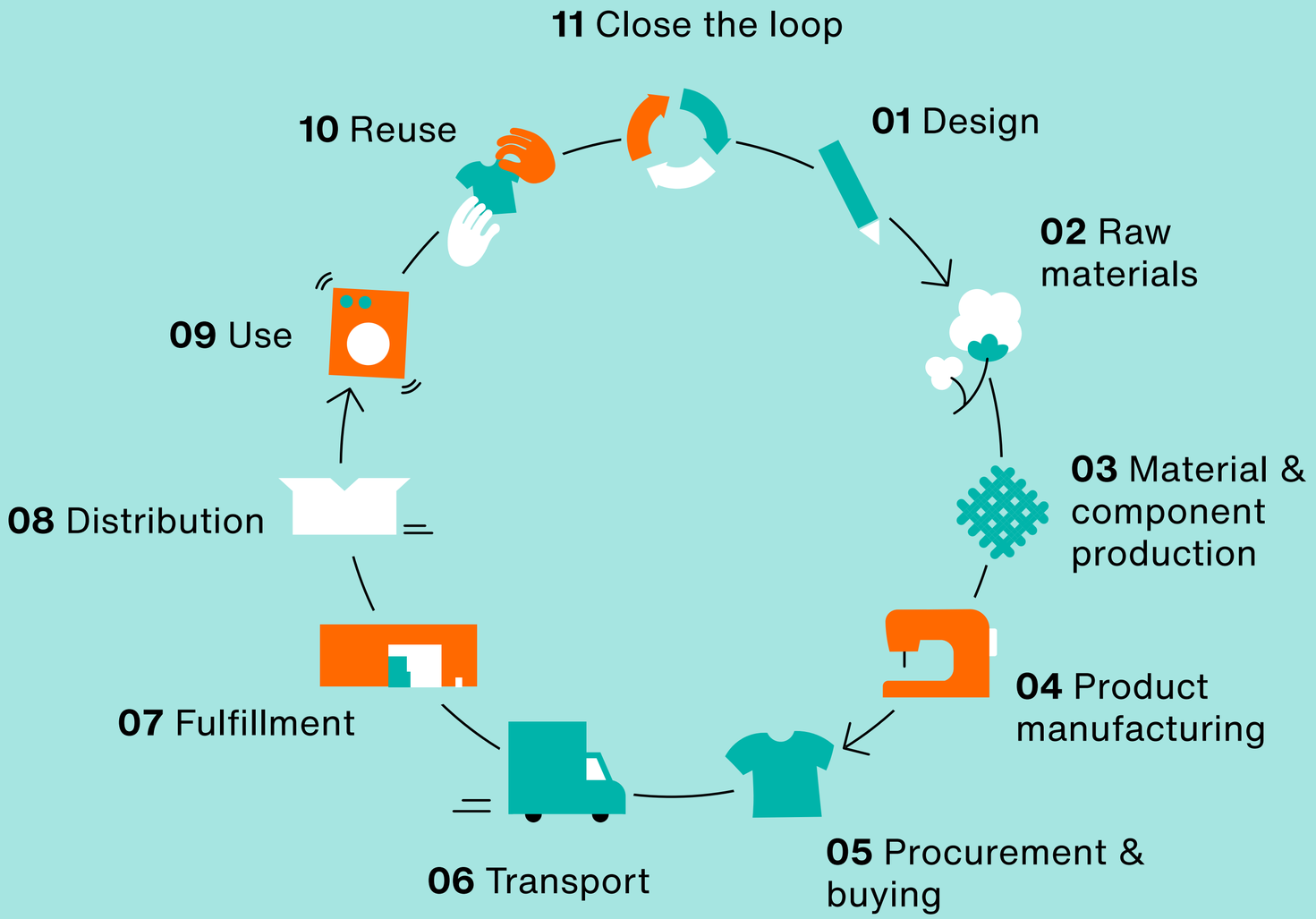


The Zalando value chain

Zalando is a leading European platform for fashion and lifestyle. We work with thousands of partner brands, and we create our own styles through our private labels. The primary destination for our more than 50 million active customers is the Zalando Fashion Store. Our customers can also join the Lounge by Zalando shopping club or browse in one of our 13 outlet stores. Our logistics network is composed of 12 fulfillment centers, serving customers in 25 European markets.

Our partners can connect to the Zalando platform through our wholesale proposition, our Partner Program, which enables brands and retailers to directly link their warehouse inventory, and our connected retail option, which links physical stores to the platform.

Zalando value chain



Zalando's value chain comprises 11 areas of activity through the product life cycle:

01 Design. Our private labels and a selection of brand partners design products based on materials, look, style, and quality.

02 Raw materials. Our private labels and a selection of brand partners work with suppliers to source and process raw materials.

03 Material and component production. Producers convert fibers into yarn and yarn into fabric.

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

05 Procurement and buying. We present the creations of thousands of brands.

06 Transport. Our logistics partners transport products to our fulfillment centers.

07 Fulfillment. Our products are stored in fulfillment centers and shipped when customers place orders.

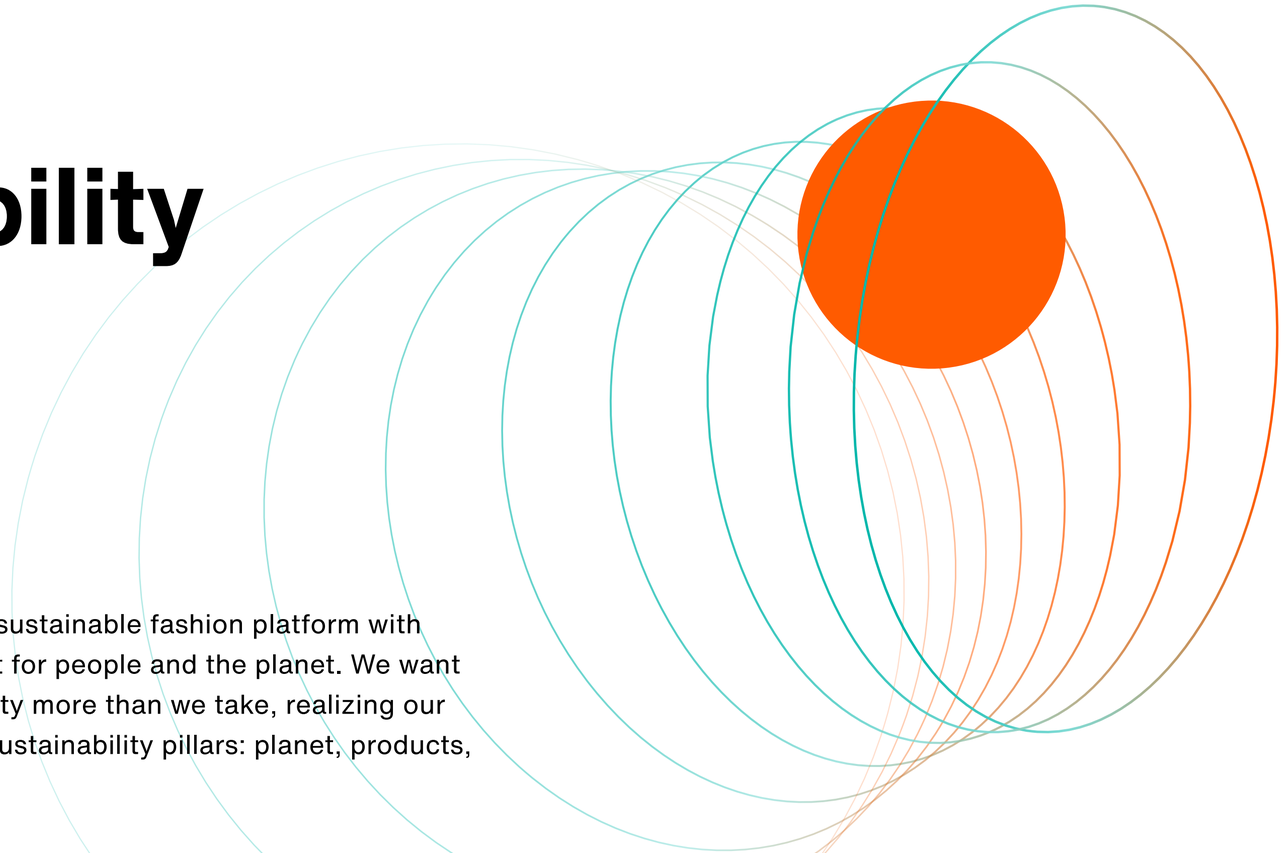
08 Distribution. Our logistics partners deliver products to our customers or stores.

09 Use. Our customers wear, care for, and repair their products.

10 Reuse. Our customers in selected markets can give products another life through Zalando Pre-owned.

11 Close the loop. We work with our customers and partners to recycle products, feeding them back into production or finding other environmentally-friendly options.

Our sustainability strategy



GRI 2-9, 2-11, 2-12, 2-23, 2-29

Our vision is to be a sustainable fashion platform with a net-positive impact for people and the planet. We want to give back to society more than we take, realizing our vision across three sustainability pillars: planet, products, and people.

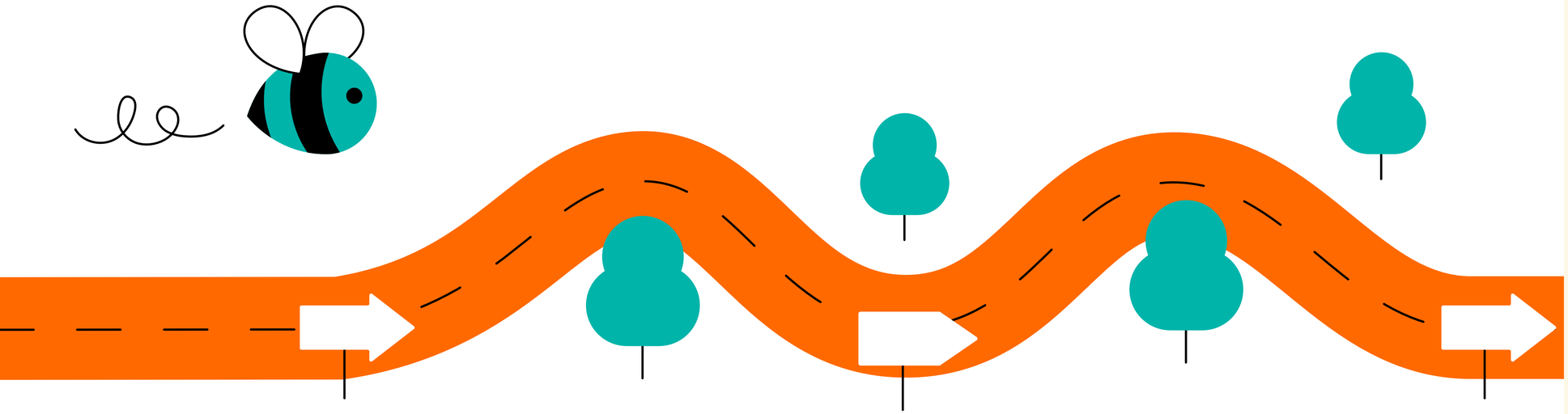
As the **planet** continues to warm, we will continue to cut greenhouse gas emissions in line with climate science. In addition, as an e-commerce business that relies on delivery to our customers, we will prioritize more sustainable packaging options and reductions in packaging materials. Through our **products**, we want to help our customers make more informed choices. And we aim to preserve resources by promoting circular activities including reuse, resale, and recycling. Based on the same circularity principles, we target waste reduction across our business. Finally, there can be no sustainability agenda without respect and fairness for **people**. We are committed to raising our standards and providing our workforce with skilling and career opportunities.

Ratings and indices

CDP Climate Change Rating: In 2022, we received an "A-" score in the CDP Climate Change Rating.
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 13.5, we were once again placed in the low risk category. We maintained our overall MSCI ESG rating score at "AA".
S&P Global CSA: We scored 51 points in the S&P Global Corporate Sustainability Assessment, reflecting an improvement of 15 points over the previous year.
Fashion Transparency Index: We scored 44% on the Fashion Transparency Index, compared to 16% in 2017.
We publish 100% of our private label Tier 1 suppliers[1] and some Tier 2 suppliers (final material manufacturers and leather tanneries).

Reports and ratings

1 We define Tier 1 suppliers and factories as those involved in the final manufacturing of the product and its packaging for shipping.



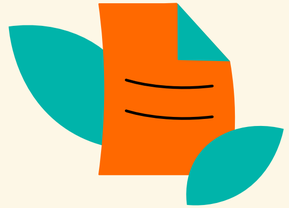
These principles are reflected in our six sustainability targets:

- **By 2025,** we have achieved 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.[2]
- **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.

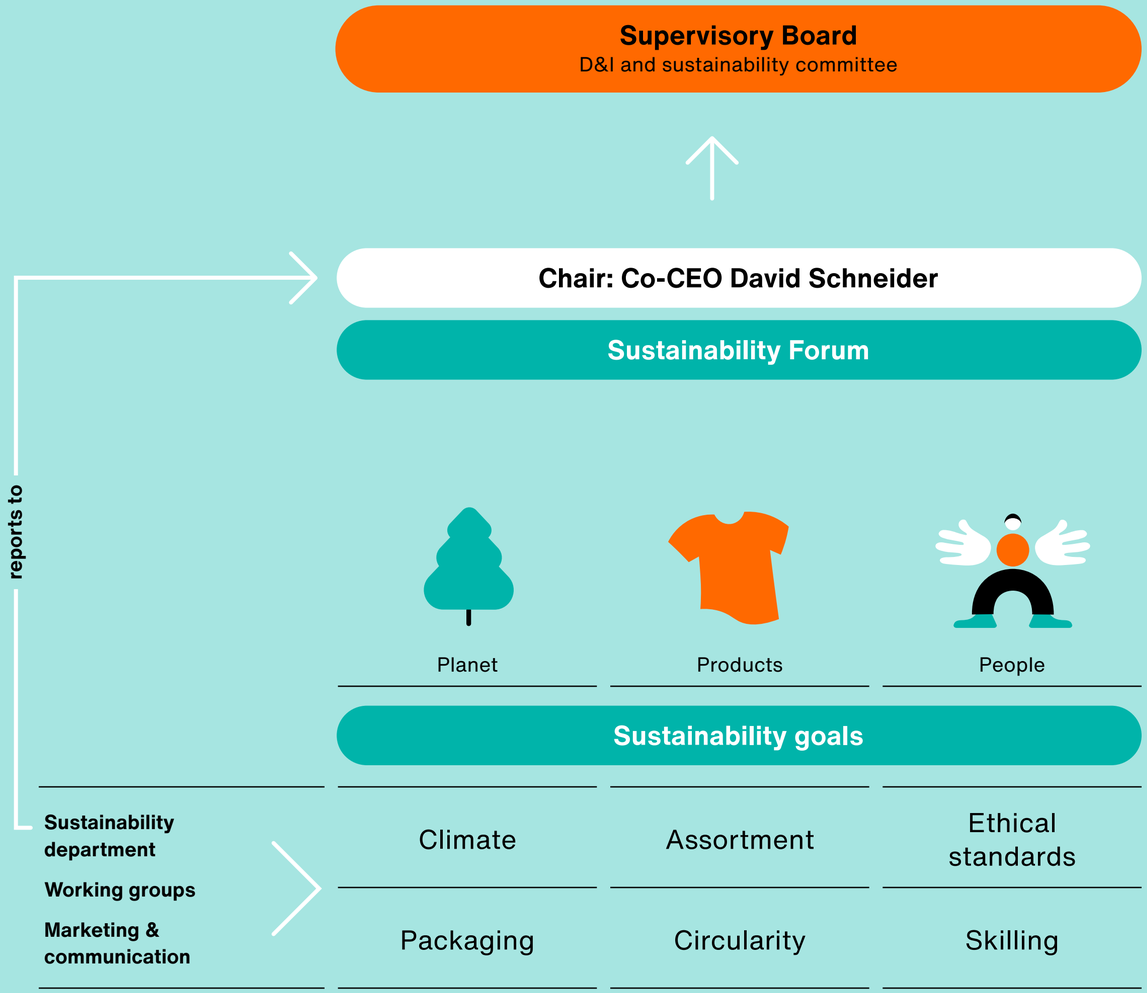
2 This target has a timeframe beyond 2023 because science-based targets (SBTs) must cover a minimum of five years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.

A shifting regulatory landscape

As part of its Green Deal agenda, the European Commission in 2022 published its first circular economy package, including a range of obligations on sustainability claims, ecodesign, packaging, and waste. The legislation will protect consumer interests and encourage companies to improve their sustainability performance. The German Supply Chain Due Diligence Act and the EU Corporate Sustainability Reporting Directive will emphasize effective data monitoring, due diligence, and reporting. We support this drive toward harmonized standards, and look forward to collaborating with our brand partners, regulators, and the wider stakeholder community.



Sustainability governance structure



To guide our decisions, we have created sustainability work streams and appointed executive sponsors for each of our targets. Our quarterly Sustainability Forum, chaired by Co-CEO David Schneider, provides leadership and advocacy for sustainability across the company. The forum brings topical expertise to our discussions, and helps us promote meaningful change. Our D&I and sustainability committee meets biannually to support our sustainability strategy and advise the Supervisory Board and its committees on implementation and reporting.

We would not be able to navigate our journey without the valuable partnerships we enjoy with thousands of brands, as well as the input of our customers. We are grateful for their insights and inspiration. We are also thankful for the support of the many industry bodies and NGOs that help us plan for the future and maintain the standards we have set for ourselves.

We welcome our dialogue with policymakers, whose work helps us shape our business and meet the demands of an evolving regulatory landscape. And we are happy that our efforts are reflected in our public assessments and ratings.

In 2022, we validated our Human Rights Due Diligence Program against the requirements of the German Supply Chain Due Diligence Act, laying the groundwork for holistic risk management. The program helps us identify human rights risks and act as quickly as possible to address them.

As we look to the future, we know that collaboration with all our stakeholders will continue to drive our progress. Together, we can make positive change happen.

Stakeholders

Planet

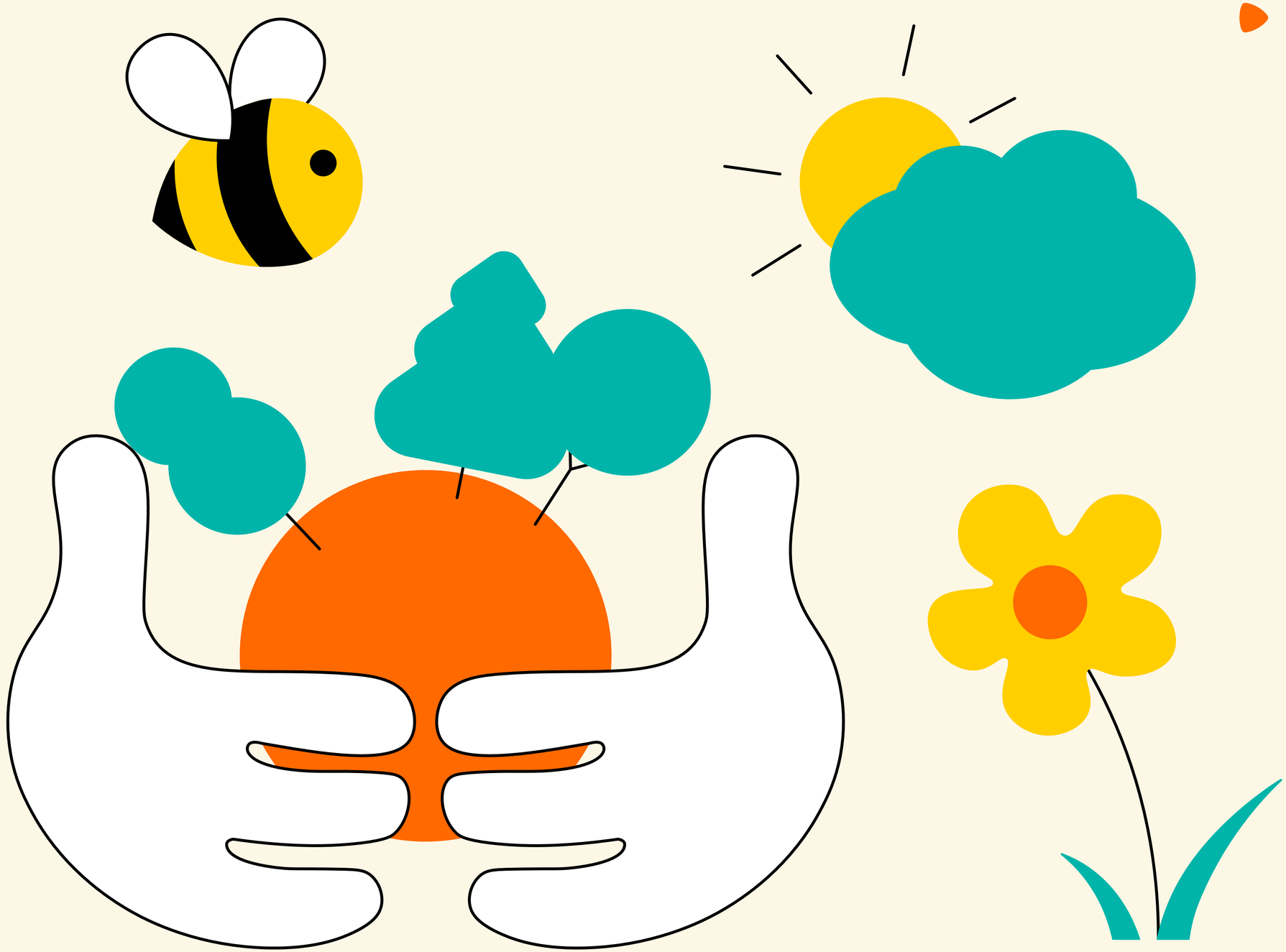
Aligning with the UN Sustainable Development Goals

Through our measures to reduce carbon emissions along the value chain, we contribute to achieving global climate goals.
Read more on p. 12.

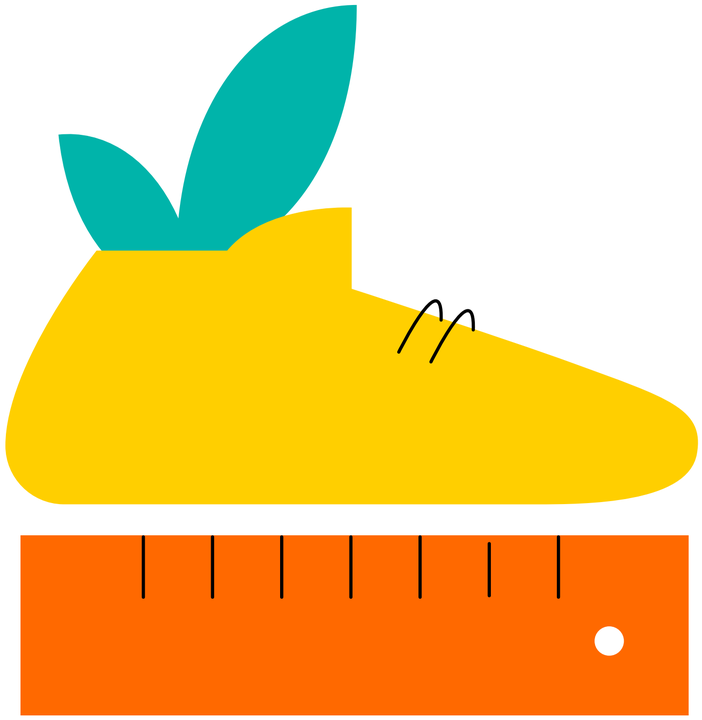
We apply the principles of circularity to the design of our packaging to minimize waste and keep materials in use.
Read more on p. 19.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION



Driving down greenhouse gas emissions in line with climate science



The challenge

GRI 2-28, 3-3, 302-1, 305-1, 305-2, 305-3, 305-5

The world continues to add carbon dioxide and other greenhouse gases to the atmosphere, putting the goal of limiting global warming to well below 2°C compared to pre-industrial levels, and preferably 1.5°C, even further beyond reach. We strongly support the Paris Agreement goals and have thus set emissions reduction targets approved by the Science Based Targets initiative (SBTi)[3]. To achieve these targets, we need to consider our activities across every link in our value chain, using all the levers at our disposal. Our task is to implement these effectively and to continue to push forward until we achieve our goals.

3 The Science Based Targets initiative (SBTi) drives ambitious climate action in the private sector by enabling organizations to set science-based emissions reduction targets. Science-based targets provide companies with a clearly-defined path to reduce emissions in line with the Paris Agreement goals.

Our commitment

By 2025, we have achieved our science-based targets (SBTs) 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:

- **To align with a 1.5°C pathway,** Zalando commits to reducing Scope 1 and 2 greenhouse gas (GHG) emissions by 80% by 2025 against a 2017 base year. Zalando also commits to expanding annual sourcing of renewable electricity from 34% in 2017 to 100% by 2025.
- **Zalando commits** to reducing Scope 3 GHG emissions from private label products by 40% per million euro gross profit by 2025, from a 2018 base year. Zalando also commits that 90% of its suppliers (by emissions, including goods and services sold on its platform, packaging, and last-mile-delivery partners) will have set SBTs by 2025.

Our progress[4]

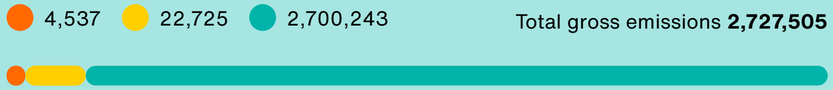
- **In 2022, we reduced** our Scope 1 and Scope 2 emissions by 78% against a 2017 baseline (compared to 67% in 2021). We used 100% renewable electricity across our own operations.
- **Our Scope 3 emissions** from private label products decreased by 14% per million EUR gross profit, from a 2018 base year (compared to 18% in 2021).
- **58% of our suppliers** (by emissions, including the products we sell, packaging and last-mile-delivery partners) have set SBTs (compared to 52% in 2021).

4 2021 progress differs from previously reported data. This is mainly due to methodological changes applied to our GHG inventory accounting as well as improved data quality. Details are described in the following sections.

Our carbon footprint in metric tons CO_2 equivalent (t CO_2e)

Scope 1 Scope 2[5] Scope 3[6]

2017 (baseline year)



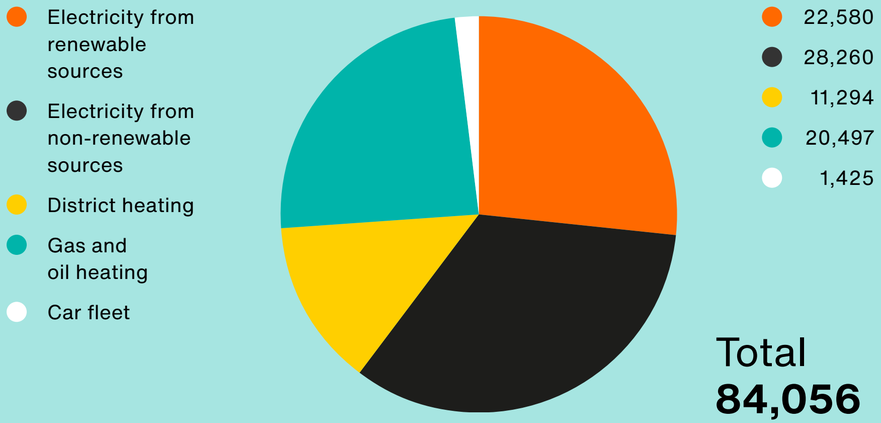
2022

5 The location-based value for Scope 2 emissions in 2022 is 67,779 CO_2e.

6 Includes the following emission categories: purchased goods and services (Private Labels, Wholesale, Partner Program, Offprice, Recommerce, 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, and investments.

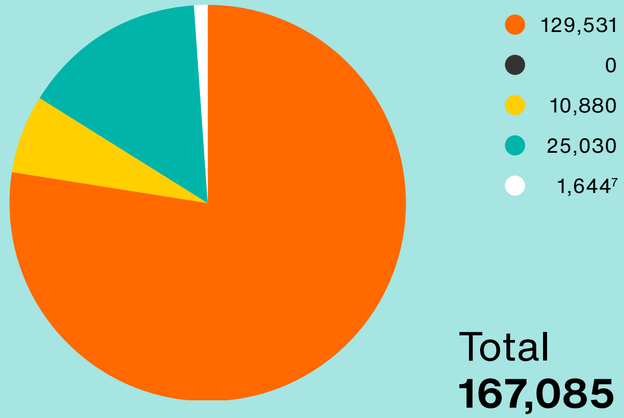
Energy use by source in MWH (Scopes 1 and 2)

2017 (baseline year)



Total
84,056

2022



Total
167,085

7 Electricity consumption from electric vehicles is excluded here and reported under “Electricity”.

Our contribution

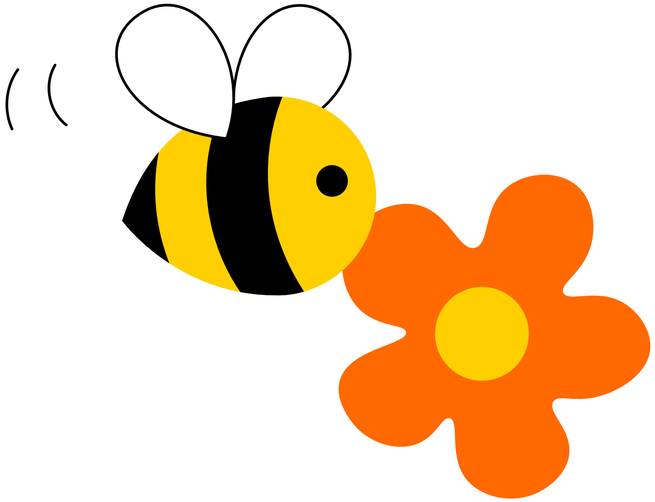
Reducing Scope 1 and Scope 2 emissions

We are committed to reducing direct GHG emissions and the indirect emissions associated with our purchase of energy. Since joining the RE100 initiative in 2020, we have obtained all our electricity from renewable sources, ensuring alignment with the RE100 Technical Criteria. We use a combination of procurement tools, primarily green tariffs and onsite power purchase agreements. Our energy management system is certified to the latest ISO 50001 standard, and our fulfillment centers and offices have green building certification[8]. Our German fulfillment centers are heated with biogas.

Gas heating in our logistics centers is the largest source of our Scope 1 and 2 emissions, followed by heating in our office and retail spaces. For district heating, we plan to install more smart meters, providing data that will help us identify efficiency opportunities.

In 2022, a 78% reduction of Scope 1 and 2 emissions was achieved against a 2017 baseline. One of the key contributors to the additional progress in 2022 was the availability of supplier-specific emission factors for district heating, which reflects the switch to lower-carbon energy sources for district heating by our suppliers. Emissions from gas consumption at logistic and non-logistic locations for heating decreased by 35.8% in 2022 compared to 2021. However, they are still 21.9% higher compared to the 2017 baseline, due to the expansion of Zalando’s operations since 2017. The reduction in 2022 can be attributed to efficiency measures, warmer temperatures, and higher gas consumption in 2021 required for fresh air supply related to the COVID-19 pandemic.

8 The certification is based on LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method), among others.



We now also have access to actual refrigerant leakage data from our logistic locations and are applying this data in our emissions calculation instead of industry averages. This updated leakage rate has been applied to both logistic and non-logistic locations as of the 2017 base year. As a result, annual cooling emissions are 92% lower compared to previously reported figures for the years 2017–2021.

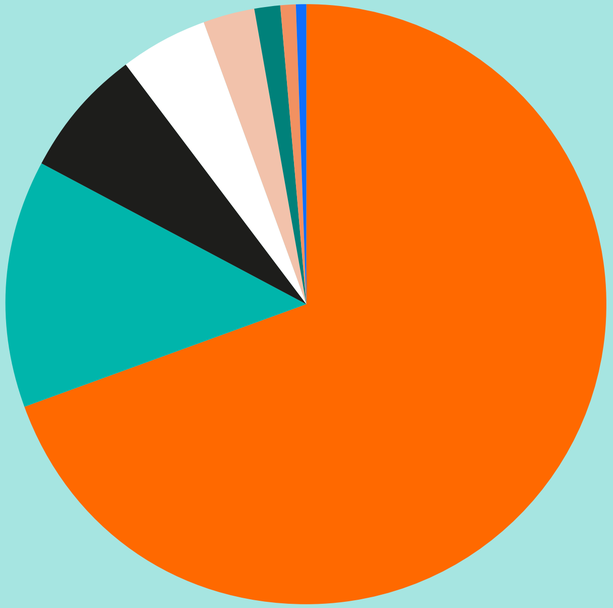
Progress on Scope 3 emissions

The majority of our emissions stem from Scope 3 sources. This includes emissions from manufacturing, packaging, and transportation of the products we sell on our platform. In 2022, Scope 3 emissions accounted for 99.9% of our emissions, with product-related emissions (incl. packaging) accounting for 70.6% and transportation-related emissions accounting for 7.0%.

To minimize the emissions from products we sell through our retailing and platform businesses, we work closely with our brands, packaging and last-mile-delivery partners to support them in emissions reduction target setting in line with the SBTi criteria.

To support brands in setting climate targets aligned with science, we launched a pilot program offering one-on-one support. In 2021 and the first half of 2022, 15 partners took part, with seven committing to set SBT. To scale our efforts, we joined forces with the online retailers ABOUT YOU and YOOX NET-A-PORTER to launch FASHION LEAP FOR CLIMATE, a learning

Scope 3 emissions by source 2022 (in %)



- **69.5%** Products (manufacturing)
- **13.3%** Use of sold products
- **7%** Upstream transportation and distribution (incl. deliveries and returns)
- **4.7%** Purchased goods and services (non-product)
- **2.9%** Capital goods
- **1.1%** Packaging
- **1%** End-of-life treatment of products sold
- **0.5%** Other[9]

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

platform that provides opportunities for peer learning and step-by-step guidance on measuring emissions and setting targets aligned with climate science.

By the end of 2022, brand, packaging and last-mile-delivery partners accounting for around 58% of our 2022 supplier-related emissions had set SBTs. This represents a 6% progress from the previous year, when partners with SBTs accounted for 52% of supplier-related emissions.

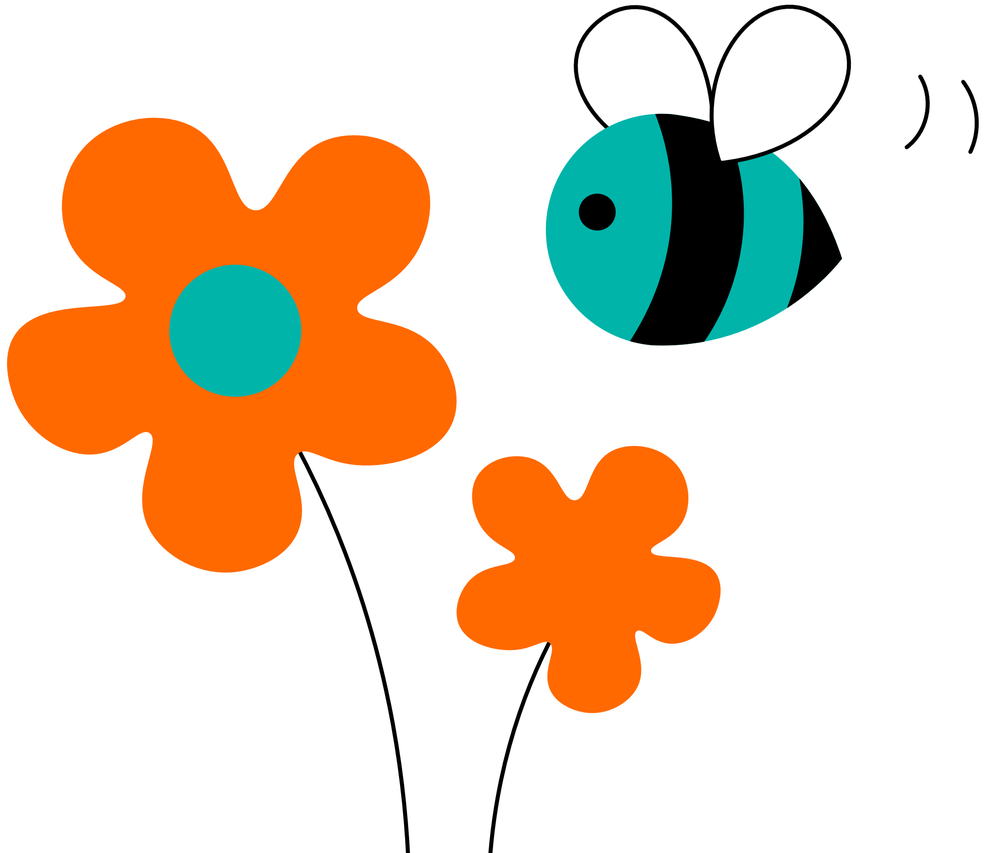
Tackling product-related emissions

The products sold on our platform and via our outlet stores account for 69.5% of our emissions, with private label products representing 8.4% of that total. We aim to reduce these private label product emissions through materials efficiency, substitution, and innovation, as well as by reducing energy consumption in manufacturing and using more renewable energy.

In 2022, our private label emissions fell by 14% per million EUR gross profit, from a 2018 baseline. This reduction is the result of gross profit performance. Since this is a relative target, it is impacted by changes both in the numerator and the denominator. Compared to the baseline year (2018), the numerator (private label emissions) grew by 53% but the denominator (Zalando gross profit) grew by 78%, thus leading to a relative reduction of emissions.

We will scale investments in more sustainable materials and low-carbon manufacturing to ensure target achievement by 2025. Alongside this, we will build on improvements made in data collection processes and analysis to ensure quality data sources while taking the steps necessary to align our GHG accounting methodology with emissions reduction tracking from materials and manufacturing efforts.

In 2022, as part of an overall effort to optimize data management for sustainability metrics, we have implemented refinements to product emissions calculation to improve accuracy of emissions from Zalando's purchased products according to the GHG Protocol. The refinements included assigning weights to products that previously had no weight assigned, as well as improvements to the accounting methodology related to product assembly (Tier 1) emissions. These changes triggered a recalculation of 2017–2021 emissions related to private labels and Wholesale product manufacturing. Recommerce and Partner Program product emissions calculations, which are partly based on proxy data from Wholesale, were also updated. Emissions calculations for our Offprice product emissions category were previously based on spend data. As of this year (and retroactively for all years since our base year 2017), we have switched to an improved data source which is based on materials and weights. These changes resulted in adjustments to previously calculated emissions reduction targets progress outlined in the "our progress" section above.



Fashion industry apparel and footwear emissions

Based on 2019 World Resources Institute calculations, the apparel sector is responsible for 2% of global emissions. When it comes to fashion products, raw material extraction (Tier 4) accounts for 24% of emissions; processing raw material into yarn (Tier 3), accounts for 15%; materials production, especially wet processes of textile chemical treatments and dyeing (Tier 2), accounts for 52%; and cut, make, and trim (Tier 1) account for 9%. The identification of emissions hotspots in materials extraction and wet manufacturing, where a lot of energy is needed to heat water, is consistent with our own private label analysis.

Our private label emissions

In 2022, we conducted a hotspot analysis of our private label product-related emissions. This served as the basis for a roadmap for switching to more sustainable materials and supporting investment in manufacturing energy efficiency and renewable energy; especially in wet processing facilities, where textile substrates are treated with colorants and/or chemicals, which requires significant energy and water.

In November 2021, we launched a Facility Improvement Program at some of our strategic private label facilities, finished production assembly (Tier 1) and material production (Tier 2). The program is focused on reducing fossil fuel and water usage, expanding use of renewable energy, and enabling knowledge building and sharing. It supports facilities in identifying carbon emissions hotspots, creating actions plans for reducing and

tracking carbon and water use/consumption. To further improve our supply chain energy efficiency and renewable energy performance, we plan to deepen our engagement with supply chain partners. We will continue to support facilities with action plan implementation and expand the program to more facilities.

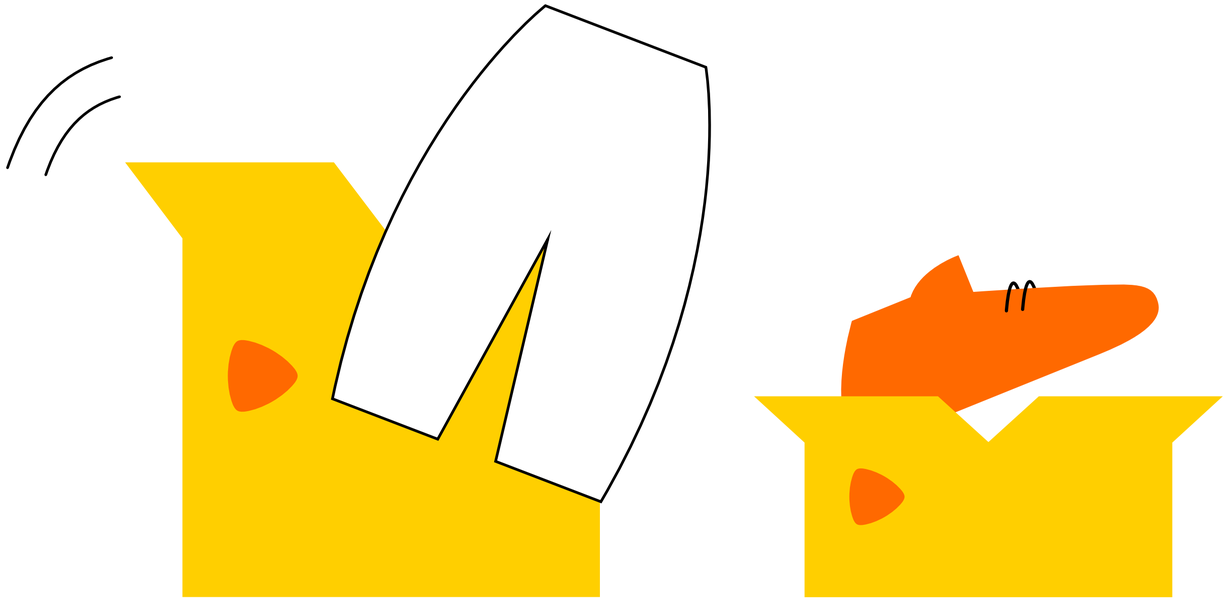
Our reflections

With every step we have taken, we have become more confident in understanding the levers required to achieve our 2025 target. We must work in our own operations and to support our supply chain partners in making the necessary changes. Key to our success is our commitment to aligning with science and joining forces to drive lasting change.

Our roadmap

- Scope 1 and 2 emissions: In 2023, we will continue to explore ways to reduce heating-related emissions, and to seek efficiencies in our offices and facilities.
- Scope 3 emissions: Based on our private label emissions hotspot analysis and alternative materials research, we will scale our Facility Improvement Program to private label supply chain partners (Tiers 1 and 2 facilities) and increase the use of low-carbon materials in our private label assortment. Additionally, we will leverage the FASHION LEAP FOR CLIMATE platform to reach more brand partners in setting their own climate targets.
- We will continue to assess opportunities for further improving our purchased goods emissions calculation methodology, for instance through the integration of primary data from our facilities.

Reimagining packaging and minimizing waste



GRI 2-28, 3-3, 301-2, 306-1, 306-2, 306-3, 306-4, 306-5

The challenge

Packaging plays a key role in protecting products, but the materials are often used once and then thrown away. Single-use plastic (SUP) packaging[10] is a real challenge because it is predominantly made with fossil fuels, associated with emissions and pollution on land and at sea.

We want to move away from a take-make-waste system, and toward a circular approach to packaging. But finding scalable solutions to eliminate SUP polybags remains a challenge. In addition, our use of alternative paper-based solutions was constrained in 2022 by supply chain bottlenecks and rising paper costs. In response, we are doubling down on our efforts to develop reusable packaging and intralogistics containers, used to transport products to our warehouses.

Our commitment

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

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

Our progress

- **Of the 62,000 metric tons** of packaging materials we used in 2022, 86% stemmed from recycled input and 99% was recyclable (compared to 68,000 metric tons, 89% and 99% in 2021 respectively).
- **The procured amount of single-use plastic packaging** per item shipped from Zalando group[11] fell by 37.5% to an average of 5.1 grams (compared to 8.1 grams in 2021).
- **Over the past year,** the volume of single-use plastic packaging per item produced for our private labels[12] increased by 4.9% to an average of 5.4 grams, compared to 5.1 grams in 2021.
- **Despite our efforts,** we expect to miss our self-imposed deadline for single-use plastic elimination by the end of 2023.

99%

of packaging materials was recyclable

Our contribution

Reducing our reliance on single-use plastics

We use single-use plastic packaging in our polybags, in which we wrap most items we ship, as well as in our shipping bags, tape, and void fill. Over the past year, we have continued to test and implement new approaches to reducing our reliance on single-use plastics. We have more to learn, but have passed some important milestones:

- **Void fill.** Void fill is the plastic matter we insert in boxes to provide stability and protection. In October 2022, we stopped using single-use plastic void fill in our Zalando Fashion Store shipments. Our efforts avoided around 50 metric tons of plastic waste. In Lounge by Zalando, we piloted void fill reduction and paper alternatives.
- **From plastic to paper shipping bags.** We continued to switch from plastic to paper shipping bags in the Zalando Fashion Store. At the end of 2022, we had reduced our use of single-use plastic shipping bags to 17% (compared to 37% a year earlier).
- **Polybags.** Polybags ensure products are protected throughout their life cycle. However, they are significant sources of waste. To reduce our usage, we are introducing more efficient folding techniques in our private labels and reducing bag thickness in our Fashion Store. Through these initiatives in 2022, we avoided 919 metric tons of single-use plastics. In the Nordics, we piloted reusable polybags with 100% post-consumer recycled content. These are less likely to be damaged when opened, meaning they can be returned intact and used again. The initiative can be scaled once we have a clearer understanding of the infrastructure required.

11 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).

12 In scope is all customer-facing single-use plastic packaging procured by Zalando private labels (our own fashion brands).

Our packaging materials (Fashion Store and Lounge)

Paper shipping bags[13]

100%

paper
(all FSC®, mixed virgin/recycled)

Pre-owned: 100% recycled paper

Polybags

90%

recycled plastic[14]

Beauty bags

100%

recycled paper

Shipping boxes[15]

100%

recycled cardboard

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

13 At the end of 2022, 83% of shipping bags used were made of paper, while 17% were made of single-use plastic.

14 Polybags are made of 90% recycled content, comprising 50% pre-consumer waste and 40% post-consumer waste.

15 In October 2022, we stopped using single-use plastic void fill in our Zalando Fashion Store shipments.

New materials in packaging design
When designing packaging, we prioritize materials that contain a high proportion of recycled content and are easily recyclable. Our polybags are made of 90% recycled content, comprising 50% pre-consumer waste[16] and 40% post-consumer waste[17]. In 2022, we tested 100% post-consumer recycled plastic polybags.

In our private label packaging, we raised the proportion of recycled content from around 60% in 2021 to around 85% in 2022. We continued to roll out 100% recycled shoeboxes and transition to 100% recycled polybags.

Some packaging solutions, such as paper shipping bags, Zalando shopping bags, and cardboard boxes, require virgin materials for strength and durability. As a member of Canopy Pack4Good, we are committed to protecting forests in the sourcing of paper-based packaging. We are continuing to work with our packaging suppliers to use more post-consumer recycled content, and request FSC® certification where virgin fibers are used.

Our journey toward reusable packaging
In 2022, we continued to explore reusable packaging. As part of that process, we conducted a life cycle assessment (LCA) to understand its environmental impacts. We discovered that reusable packaging can have less impact on resource use and climate change than traditional packaging, depending on the three key factors: the weight of material, the non-return rate, and the transportation distance. Based on these insights, we plan to continue testing reusable concepts and related operations.

We have launched a project to reuse cardboard boxes when transporting goods between fulfillment centers. In 2022, this allowed us to avoid the use of 980 metric tons of new boxes.

Our reflections

Polybags keep products clean and dry while they are stored in warehouses or are in transit to their final destinations. Therefore, scaling circular solutions to eliminate single-use polybags remains one of our key challenges. We need to challenge ourselves and the industry to find innovative alternatives.

16 Pre-consumer recycled material includes materials diverted from the waste stream during a manufacturing process.

17 Post-consumer recycled (PCR) content is material generated by households or by commercial, industrial, and institutional facilities in their role as end users of the product that can no longer be used for its intended purpose.

Our roadmap

Looking ahead, we plan to double down on our efforts to develop circular solutions for packaging. In 2023:

- We will continue to reduce the amount of material per package shipped. This will mean continuing to eliminate void fill and optimizing our packaging portfolio, including lightweighting (reducing the overall amount of material) and using smart algorithms to identify the right packaging size from the start (reducing the amount of air).
- We will continue to test and scale paper-based alternatives for single-use plastic shipping bags and tape.
- We will continue to experiment with reusable packaging solutions, including scaling the use of reusable boxes for transportation between fulfillment centers. In collaboration with our partners, we will continue to develop reusable polybags.
- We will leverage bespoke analytics and data from our life cycle assessment (LCA) to optimize packaging solutions.

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

	2022	2021
Non-hazardous waste	**32,484**	**30,980**
Reuse	11	16
Recycling	30,474	29,275
Paper & packaging (paper, cardboard & plastic)	29,004	29,098
Other (e.g. scrap metal, e-waste)	1,470	177
Incineration (with energy recovery)	1,515	1,338
Incineration (without energy recovery)	484	351
Hazardous waste	**44**	**39**
Total	**32,528**	**31,019**

Our operational waste footprint

To support our employees in the post-COVID environment, we introduced hybrid working. And with our warehouses and stores operating normally again, we brought more people back on site. This inevitably led to higher volumes of waste. Over the year, we created 32,528 metric tons of waste, of which a significant proportion was packaging material used for shipments and returns. In response, we launched projects to introduce lighter-weight packaging, using shipping bags rather than boxes and reusable intralogistics containers.

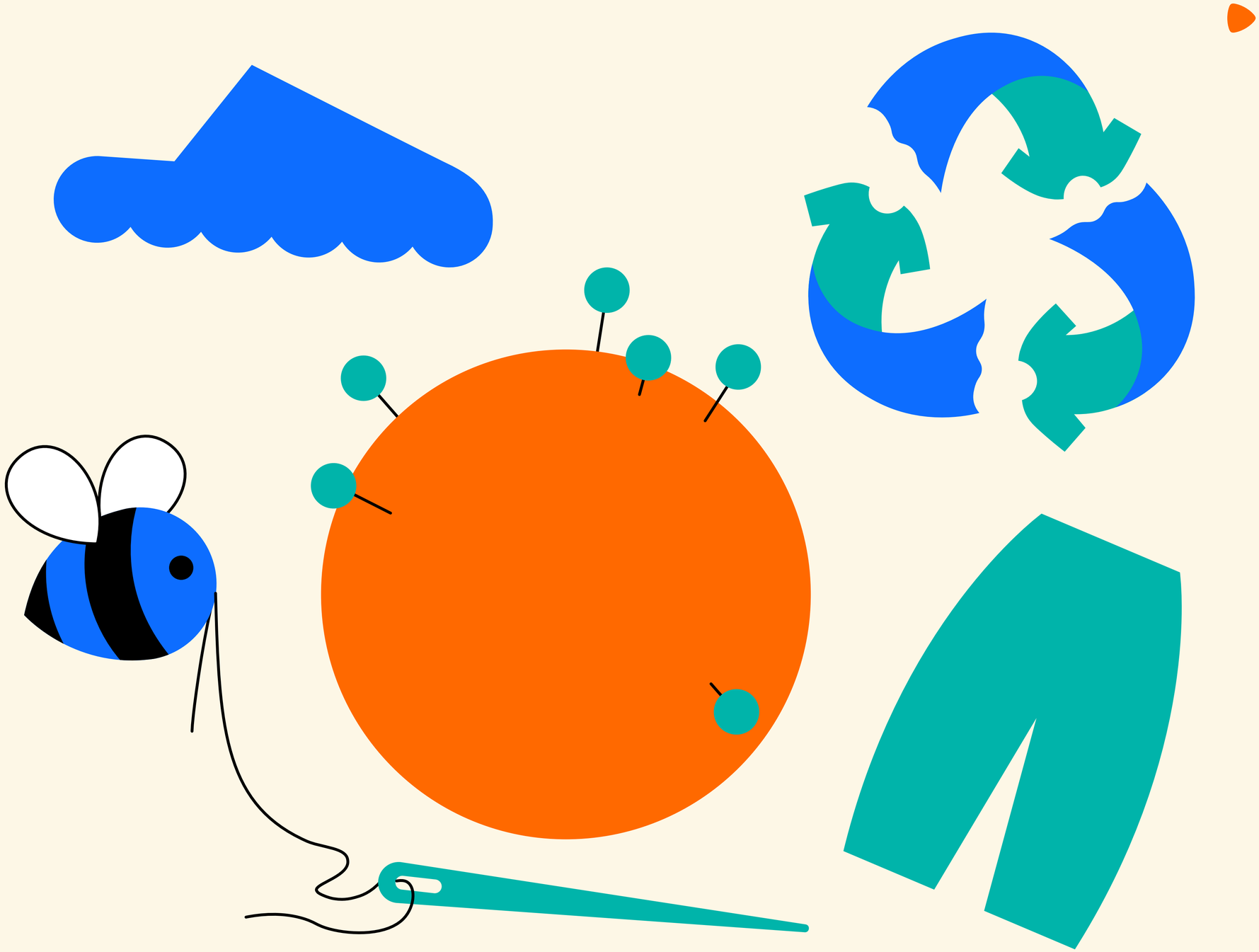
Products

Aligning with the UN Sustainable Development Goals

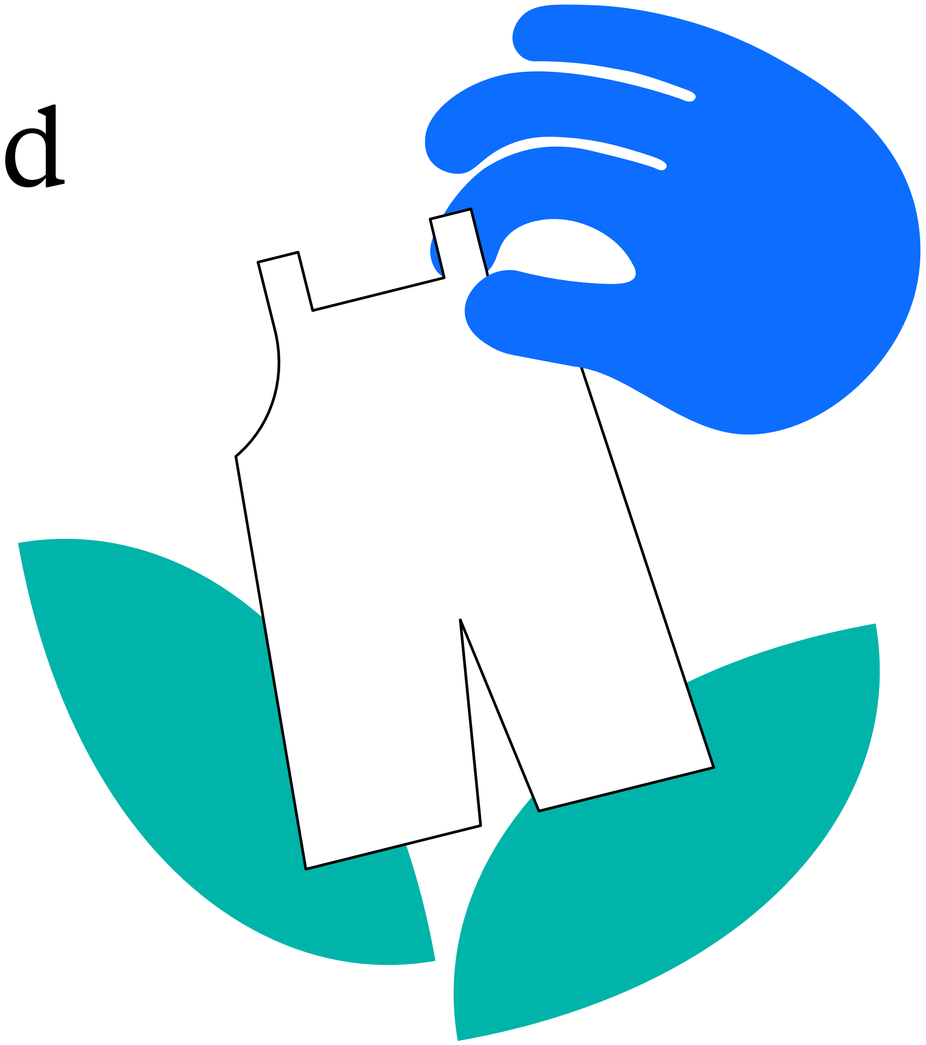
We strive to enable our customers to make more informed choices by providing more transparent and substantiated product sustainability information.
Read more on p. 25.

Together with our customers and brand partners, we accelerate circularity in the fashion industry and extend the life of millions of products.
Read more on p. 31.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Driving more informed choices



GRI 3-3, 301-2

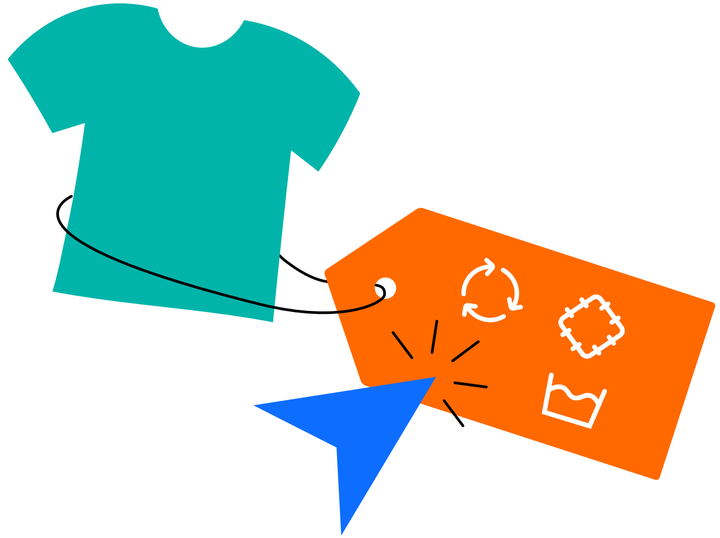
The challenge

We know that many of our customers want to reflect their sustainability values in their fashion decisions, but struggle to translate their priorities into action. In our Attitude-Behavior Gap Report, we found that one in two consumers are unclear on what sustainability means in a fashion context. This highlights a need for more specific and reliable product information.

In 2017, we introduced a sustainability flag to serve as a starting point to develop our sustainability communications. When we launched our do.MORE strategy in 2019, we set a target for our sustainability assortment to account for 20% of our Gross Merchandise Volume (GMV) by 2023. We later raised that to 25%, aiming to encourage our partners to join us on our journey.

Our commitment

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



Our progress

- **In 2022, we grew our sustainability assortment** to more than 180,000 products, compared to around 140,000 a year earlier. These products accounted for 17% of our GMV, compared to 21.6% in 2021[18].
- **In 2022, more than 54%** of our customers bought at least one product carrying a sustainability icon, compared to 60% in 2021[19].

Our contribution

Improving the traceability of sustainability claims
In December 2021, the EU Commission updated its guidance on the Unfair Commercial Practices Directive, providing insight into when environmental claims can be made, how information should be substantiated, and when information may be considered greenwashing. In anticipation of the legislation, and to foster trust in our communications, we reviewed our certificates, trademarks, and licenses, and created a new customer experience in our sustainability communications.

Our sales of products with sustainability-related attributes accounted for 17.0% of GMV in 2022, compared to 21.6% under the previous criteria reported last year. The decline was mainly due to adjustments to our criteria, to ensure that the certifications we accept provide sufficient traceability, in line with EU regulatory guidance. Over the coming months, we will continue to work with certification bodies and brand partners to address traceability requirements. However, our 2023 target is now likely beyond reach. We have shared our learnings with our partners, so they can make commitments based on the best available information.

To streamline our customer experience, we launched a project that involved multiple Zalando teams, more than 100 employees, and thousands of brands. Following more than a year of work, we stopped using our sustainability flag and in-house criteria and shifted our focus to third-party standards. Still, our new approach is based on the same certifications as the previous criteria, including the Global Organic Textile Standard (GOTS) and trademarked/licensed fibers, such as TENCEL™, Lyocell, and Infinna™. The full list of accepted certified, licensed, and trademark fibers and materials can be found at our Fashion Store. We now require more data from brand partners which allows for better substantiation and validation of sustainability information.

To support our customers, we make our sustainability-related product information available through tappable icons representing various sustainability attributes. Customers can access information including the percentage of certified material in a product.

18 For the Zalando group, after returns.
19 For the Zalando Fashion Store, before returns.

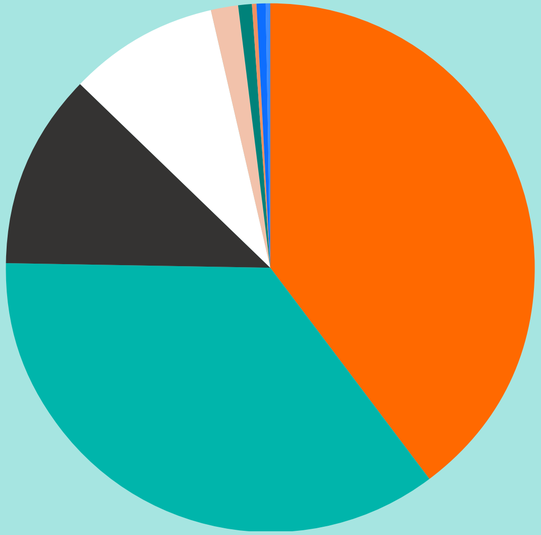
The changes we have introduced bring significant data challenges; both in extracting data from the value chain and in sharing it in a standardized format. We continue to collect product-related sustainability information from brands, and we validate information through our weekly enrichment process. This validates that product data is complete and fulfills criteria such as minimum percentage requirements and minimum certification levels. If we find inaccuracies, we either remove the information or correct the claims.

Responding to external challenges

In 2022, supply chain bottlenecks led to steep increases in the cost of fibers, such as organic cotton, and a challenging economic environment put pressure on consumer demand for products with sustainability attributes. This impacted our ability to grow our assortment of products that counted toward our 25% GMV goal.

One way we responded was to embrace exciting innovations in the sustainability space. To help grow the supply of organic cotton, we adopted the in-conversion organic standards developed by Global Organic Textile Standard (GOTS) and Organic Content Standard (OCS). We also introduced textile-to-textile recycled fibers, such as Infinna™, Cycora®, ECONYL®, and NuCycl™. These can be recycled again and again, helping to build a more circular future for fashion.

Criteria in our sustainability framework (as of December 31, 2022)

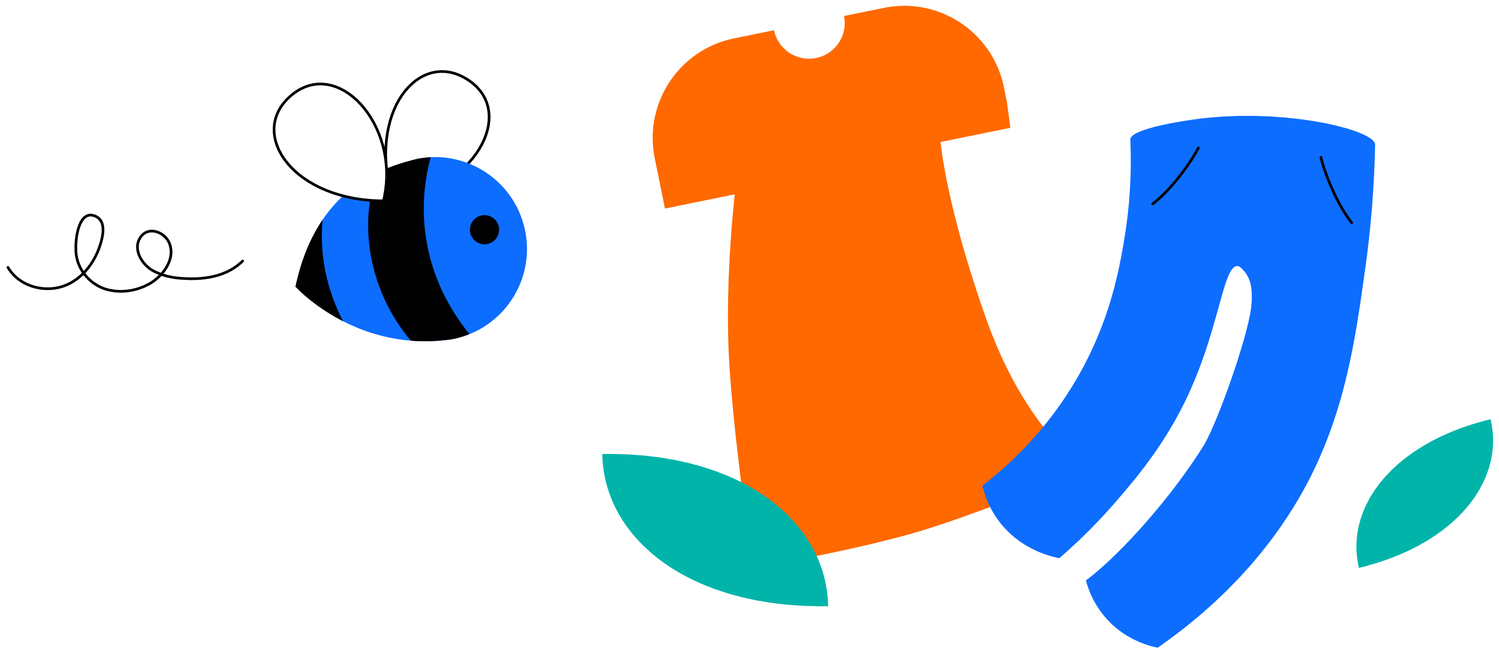


Zalando attribute groups with leading third-party standards[20]

- **40%** Organic materials and ingredients
  79% Global Organic Textile Standard “Organic”
  10% Organic Content Standard (OCS) – 100
- **36%** Recycled materials and packaging
  69% Global Recycled Standard (GRS)
  15% Recycled Claim Standard (RCS) – Blended
  2% REPREVE® (Unifi)
- **12%** Improved production
  80% Leather Working Group (LWG)
  9% Chrome-Free Tanned Leather
- **9%** Responsibly sourced materials
  42% Lyocell
  16% Organic Content Standard (OCS) – Organic in Conversion
  8% LENZING™ ECOVERO™
- **2%** Cruelty free
  76% Cruelty Free International
- **< 1%** Innovative materials
  61% U.S. Department of Agriculture (USDA) – Certified Biobased
- **< 1%** Responsibly sourced ingredients
- **< 1%** Natural ingredients
  50% ECOCERT (COSMOS NATURAL)
- **< 1%** Designed for circularity
  47% Cradle to Cradle Certified® Gold
- **< 1%** Refillable
  < 1% Refillable Primary Packaging

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 often use certified materials (a T-shirt made with GOTS organic cotton fabric, but the final product and brand are 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 generic claims, through which the use of certified materials and processes (e.g. organic, recycled) can still be traced.

20 Zalando group logos used prior to the roll-out of the new icons (pre-October) have been re-assigned to these Zalando attribute groups and contribute to end-of-year figures. The key includes leading third party standards only, full 100% of standard contributions are not shown.



Setting minimum product requirements

By setting baseline requirements, we aim to boost our customers' confidence, and by regularly reviewing our policies, we influence our partners' sourcing practices. Our Sustainable Sourcing Policy ensures that all products (not just those attached to sustainability claims) are produced with minimum levels of ethical and environmental responsibility. The policy defines minimum requirements for 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. Finally, our Restricted Substances List specifies permitted limits of toxic and harmful substances, in line with the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation and other rules.

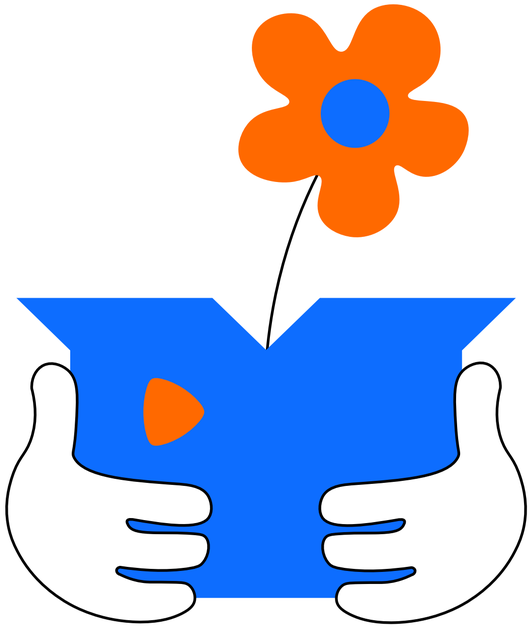
Using fibers with less environmental impact

In our private labels, we see fiber choice as a powerful lever to reduce emissions and achieve circularity benefits, such as durability and recyclability. Over the past year, we have continued switching to lower-impact fibers and materials (including recycled fibers). To better understand the impacts of our 2023 materials sustainability targets, we worked to quantify the impact of different materials on our GHG emissions, in line with our private label SBT.

Improving choice in our private labels

Our private labels[21] are key levers for us to achieve our targets and are a proving ground for innovation. We are working to ensure that all our private label products have at least one sustainability-related attribute and achieve the minimum standards we have set. We have achieved this goal for all products in our sustainability flagship brand ZIGN, and are increasing the share of more sustainable materials in our other private label brands. In 2022, products with sustainability-related attributes accounted for 58% of our private label GMV.

We are expanding our use of organic cotton and sourcing of recycled and transitional cotton, and are researching innovative materials and materials aligned with circular design principles. In 2022, we achieved brand-level certifications for the Textile Exchange's Responsible Down Standard, Responsible Wool Standard, Recycled Claim Standard, Organic Content Standard, and Responsible Mohair Standard.



Following our investment in Infinited Fiber Company (IFC), our private labels team has signed a commercial agreement to buy Infinna™ – a cotton-like fiber made of post-consumer textile waste. The team is testing the fiber and working on new products, which we hope to launch at the end of 2023 or beginning of 2024.

Our reflections

Product-level data represents a big challenge for us and the industry, amid inconsistencies, variations in quality, and a lack of common standards. After intensive work over the past year, we now better understand what data we need to make reliable product claims, and are using this knowledge to improve data collection from our partners. Looking ahead, unified data standards and ease of data access will be important to unlocking value for customers.

Our roadmap

- In 2023, we will continue to embed our Circular Design Criteria, launched in 2022, in the company's operations. We will prioritize our private labels.
- A trustworthy and engaging customer experience is founded on high-quality data. We will continue to support brands in obtaining data from their value chains, and working with industry bodies to reduce friction in data transfer. We will also refine our data quality validation tests.
- We plan to review our minimum product requirements.

21 Anna Field, Even&Odd, Friboo, Pier One, YOURTURN, and ZIGN.

Private label materials

Shoes & hard accessories[22]

45.4%
Polyurethane

of which
14.6%
water-based PU

28.8% Global Recycled Standard

14.7%
Other[23]

of which
38% certified to various standards[24]

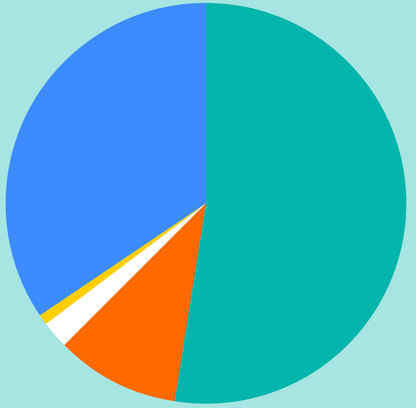
16.4%
Polyester

of which
43.4%
recycled polyester

23.5%
Leather

of which
94.7%
more sustainable leather[25]

Apparel & soft accessories[26]



52.6% 3,354t
Cotton

of which
26.5% 888.1t
Better Cotton

43.1% 1,444.2t
organic cotton

10.6% 353.8t
recycled cotton

4.9% 163.3t
transitional cotton

10.1% 643t
Man-made Cellulosic Fibers

of which
91.9% 591.3t
more sustainable man-made cellulosics[27]

34.2% 2,180t
Synthetics

of which
34.6% 754t
recycled synthetics

0.9% 59t
Animal-derived fibers

of which
46.4% 27.5t
responsible animal-derived fibers[28]

2.2%
Other

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

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

24 Includes standards like Forest Stewardship Council (FSC), GOTS, OCS, Global Recycled Standard (GRS) and AppleSkin™ (Mabel Industries).

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

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

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

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

Extending the life of fashion

GRI 2-28

The challenge

Over the past 20 years, production of fashion items has doubled to more than 100 billion items annually, while the average number of times items are worn has halved, resulting in more resources going to landfill and incineration. However, about 82% of fashion items that are thrown away could be cleaned, repaired, or resold[29].

Circular design means ensuring that products are made from safe and recycled or renewable inputs, are used more, and are made to be made again.[30] We are on a journey to accelerating circularity in fashion, creating new business models, infrastructure, and technology solutions. Our ambition is to empower consumers to make better choices on how they engage with and access fashion. To get there, we need to take action through our value chain, from designing products with a longer life to promoting sustainable purchasing decisions and encouraging repair.

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 4 million fashion products (more than 1.7 million in 2022).

29 “Leading Circular: Pathways for Evolving Apparel and Textile Businesses from Linear to Circular”, The Renewal Workshop, 2021.

30 “Vision of a circular economy for fashion”, Ellen MacArthur Foundation, 2017.

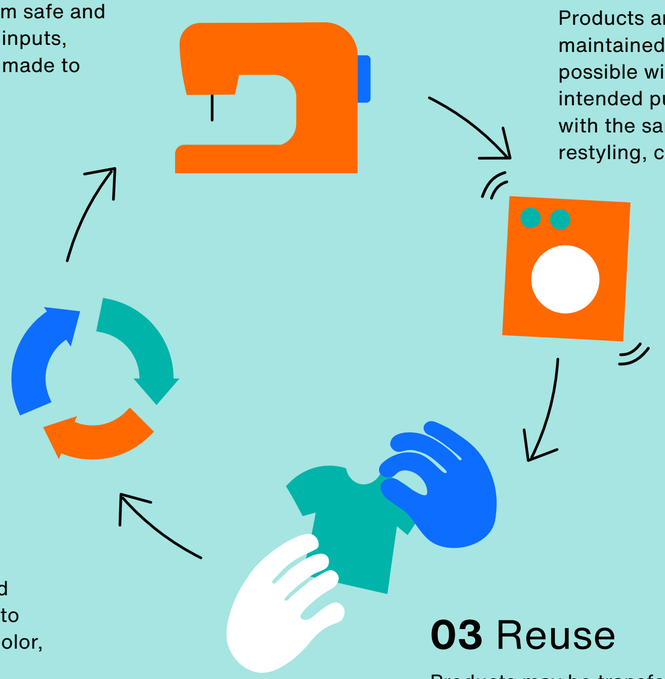
A simplified circularity flow

01 Design & manufacture

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

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 than their original intended purpose (through resale, sharing, rental).

04 Close the loop

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

Our contribution

We aim to extend the life of products through action across four pillars: design and manufacturing, use, reuse, and closing the loop. In 2022, we continued to develop and deliver our circularity strategy, and took steps in each pillar. Our initiatives included the introduction of Circular Design Criteria, an online care and repair pilot, and a growing Pre-owned offering. We invested in textile-to-textile recyclers, and continued to expand our network of automated sorting and recycling partners – aiming to increase the volume of textile waste being recycled into high-quality textiles.

While we have made progress, we regretfully will not reach our 50 million target in our anticipated timeline. In 2019, we were keen to establish ambitious targets that would drive meaningful change – not just at Zalando, but across the industry. However, all stakeholders have been impacted by a shortage of scaled infrastructure to support circular solutions. To achieve the scale required, we will need to collaborate further with brands, industry partners, and customers.

Design and manufacture

On Earth Day 2022, we announced the launch of our first Circular Design Criteria, co-developed with our long-standing partner circular.fashion. The criteria are built on three principles aligned with the Ellen MacArthur Foundation's circular design guidelines. Each of these break down into sub-elements – for example, limited blending of three or fewer fiber types, or a recycler's declaration on whether the product contains mainly post-consumer or pre-consumer recycled fibers.

In 2022, our private labels designed and produced about 775,000 items in line with circular design principles, allowing us to test the criteria and encourage a mindset shift in the design and manufacturing process.

To accelerate impact and foster consistency across the industry, we are working with ASOS, BESTSELLER and H&M on circular design, using the Ellen MacArthur Foundation's vision of a circular economy for fashion as a basis. At first, the consortium's ambition was to align approaches – such as securing agreement on circular design terminology – and to learn from each other. Now the plan is to expand the scope to drive further impact and scale.

Use

In 2022, in partnership with Save Your Wardrobe, we continued our care and repair services pilot in Berlin. The pilot provided valuable insights into our customers' needs. We found that flexibility and convenience are important, alongside options such as zero-emissions delivery and reusable packaging. To help us meet these needs, we onboarded a green logistics partner.

Nikolaj Storm: Copenhagen Fashion Week's circularity success

Among the highlights of recent months, the 2021 winner of the Zalando Sustainability Award at Copenhagen Fashion Week Nikolaj Storm partnered with the Zalando team to implement our Circular Design Criteria for its new collection.

Nikolaj Storm will be our first brand partner to develop a collection based on the criteria. The capsule is a great showcase of challenges as well as progress of applying circular design. Nikolaj himself plans to use the proceeds to continue developing his sustainable design ideas and embed circularity by design into his business.

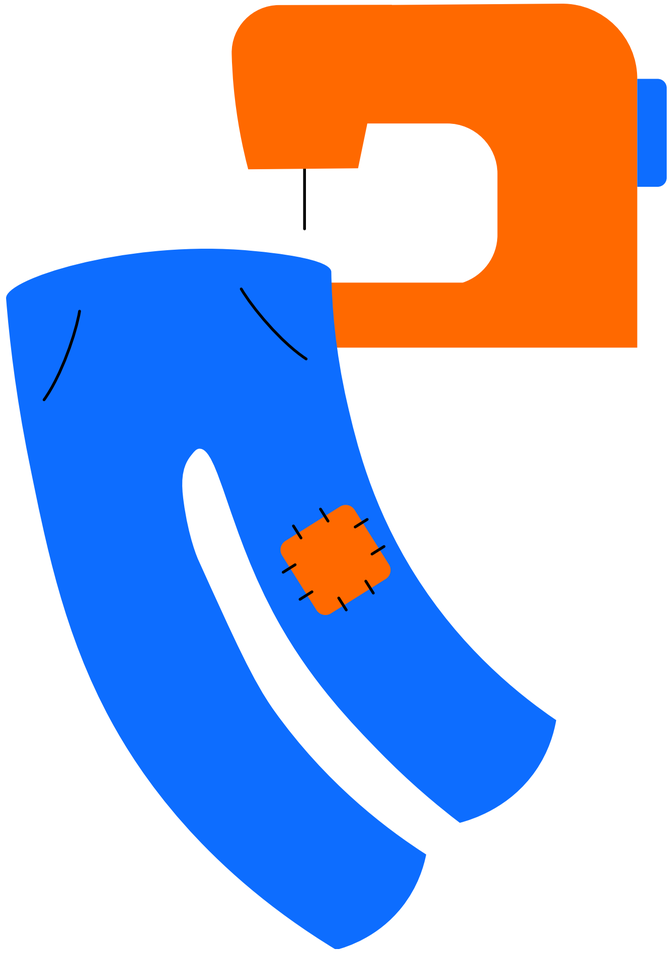
Nikolaj Storm collection

Through usability testing, we identified challenges in the booking journey and worked to improve the customer experience. We also gathered data that showed that most customers' repair requests were for rips, tears, broken zippers, and shoe cleaning.

Care and repair remains a relatively new business model in a constantly evolving landscape. We will continue to learn from our pilot and the wider market.

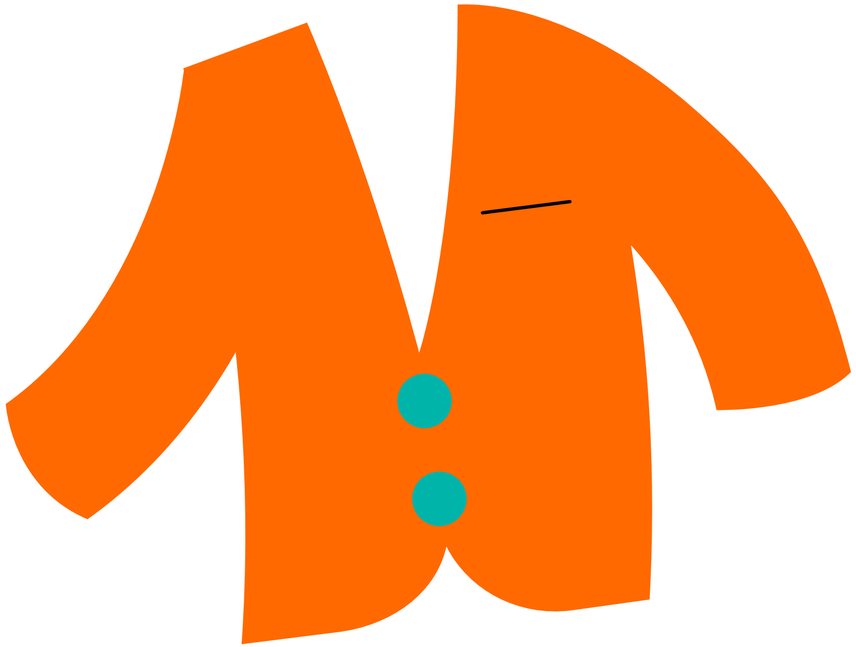
Reuse

To promote reuse, we offer a Pre-owned assortment in 13 markets. The collection comprises more than 400,000 items and 1,000 brands, with fresh items added every day. All Pre-owned products are quality-checked, and in like-new condition. They are supported by professional stock photography and metadata. Pre-owned orders are delivered in plastic-free packaging.



Measuring the impact of circularity

In 2022, we commissioned a life cycle assessment (LCA) of our Pre-owned business. The findings showed that the extent of impact savings varies by product and impact category. Taking a jacket as an example, we found that buying pre-owned can drive 14%, 13% and 11% savings in carbon footprint, resource use and water use, respectively. The largest impact area was identified as production (raw materials extraction and manufacturing), which accounts for around 81% of overall carbon footprint. To continue improving our understanding of the environmental impact of circular business models, we will conduct further LCAs. And to keep our customers informed of our progress, we will launch a dedicated landing page in Q2 2023, where they can review the findings in detail.



Closing the loop

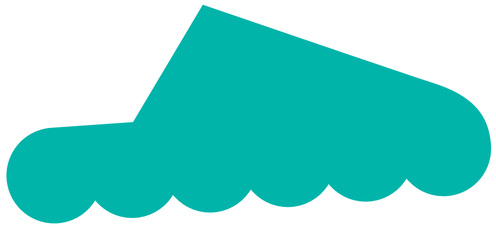
Closing the loop is the final stage of our circularity strategy, whereby textiles and products are recycled. Recycling is primarily for when products can no longer be repaired, resold, or reworn. The process includes the take-back of products, sorting into material fractions, and recycling into new textiles. Ideally, the material output would feed back into design and manufacturing. However, closing the loop is in its infancy. Only 10% of clothes are recycled at all, the majority being downcycled (a mechanical shredding process that converts fabric into products such as insulation materials, polishing wipes, or car interiors). Just 1% is recycled into high-quality textiles[31]. Reasons include process complexity and a lack of a commercially-scaled textile-to-textile recycling infrastructure.

To promote recycling, Zalando took part in the Fashion for Good's Sorting for Circularity project, which brings together brands and industry players to analyze textile waste in major European sorting facilities. The results point to promising opportunities in recapturing value while diverting textiles from downcycling and incineration. In addition, Zalando is a steering committee member and participant in textile-to-textile cellulosic and polyester recycling trials run by Accelerating Circularity.

The trials focus on bringing together brands, collectors, sorters, and recyclers to test and validate cellulosic and polyester recycling at scale.

31 Global Fashion Agenda, "Pulse of Fashion Industry Report".

We believe that a true circular economy is only possible through producer participation. Indeed, the concept of “extended producer responsibility” is attracting increasing regulatory attention. Therefore, we are investing and partnering to support innovation and scaling in recycling, logistics, and automated sorting. Building on the foundations we laid with Infinited Fiber Company (IFC) and Ambercycle last year, we invested in Circ™, a US-based company that has developed a technology to recycle blended cotton and polyester fabric in a fully circular textile-to-textile process.



In addition to focusing on closing the loop solutions for textiles, we have started to explore sorting and recycling solutions for footwear. We support a footwear sorting and dismantling project launched by the innovation platform CETIA, which aims to unlock scalable technology solutions for automated shoe sorting and dismantling. In addition, we have joined a footwear recycling group run by Fashion for Good and recycler Fast Feet Grinded, which aims to support the development of footwear recycling at scale.

Our reflections

Scaling circularity and moving beyond the pilot stage is a key challenge for us and the industry, and it requires constant trial and error to iterate, improve and ultimately scale the innovation. We know we need to accelerate the shift to post-consumer textile-to-textile recycling. The necessary technology is still in its early stages, so we need more innovation and investment, especially in sorting and recycling infrastructure.

Our roadmap

- **Design and manufacture.** We will continue to embed our Circular Design Criteria in our private labels and encourage our brand partners to subscribe.
- **Use.** We will continue to synthesize learnings from our care and repair pilot.
- **Reuse.** We will refine our approach to unlock scaling of the Pre-owned assortment and double down on our partnership with Zalando outlet stores.
- **Close the loop.** We will strive to build a network of recycling providers and automated sorters to scale textile-to-textile recycling, and continue contributing to R&D projects in hard-to-tackle areas such as footwear recycling.

People

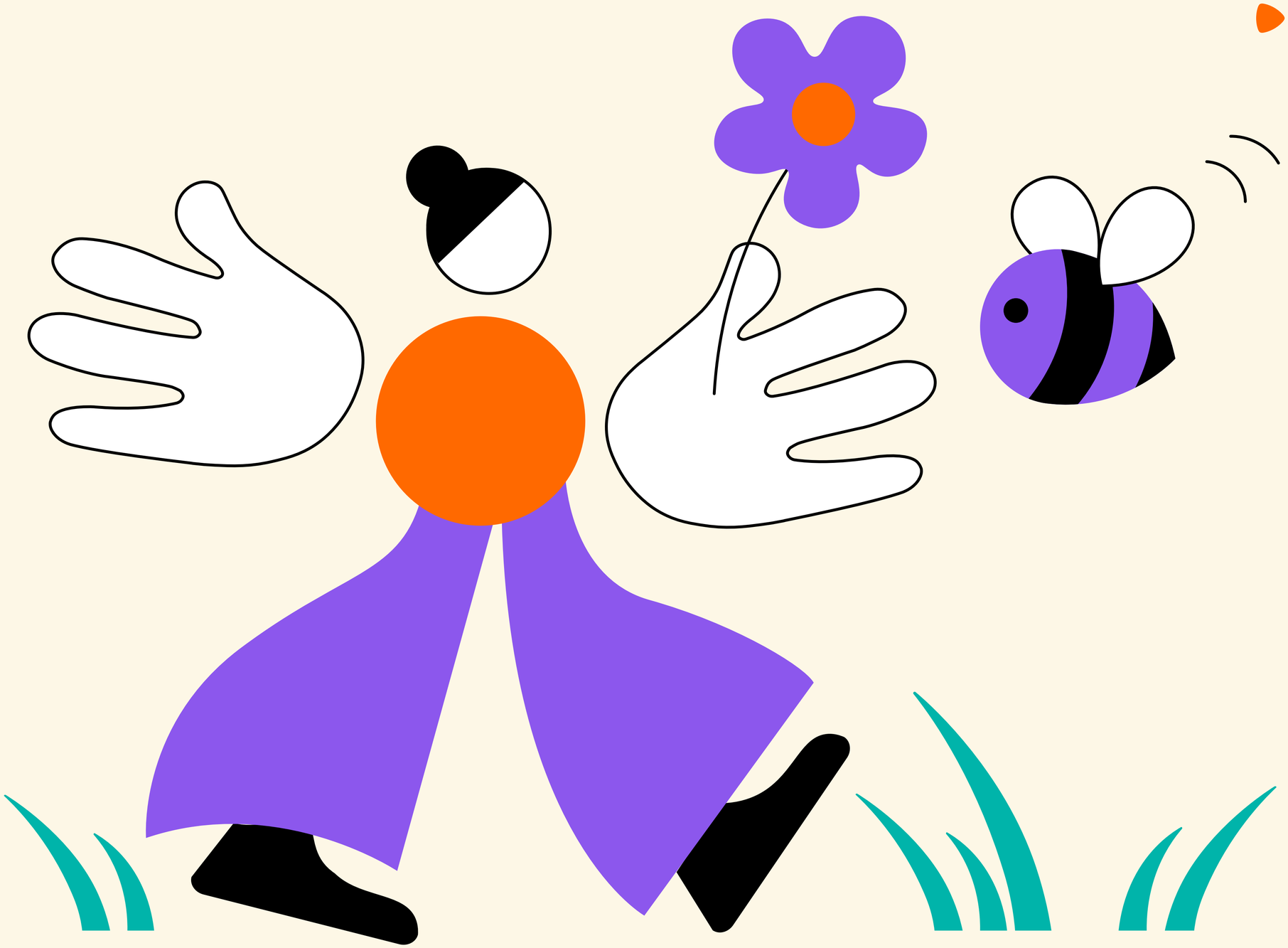
Aligning with the UN Sustainable Development Goals

We want to build a more ethical fashion industry by setting high standards for ourselves and our partners. **Read more on p. 38.**

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. 43.**

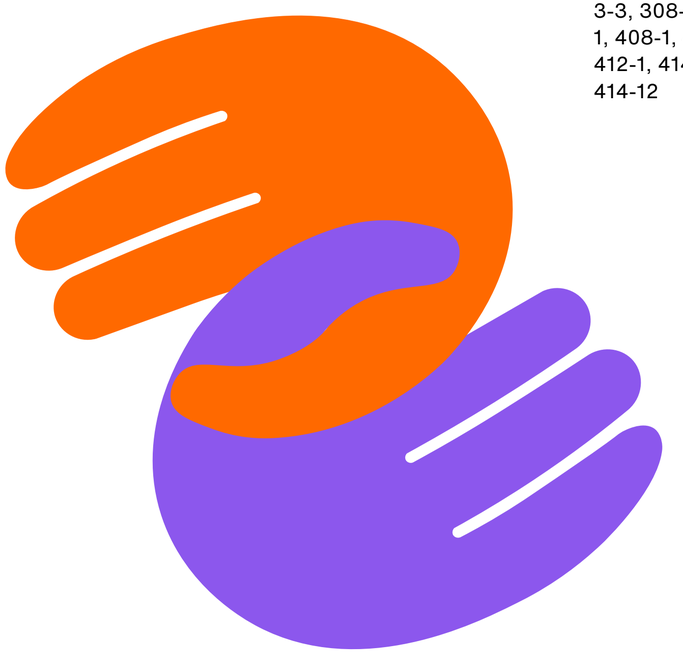
4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH



Increased focus on ethical standards

GRI 2-23, 2-28, 3-3, 308-1, 407-1, 408-1, 409-1, 412-1, 414-1, 414-12



The challenge

An important aspect of our sustainability challenge is to ensure we maintain the highest possible ethical standards, both in our own operations and those of our partners around the world. We want to guide positive action on issues such as inequality, low pay, long working hours, and working conditions. To move toward solutions, we need an effective due diligence process. We have aligned our efforts with the German Supply Chain Due Diligence Act[32], which defines a range of requirements for responsible supply chain management.

As an e-commerce player delivering to customers in 25 markets, we can make a difference both to our own practices and those of the wider industry. We must understand the challenges we face, and establish due diligence processes that drive impactful change. To get there, we need to ensure that we hold ourselves and our partners accountable, based on the strongest-possible frameworks.

Our commitment

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

Our progress

- **We published** a new Policy Statement on Zalando's Human Rights Strategy, setting out principles for human rights due diligence, which we will embed into our operating standards and management practices in 2023.
- **We updated and tested** our human rights risk assessment, preparing for rollout to all direct suppliers in 2023.
- **In our private label business,** we launched a training program on living wages, as well as a Child Labour Prevention and Remediation Program with Save the Children.
- **We implemented** a complaint and grievance procedure for workers in our supply chain.
- **In line with the requirements** of the German Supply Chain Due Diligence Act, we created the role of Human Rights Officer.

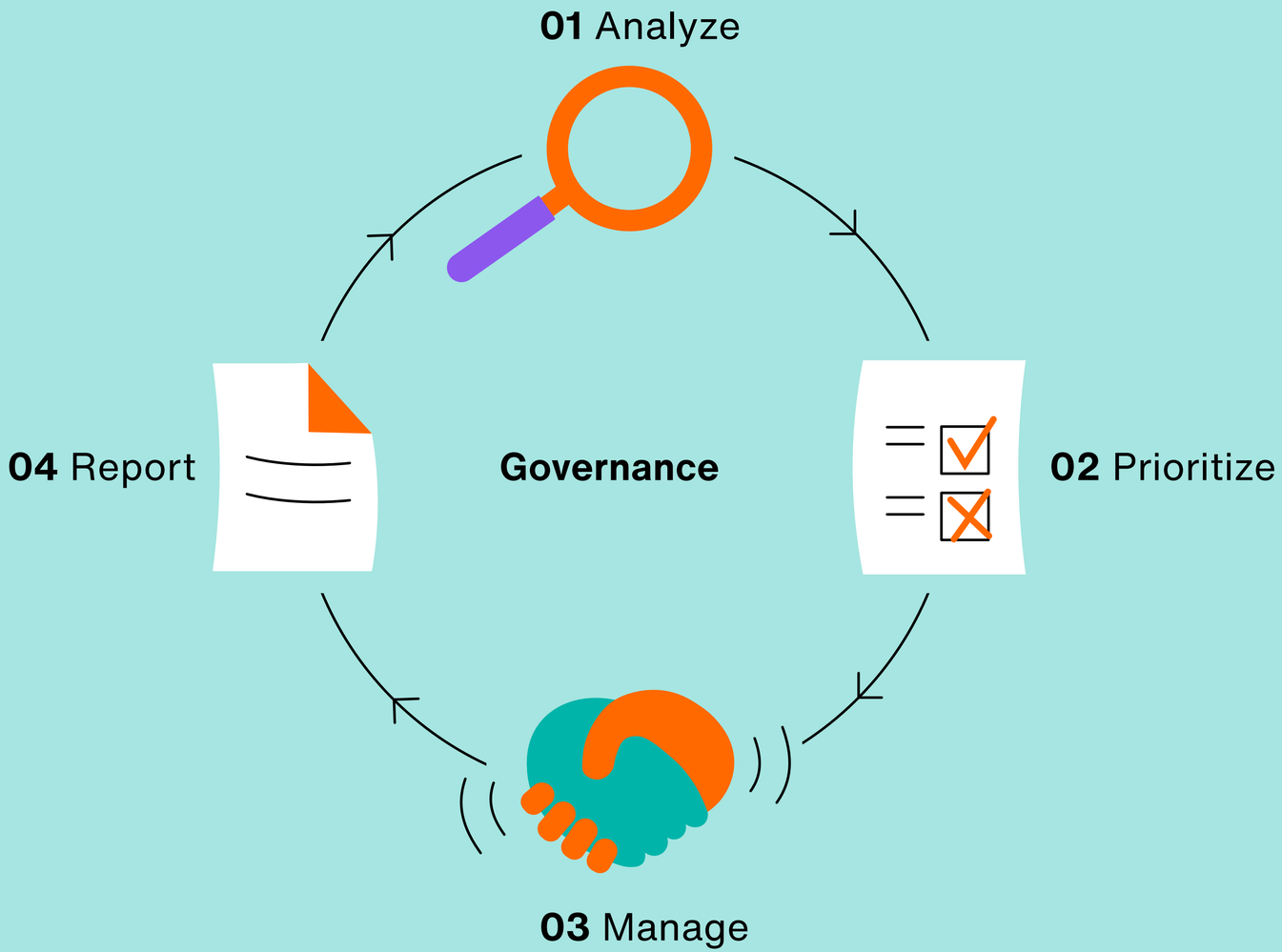
32 The term German Supply Chain Due Diligence Act refers to the legislation *Lieferketten-sorgfaltspflichtengesetz* (LkSG).

Our contribution

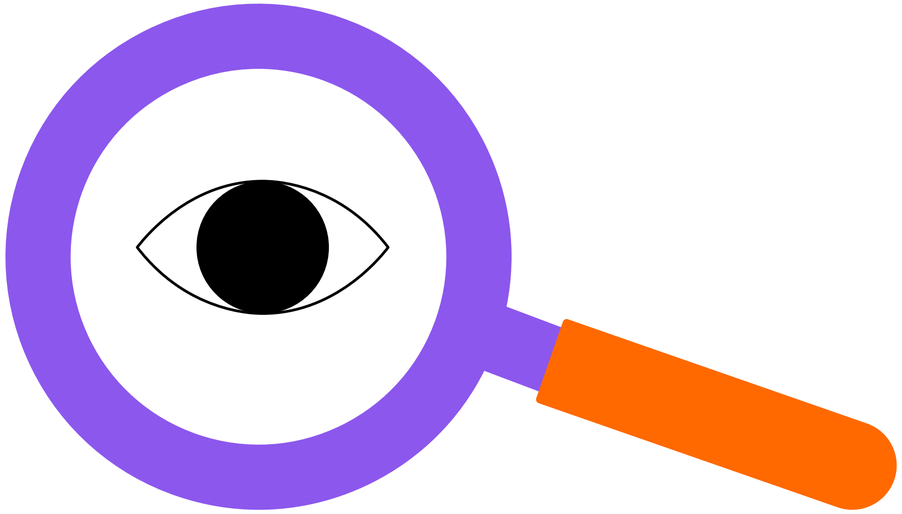
Boosting transparency through risk-based due diligence
Our due diligence program supports our efforts, helping us identify and act on risks in our operations, supply chains, and business partnerships. In 2022, we validated our human rights due diligence practices against the requirements of the German Supply Chain Due Diligence Act and prepared for a more holistic risk management approach.

The governance of our due diligence program is grounded in our Code of Conduct and our Policy Statement on Zalando's Human Rights Strategy, which together set out the principles we aspire to. These include regular human rights due diligence reviews and expectations that our partners will do the same. Our new Human Rights Officer oversees implementation and reports directly to the Management Board. The program is founded on four cyclical steps.

Due diligence cycle



118	14	203
sourcing partners	countries	factories



01 Analyze. Based on the learnings from risk assessments in 2021, we updated our partner risk analysis. From 2023, all our direct suppliers[33] will be assessed annually on human rights risks[34], based on their location, industry, and our spend with them. The output will be a standardized risk profile (very high, high, medium, or low).

02 Prioritize. Based on the risk profiles, we will prioritize prevention and remediation actions, as well as define risk management plans.

03 Manage. Our risk management approach is focused on two dimensions: sector risk mitigation through industry-wide collaboration, and supplier-specific risk management through prevention and remediation.

- **Mitigate.** To address sector-level risks, Zalando collaborates with retailers and business partners, and participates in industry-wide initiatives. This includes, but is not limited to, our participation in the International Accord for Health and Safety in the Textile and Garment Industry, and our membership of ACT (Action, Collaboration, Transformation) to advocate for a living wage. To combat child labor, we launched a program with Save the Children[35] and joined the Child's Rights in Business (CRIB) Working Group.

33 The German Supply Chain Act (SCA) obliges companies to respect human rights by implementing defined due diligence obligations. It applies to an enterprise's own business area, to the actions of a contractual partner (direct supplier), and – to a limited extent – to the actions of other (indirect) suppliers.

34 Data from Maplecroft's Global Risk Dashboard (GRiD) in the categories of: Child Labour, Decent Wages, Decent Working Time, Discrimination in the Workplace, Freedom of Association and Collective Bargaining, Healthcare Capacity, Indigenous Peoples' Rights, Modern Slavery, Occupational Health and Safety, Poverty, Security Forces and Human Rights, Migrant Workers, Informal Workforce, Young Workers, Women's and Girls' Rights, Right to Privacy, Minority Rights, Food Security, Water Security, Environmental Regulatory Framework, Water Pollution, Air Quality, Waste Generation, Rule of Law.

35 Starting with suppliers in Bangladesh, China, India, and Turkey.

— **Prevent and remediate.** We implement our prevention and remediation strategy through three levers: our Code of Conduct, brand self-assessment, and auditing.

Our Code of Conduct sets out binding principles for ethical, fair, and sustainable practices, and is embedded in our supplier contracts. This year, we launched a tracking of agreement to the Code of Conduct and plan to integrate control mechanisms into our annual risk assessments.

After becoming aware of Code of Conduct violations or other ethical standards violations, we investigate and remediate. If the partner fails to engage, we will pause and eventually end the relationship. In 2022, eleven cases were satisfactorily remediated[36], two cases led to offboarding (compared with one in 2021). Two investigations were closed because they were out of scope or no violation was confirmed (compared with four in 2021). Twelve investigations are ongoing. In total, we opened 26 new investigations into allegations of violations of our ethical standards in our supply chain (compared with six in 2021[37]).

Brand self-assessment
In 2022, we asked strategic brand partners to complete a self-assessment using the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (Higg BRM). The assessment covers social and environmental practices. In the coming year, as we shift to risk-based due diligence, we will roll out a shorter self-assessment questionnaire, standardized for our direct suppliers identified as high risk. The questionnaire will provide insights into partner due diligence processes.

154	377	67%
assessments	brands	of net merchandise value

Social audits
Our fulfillment centers, premium last-mile-logistics providers, customer care teams, and private label Tier 1 suppliers provide us with third-party social audits annually or within a timeframe recommended by the

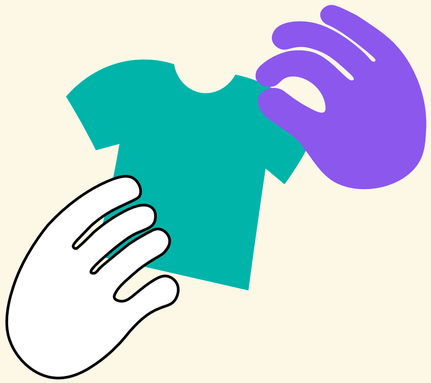
36 In 2021, we counted one case as remediated that was in fact at the time still ongoing. The case was subsequently remediated in 2022, and is reflected accordingly in the data.

37 In 2022, we included zero-tolerance audit findings from fulfillment centers, premium last-mile-logistics providers, and customer care for the first time. As we continue to expand and improve our due diligence processes, we expect to investigate and manage an increasing number of allegations in our supply chain.

Transparency in our supply chain

By being open about our challenges and our successes, we believe we can drive change in our supply chain and support our customers in making choices that reflect their values. To facilitate transparency, we publish all our private label Tier 1 suppliers and factories and some of our Tier 2 suppliers.

Our private label suppliers



auditing standard. Audits are evaluated against an internal non-compliance matrix, based on our Code of Conduct, local legal requirements, and either our Social Standards for logistics and customer care or industry standards including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative) for private label suppliers.

We classify findings of non-compliance as minor, major, critical, and zero-tolerance, leading to a rating and potential Corrective Action Plan. In 2022, we evaluated 302 audit reports from private label suppliers and declined to onboard four factories or suppliers for not meeting audit requirements.

04 Report. We will report on our human rights due diligence in accordance with the German Supply Chain Due Diligence Act.

Our reflections

There is rising regulatory scrutiny of human rights topics, and the industry remains challenged on how to drive long-term impact. Supportive suppliers and capacity building (internal and external) are key to a successful human rights due diligence system. We want to go beyond compliance and advance the industry as a whole. Comprehensive knowledge transfer is one of our top priorities, and we are keen to develop partnerships that can accelerate change.

Our roadmap

- In 2023, we will conduct our first company-wide human rights risk assessment for all direct suppliers. We will implement additional preventive and remedial measures, with a focus on high-risk suppliers.
- We plan to review our audit processes for effectiveness, and align them with a risk-based approach.
- We will implement an updated, formalized management process for potential human rights violations in our supply chain.
- We will communicate our updated grievance mechanism to suppliers.
- We intend to publish updated information on our progress in line with German Supply Chain Due Diligence Act requirements.
- The Human Rights Officer will regularly report developments to the Management Board.

Preparing our workforce for the future

The challenge

GRI 3-3, 404-2

The world of work is changing fast. Indeed, many of the jobs that will be undertaken by the next generation do not yet exist. The OECD estimates that up to 1 billion people will need to be reskilled by 2030[38]. In 2022, we saw rising demand for expertise in areas such as data science, storytelling, and resilience. We need to rise to the challenge by investing in workforce training.

Our commitment

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

Our progress

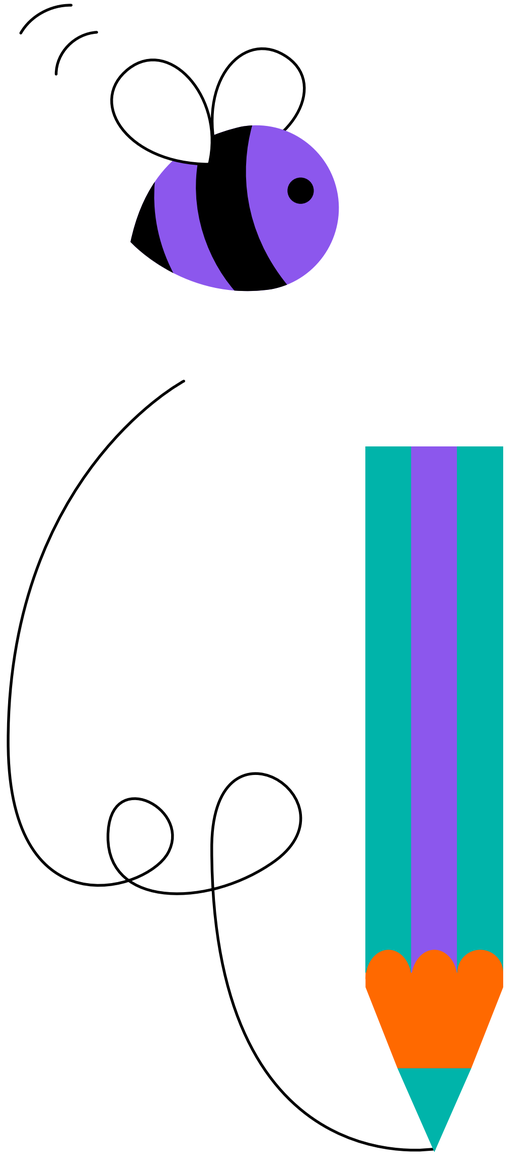
– **Since 2020,** we have provided skilling opportunities to 5,016 people.

Our contribution

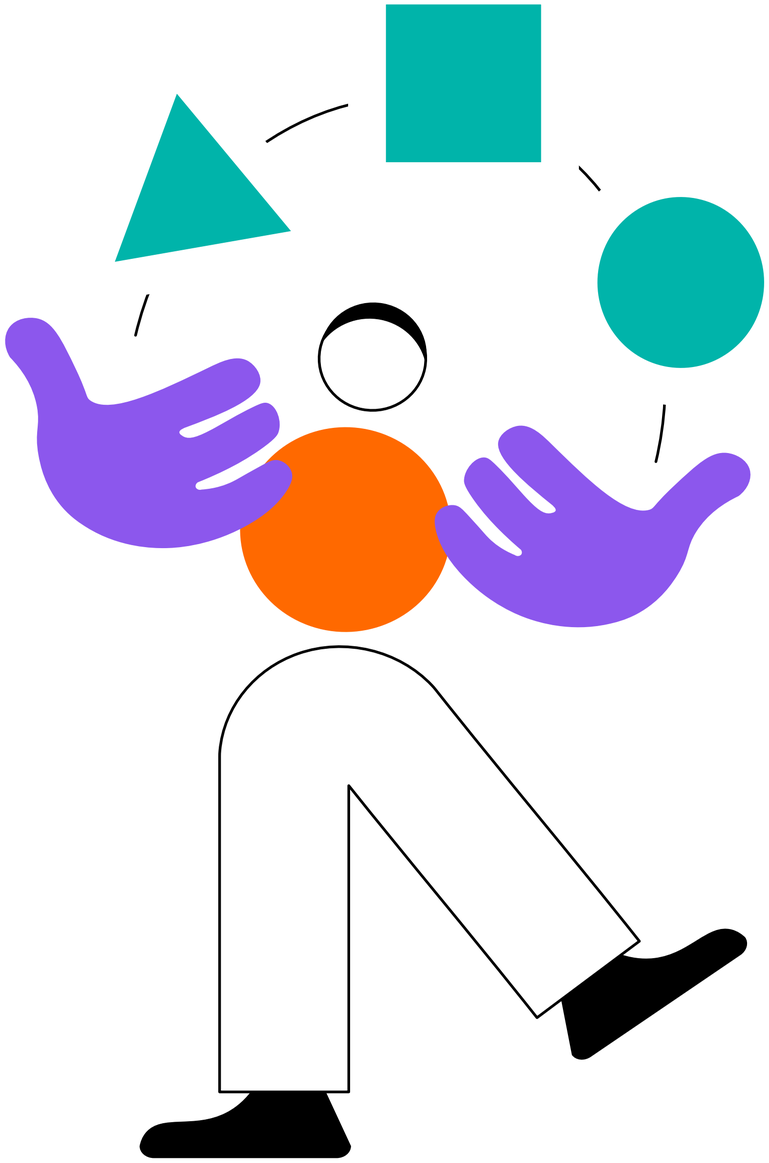
Upskilling and reskilling

To ensure our employees and those working in our supply chains keep pace with shifting workplace demands, we offer a range of upskilling and reskilling opportunities. Upskilling means providing additional skills to perform roles for which requirements will change, while reskilling means acquiring entirely new skills. Our skilling programs are broadly built on three pillars:

01 **The future of work.** We believe the future of work will be defined by six major trends: i) working more inclusively, ii) embracing new technologies, iii) working in new environments, iv) working more collaboratively, v) being at the forefront of innovation, and vi) working with more empathy. To prepare Zalando's employees, we foster learning opportunities focused on topics including new technologies, leading hybrid teams, and soft skills such as inclusivity and empathy. During 2022, we ran 174 courses.



38 World Economic Forum, "We need a global reskilling revolution – here's why", 2020.



02 Changing business needs. We performed a skilling needs analysis focused on changing business needs in the short- and mid-terms. As a result, we have launched new programs across technology, commercial, and operations functions (not exhaustive):

- **Tech.** Our Women in Tech program provides an opportunity for employees from diverse backgrounds to access reskilling for software engineering roles.
- **Commercial.** Our Buying and Merchandising Skillhouse program offers operations specialists the chance to transition to buying or merchandising roles.
- **Operations.** With the support of local chambers of commerce, we run several programs for logistic workers, including the opportunity to obtain professional certification (*Fachkraft Lagerlogistik*). We continue to offer dedicated career development programs.

03 Our upstream supply chain. In 2022, we continued to pilot a skilling program in our supply chain in Bangladesh together with Shimmy Technologies and BSR's HERproject™. We trained about 800 people in digital literacy, efficiency training, gender equality, financial literacy, workplace communication, and health and wellbeing.

The feedback to the workshops was encouraging, with 96% of participants saying they were helpful for their current and future roles and 9 out of 10 workers saying they would recommend the training to others.

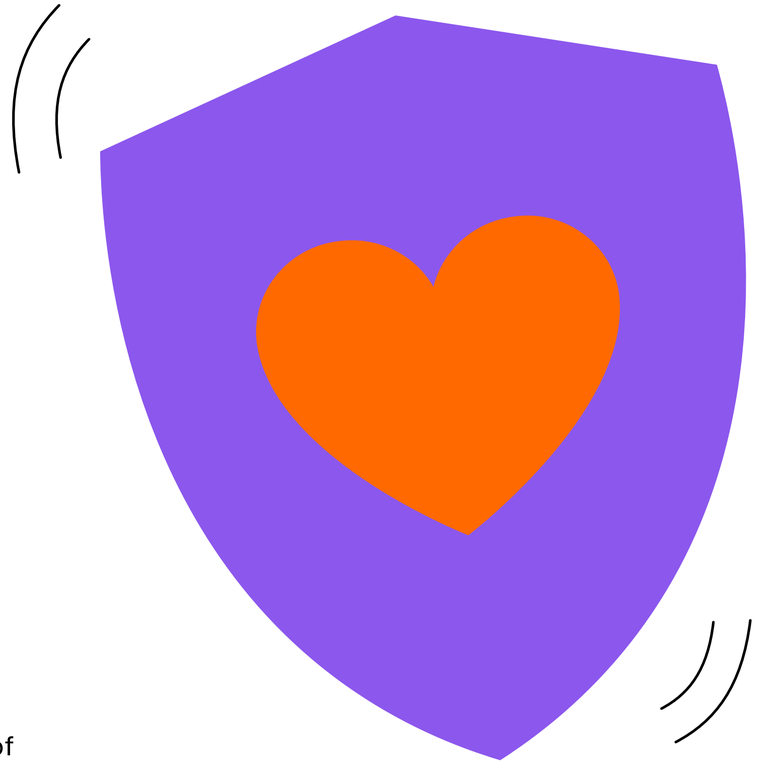
Our reflections

Feedback on our work in this space has been positive. Participants appreciated the course materials, delivery mechanisms, and sessions they took part in. We learned that we need to be more flexible in terms of timing, and to ensure improved collaboration and communication with our delivery partner.

Our roadmap

- We will continue to integrate our learnings from skilling initiatives to enhance our programs.
- We will launch new skilling opportunities linked to changing business needs, including expanding language learning opportunities and promoting functional upskilling.
- We will scale our successful upstream supply chain upskilling program.
- We will integrate skilling into our talent management strategy, and will leverage our data resources to offer more skilling opportunities.

Supporting our colleagues' health and safety



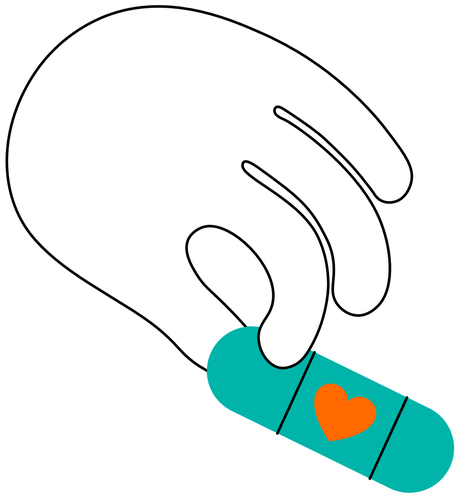
In 2022, we focused on personalizing health and well-being support, reflecting the reality that everybody has unique needs and circumstances. We partnered with Gympass to offer our office-based employees a range of wellness options online and onsite. Through Gympass, our employees can access benefits including gyms, fitness classes, digital therapy, and nutritional support.

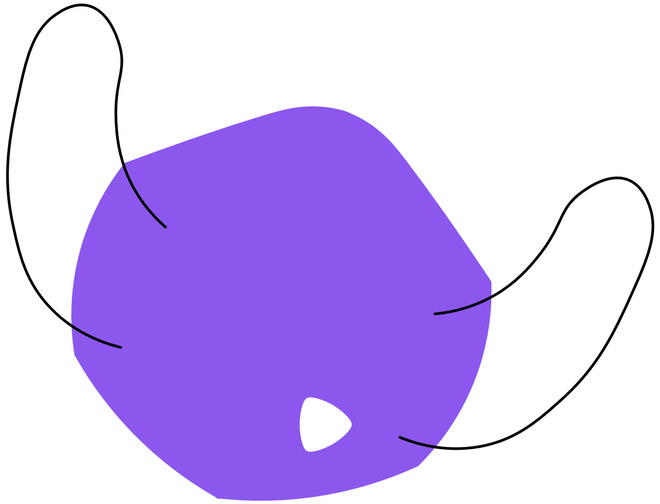
Our internal Employee Assistance Service (EAS) and external Employee Assistance Program (EAP) are provided by the Fürstenberg Institute. EAP also manages our Work-Life Service (WLS). Our internal EAS psychologists and social workers offer psychosocial counseling for work or personal issues. The team also helps employees who are dealing with crises and conflict within teams. The WLS offers family-related support around emergency childcare and nursing care.

In 2022, we consolidated our Mental Health First Aiders and Peer Health Promoters to create a Health Ambassadors community. Supported by our Corporate Health team, the ambassadors focus on motivating employees to take better care of their wellbeing, as well as promoting our wellness services, providing first-response support to employees experiencing mental distress, and raising awareness of mental health. This year, we ran four dedicated Health Days, offering a schedule of health checks, training, cooking classes, and talks (online and onsite). We covered topics including infertility and pregnancy loss, nutrition, imposter syndrome, and introversion. We also developed and scaled our training module "Leading Introverts + Extroverts and how to cooperate with each other", helping leads and teams improve their understanding and build esprit de corps.

Through our Health and Safety teams, we established central resources of knowledge, competence, and governance. In all our locations, we comply with or exceed local and international health and safety standards. We offer training to managers to help them support team wellbeing, alongside 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, Sections 5 and 6 *Gefährdungsbeurteilung psychischer Belastungen*. In 2022, we expanded these to our international and German customer support units, and production studios (zStudios). We provide access to our company doctors, in-house psychosocial consultations, and preventive support measures. The latter include leadership and workforce enablement, dedicated events, and ergonomic training. Additionally, we use integration management (*Betriebliches Eingliederungsmanagement* [BEM]) to support employees with high sickness-related absence rates. BEM focuses on maintaining and improving the ability to work, optimizing return to work, and preventing illness.





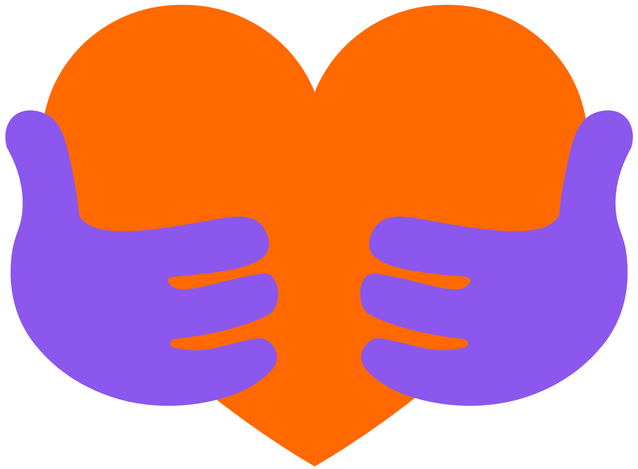
Our action on COVID-19

As the pandemic continued, we remain focused on protecting each other. To prepare for the cooler winter season, we carried out an in-depth risk analysis, reviewing health and safety with works councils in line with local regulations. We continue to operate safety measures such as reduced density in meeting rooms, wearing masks if social distance of 1.5 meters cannot be maintained, and offering a general recommendation to get tested regularly. Masks and self-tests are available at our Berlin Campus, our warehouses, and our tech hub in Dortmund, as well as at our international tech sites.

We ask everyone to ensure regular hand hygiene and adherence to cough and sneeze etiquette, and we regularly air working areas. We ask employees not to come onsite with flu-like symptoms. Employees who test positive should inform the Health team, so we can identify and inform contacts.

From January 2022, employees who did not need to be present on site could work flexibly, in line with our hybrid model. In our Berlin headquarters and German warehouses, we administered around 2,200 vaccinations. We offered information on external vaccinations, and enabled employees to get vaccinated during work time. We also launched an immunization pilot for the influenza virus.

Corporate citizenship: Being part of the solution



Our Corporate Citizenship program aims to facilitate real-world solutions in line with three objectives: a strong social impact position in Europe, meaningful collaboration with communities in our fulfillment and supply chain, and a willingness to engage and work with our customers to deliver positive change.

Our humanitarian response

We were deeply affected by Russia's invasion of Ukraine. In response, we have tried to make a useful contribution to the humanitarian response. We donated funds and in-kind support to those impacted by the war. We made direct contributions to Polish Humanitarian Action, which provides aid including food to refugees fleeing to Poland. We also donated to our NGO partners – Red Cross, humedica, and Save the Children – and matched donations from Zalando employees and customers. We have helped our employees and their families impacted by the war, and offered a fast-track Zalando job application process for Ukrainian refugees in Germany.

24

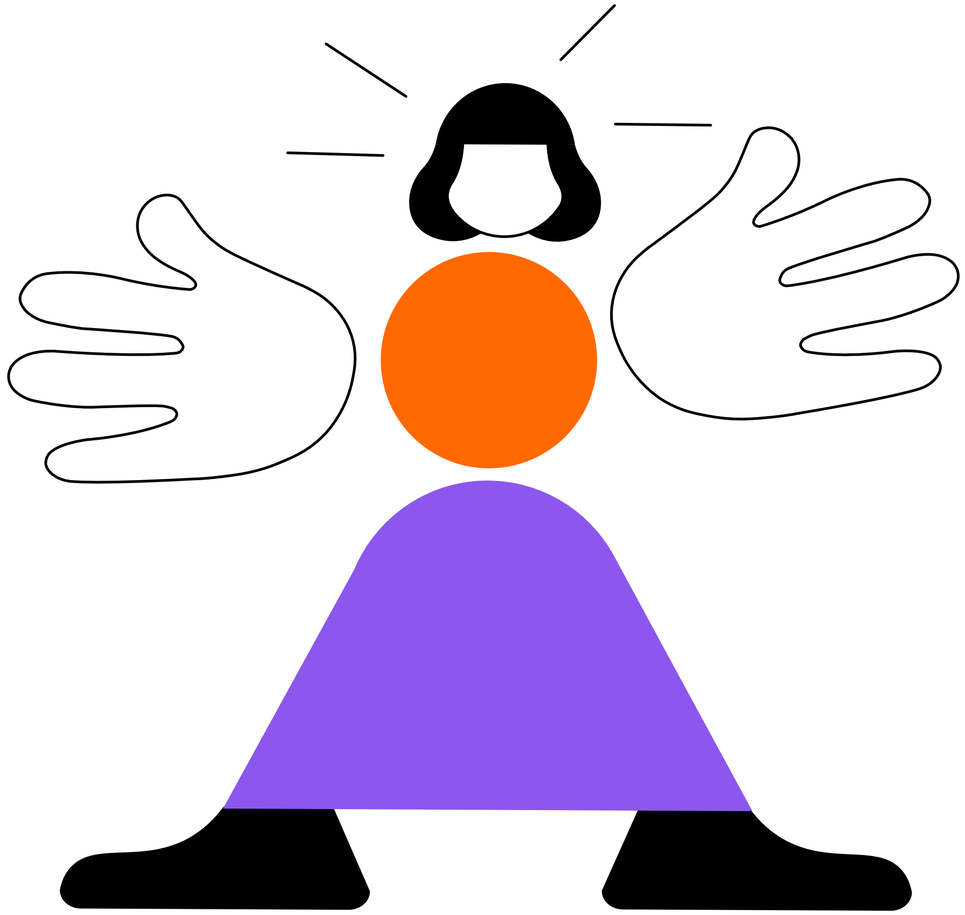
Ukraine-focused projects supported

We helped fund an SOS Children's Villages worldwide program: A Right to Family – De-Institutionalization to Reform the Child Protection System. The program aims to protect childrens' rights, and supports the reform of alternative childcare systems and the de-institutionalization process in Ukraine. In that context also awareness raising campaigns are launched to inform the broader society on the subject of de-institutionalization. Our funding of more than EUR 275,000 covers the project until April 2025. The Federal Ministry for Economic Cooperation and Development (BMZ) is working closely together with SOS Children's Villages worldwide and is co-funding this initiative.

Finally, we supported our local community in Berlin, sponsoring the Ukrainian Pop-Up Charity Market SKRYNYA, organized by Zalando volunteers, the European Academy Berlin, and many people and friends of Ukraine. The SKRYNYA sponsorship supports Ukrainian creatives, including fashion, jewelry, and home brands. We were pleased to take part in a special event in July and October. More than 3,000 people visited, and more than 50 unique fashion, jewelry, and home decorations brands from Ukraine took part, helping to raise EUR 33,000 for Ukrainian NGOs.

Creating the next generation of fashion designers
In 2022, we sponsored The Design Academy, helping to bring social and economic development into our communities. The academy's mission is to grow knowledge, skills, and resources – including creating solutions to end fast fashion. It also offers training, education, technology, and collaboration in sustainable fashion.

Our pilot program began in October with partners VORN – The Berlin Fashion Hub, Kornit Digital, and Unity. Ten designers were offered training on the principles of circular and sustainable fashion, digital creation, and interaction design. The resulting designs have been showcased at Berlin Fashion Week 2023. Additionally, our Design Academy supported a Ukrainian refugee fashion designer in Germany.



Accelerating impact in the Migrant Entrepreneurship and Employment sector in Europe
We collaborated again with our partner Ashoka on the "Hello Europe" initiative. The collaboration launched an accelerator program, aiming to transform migration through a collaborative framework. The program involved over 130 leaders from 23 countries, representing social innovation, government, policy, corporate, academia, and a number of social sectors.

772

Zalando employees volunteered

Community investment and volunteering

Helping others is part of our Zalando values. Two days a year, our employees are offered the opportunity to work in communities. We are pleased to be engaged in partnerships with NGOs, brand partners, and business partners who drive positive change. Since 2015, vostel.de has been our partner for corporate volunteering.

In 2022, 772 Zalando employees supported 71 projects through 3,381 hours of volunteering. A big priority was to support people impacted by the war in Ukraine. Zalando employees volunteered in online mentoring for job search and integration, as well as in packaging and distributing food for new arrivals. In total, we supported 24 Ukraine-focused projects, with 558 employees getting involved, donating 1,710 hours of their time.

We want to widen access to sport and wellbeing in the communities local to our warehouses and fulfillment centers. In 2023, our employees will contribute to events including the Berlin Special Olympics, with a volunteering effort planned to support our diversity and inclusion NGO partners.

Annex

Key figures

This table includes key figures related to our three strategic pillars – Planet, Products, and People – as defined in our do.MORE strategy.

	Unit	2022	2021
Planet			
Carbon footprint			
Greenhouse gas (GHG) emissions[39]			
— Scope 1 emissions	t CO_2e	5,512	8,320
— Scope 2 emissions (market-based)[40]	t CO_2e	588	638
— Scope 3 emissions[41]	t CO_2e	5,875,258	6,215,336
— Scope 3 emissions by source			
— Products (manufacturing)	t CO_2e	4,085,803	4,076,744
— Use of sold products	t CO_2e	779,653	939,134
— Purchased goods and services (non-product)	t CO_2e	276,178	400,426
— Upstream transportation and distribution (including deliveries and returns)	t CO_2e	410,446	435,441
— Capital goods	t CO_2e	169,523	194,621
— Packaging	t CO_2e	66,982	76,996
— End-of-life treatment of products sold	t CO_2e	56,236	63,338
— Other[42]	t CO_2e	30,436	28,635
— Total (Scope 1, Scope 2 and Scope 3 emissions)	t CO_2e	5,881,358	6,224,294
— Purchased carbon removal credits	t CO_2e	419,347	438,931
Energy use by source (Scopes 1 and 2)			
— Electricity (100% renewable)	MWH	129,531	131,631
— District heating	MWH	10,880	10,997
— Gas and oil heating[43]	MWH	25,030	39,042
— Car fleet[44]	MWH	1.644	996

39 Numbers differ from 2021 reported data. This is mainly due to methodological changes applied to our GHG inventory accounting as well as improved data quality.

40 The location-based value for Scope 2 emissions in 2022 is 67,779t CO_2e.

41 Our Scope 3 emissions include the following emission categories: purchased goods and services (Private Labels, Wholesale, Partner Program, Offprice, Recommerce, 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, and investments. In 2022, the three main Scope 3 emissions sources were emissions from manufacturing of products, that we purchase and commission, the use of sold products and the transportation of products to customers. In 2022, we further updated our methodology for calculating product-related GHG emissions, which included refinements to our approach for managing the weights of products. For calculating emissions from products within the category of purchased goods and services, the main parameters used are the weight and the material composition of such products. As Zalando does not directly purchase or acquire Partner Program products at any stage, and instead provides a marketplace service to partners, the emissions of Partner Program goods can be excluded from the Scope 3 inventory in line with the Greenhouse Gas Protocol. However, in order to give a representative view of our business impacts, we have optionally included Partner Program products in our footprint.

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

43 Oil heating accounts for 0.03% of 2022 and 0.02% of 2021 consumption.

44 Electricity consumption from electric vehicles is excluded here and reported under “Electricity”.

	Unit	2022	2021
Packaging and waste			
Operational waste and disposal methods (from fulfillment centers, offices, and stores)			
— Non-hazardous waste	t	32,484	30,980
— Reuse	t	11	16
— Recycling	t	30,474	29,275
of which paper and packaging (paper, cardboard, and plastic)	t	29,004	29,098
of which other materials (e.g. scrap metal, e-waste)	t	1,470	177
— Incineration (with energy recovery)	t	1,515	1,338
— Incineration (without energy recovery)	t	484	351
— Hazardous waste	t	44	39
— Total	t	32,528	31,019
Products			
Assortment			
Gross Merchandise Volume (GMV) generated with more sustainable products[45]	%	17.0	21.6
Number of more sustainable products (as of Dec 31)	Number	> 180,000	> 140,000
Circularity			
Number of products with extended life (as of Dec 31)	Number	> 4,000,000	> 1,900,000

	Unit	2022	2021
People			
Employees			
Number of employees			
— Total	Number	16,457	17,043
— Women	%	47.5	47.2
— Men	%	52.5	52.8
— Non-binary[46]	%	0.0	0.0
Age of employees			
— Under 21 years	Number (%)	124 (0.8)	302 (1.8)
— 21–30 years	Number (%)	4,103 (24.9)	4,757 (28.9)
— 31–40 years	Number (%)	7,254 (44.1)	7,036 (42.8)
— 41–50 years	Number (%)	2,736 (16.6)	2,713 (16.5)
— 51–60 years	Number (%)	1,725 (10.5)	1,768 (10.7)
— Over 60 years	Number (%)	515 (3.1)	467 (2.8)
Number of nationalities	Number	141	141
Nationality of employees			
— Germany	%	39.4	–
— Poland	%	7.7	–
— India	%	4.9	–
— Italy	%	4.1	–
— France	%	4.1	–
— Romania	%	2.8	–
— Turkey	%	2.3	–
— Great Britain	%	2.2	–
— Spain	%	2.1	–
— Russian Federation	%	2.1	–
— Syria	%	1.5	–

	Unit	2022	2021
— The Netherlands	%	1.0	–
— United States of America	%	1.0	–
— Other[47]	%	24.7	–
International employees			
— Total	%	69.8	58.2
International employees in leadership			
— Overall	%	45.8	48.0
— Management Board	%	16.7	16.7
— Senior Vice President	%	41.7	33.3
— Vice President	%	52.5	57.6
— Director	%	51.8	52.6
— Head	%	43.7	46.5
Employees per country (head count)			
— Austria	Number	2	2
— Belgium	Number	2	2
— China	Number	17	18
— Denmark	Number	1	2
— Finland	Number	155	144
— France	Number	8	3
— Germany	Number	15,752	16,383
— Hong Kong	Number	1	1

45 Zalando group, after returns. The decline in 2022 data was mainly due to adjustments to our criteria, with the aim of using certifications that provide sufficient traceability, in line with EU regulatory guidance.

46 In 2021 and 2022, less than 1% of our employees have self-disclosed as non-binary on our people system.

47 below 1% each.

	Unit	2022	2021
— Ireland	Number	120	116
— Italy	Number	70	58
— Netherlands	Number	12	14
— Norway	Number	3	2
— Poland	Number	181	181
— Portugal	Number	3	2
— Spain	Number	5	5
— Sweden	Number	5	3
— Switzerland	Number	41	35
— United Kingdom	Number	79	72
Share of women in leadership			
— Overall	%	37.6	35.7
— Management Board	%	33.3	16.7
— Senior Vice President	%	33.3	33.3
— Vice President	%	37.5	36.4
— Director	%	34.6	38.0
— Head	%	38.8	35.3
Share of women in logistics	%	39.9	39.7
Share of women in technical job groups	%	25.1	20.7
Parental leave			
— Total	Number	612	591
— Women	%	54.0	60.0
— Men	%	46.0	40.0
Employment type			
Full-time employees			
— Total	Number (%)	13,743 (83.5)	14,262 (83.7)
— Women	%	78.3	78.4
— Men	%	88.2	88.4
Part-time employees			
— Total	Number (%)	2,714 (16.5)	2,781 (16.3)
— Women	%	21.7	21.6
— Men	%	11.8	11.6
Employment contracts			
Temporary contracts			
— Total	Number (%)	2,403 (14.6)	3,672 (21.5)
— Women	%	14.2	22.0
— Men	%	13.6	21.2
Permanent contracts			
— Total	Number (%)	14,054 (85.4)	13,371 (78.5)
— Women	%	76.2	78.0
— Men	%	86.4	78.8
New hires			
— Total	Number	3,464	6,003
— Women	%	47.4	46.1
— Men	%	52.5	53.9
Internal hiring rate			
— Total	%	22.8	15.2
Turnover rate			
Voluntary turnover rate			
— Total	%	14.2	13.3
— Women	%	48.1	46.9
— Men	%	51.9	53.1
Skilling			
Number of people received skilling training (upskilling, reskilling and meta-skilling)	Number	2,243	1,417
Occupational health and safety			
Absentee rate			
— Zalando group	%	8.0	6.6
— Zalando Logistics[48]	%	12.1	10.1
Private label supply chain			
Number of Tier 1 suppliers (as of Dec 31)			
— Bangladesh	Number	7	7
— China	Number	44	45
— Denmark	Number	1	2
— France	Number	1	1
— Germany	Number	2	2
— Hong Kong	Number	6	8
— India	Number	11	9
— Italy	Number	3	3
— Morocco	Number	1	1
— Netherlands	Number	4	3

48 Including Zalando Logistics SE & Co. KG, Zalando Logistics Süd SE & Co. KG, Zalando Logistics Mönchengladbach SE & Co. KG.

	Unit	2022	2021
— Pakistan	Number	1	1
— Portugal	Number	10	10
— Romania	Number	1	1
— Singapore	Number	2	1
— Spain	Number	3	5
— Switzerland	Number	2	0
— Taiwan	Number	4	4
— Turkey	Number	13	11
— United Kingdom	Number	2	2
— Total	Number	118	116
Number of Tier 1 factories (as of Dec 31)			
— Albania	Number	1	1
— Bangladesh	Number	21	15
— Cambodia	Number	0	1
— China	Number	106	117
— India	Number	14	14
— Indonesia	Number	0	1
— Italy	Number	4	4
— Morocco	Number	4	4
— Myanmar	Number	0	1
— Pakistan	Number	1	1
— Portugal	Number	18	23
— Romania	Number	2	4
— Serbia	Number	1	0
— Spain	Number	2	4
— Turkey	Number	23	18
— Ukraine	Number	1	1
— Vietnam	Number	5	4
— Total	Number	203	213
Number of audit reports evaluated for new and existing Tier 1 factories	Number	302	175
Expenditure on interest representation and policy work			
Total spending on memberships of trade associations focusing on public policy. Main contributions include:	EUR (in k)	187	–
Digitalverband Deutschlands (bitkom)	EUR (in k)	16.8	–
Thuiswinkel	EUR (in k)	21	–
Związek Importerów i Producentów Sprzętu Elektrycznego i Elektronicznego – ZIPSEE Cyfrowa Polska	EUR (in k)	4	–
Izba Gospodarki Elektronicznej	EUR (in k)	8	–
Federation ECommerce et Vente a Distance (FEVAD)	EUR (in k)	10	–
E-Commerce Europe	EUR (in k)	15	–
European Payment Institutions Federation (EPIF)	EUR (in k)	25	–
EU Tech Alliance (EUTA)	EUR (in k)	12	–
European Fintech Association	EUR (in k)	10.5	–
Total spending on consulting support	EUR (in k)	600	–
Total	EUR (in k)	787	–

GRI content index

GRI Standard	Disclosures		Page	Further references and explanations
GRI 1: Foundation 2021				
GRI 2: General disclosures 2021				
1. The organization and its reporting practices				
GRI 2: General disclosures 2021	2-1	Organizational details		See “Combined management report” (2.1 Information on our group) in Annual Report 2022
	2-2	Entities included in the organization’s sustainability reporting		See “About this report”
	2-3	Reporting period, frequency and contact point		See “About this report”
	2-4	Restatements of information		See details in chapter “Driving down greenhouse gas emissions in line with climate science”
2. Activities and workers				
GRI 2: General disclosures 2021	2-6	Activities, value chain and other business relationships	5–6	
	2-7	Employees	52–53	See key figures table
3. Governance				
GRI 2: General disclosures 2021	2-9	Governance structure and composition	9	
	2-11	Chair of the highest governance body	9	
	2-12	Role of the highest governance body in overseeing the management of impacts	9	
	2-19	Remuneration policies		See “Company” (1.3 Remuneration report) in Annual Report 2022
	2-20	Process to determine remuneration		See “Company” (1.3 Remuneration report) in Annual Report 2022

GRI Standard	Disclosures		Page	Further references and explanations
4. Strategy, policies and practices				
GRI 2: General disclosures 2021	2-22	Statement on sustainable development strategy	2–4	
	2-23	Policy commitments	10, 38–42	
	2-26	Mechanisms for seeking advice and raising concerns		See “Combined management report” (2.5 Corporate governance statement) in Annual Report 2022
	2-28	Membership associations	14, 22, 35, 36, 40	
5. Stakeholder engagement				
GRI 2: General disclosures 2021	2-29	Approach to stakeholder engagement	9–10	
	2-30	Collective bargaining agreements		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 distance selling collective bargaining agreement, applicable to 100% of the Zalando employees. — Italy: Mandatory national sectoral logistics collective bargaining agreement, applicable to 100% of the Zalando employees.

GRI Standard	Disclosures		Page	Further references and explanations
GRI 3: Material topics 2021				
GRI 3: Material topics 2021	3-1	Process to determine material topics		See “About this report”
	3-2	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
	3-3	Management of material topics		See details about topic-specific standards
GRI 200: Economic topics				
Anti-corruption				
GRI 3: Material topics 2021	3-3	Management of material topics		See “Combined management report” (2.5 Corporate governance statement) in Annual Report 2022
GRI 205: Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures		See “Combined management report” (2.5 Corporate governance statement) in Annual Report 2022
GRI 300: Environmental topics				
Materials				
GRI 3: Material topics 2021	3-3	Management of material topics	19–23	
GRI 301: Materials 2016	301-2	Recycled input materials used	19–23, 30	

GRI Standard	Disclosures		Page	Further references and explanations
Energy				
GRI 3: Material topics 2021	3-3	Management of material topics	12–18	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	14, 51	
Emissions				
GRI 3: Material topics 2021	3-3	Management of material topics	12–18	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	13, 51	
	305-2	Energy indirect (Scope 2) GHG emissions	13, 51	
	305-3	Other indirect (Scope 3) GHG emissions	13, 51	
	305-5	Reduction of GHG emissions	13	
Waste				
GRI 3: Material topics 2021	3-3	Management of material topics	19–23	
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	19–23	
	306-2	Management of significant waste-related impacts	19–23	
	306-3	Waste generated	23, 52	
	306-4	Waste diverted from disposal	23, 52	
	306-5	Waste directed to disposal	23, 52	
Supplier environmental assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	38–42	
GRI 308: Supplier environmental assessment 2016	308-1	New suppliers that were screened using environmental criteria	41	

GRI Standard	Disclosures		Page	Further references and explanations
GRI 400: Social topics				
Employment				
GRI 3: Material topics 2021	3-3	Management of material topics	43–44	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	53	See key figures table
Occupational health and safety				
GRI 3: Material topics 2021	3-3	Management of material topics	45–46	
GRI 403: Occupational health and safety 2018	403-1	Occupational health and safety management system	45–46	
Training and education				
GRI 3: Material topics 2021	3-3	Management of material topics	43–44	
GRI 404: Training and education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	43–44	
Diversity and equal opportunity				
GRI 3: Material topics 2021	3-3	Management of material topics		See Diversity & Inclusion Report 2022
GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	52–53	
Freedom of association and collective bargaining				
GRI 3: Material topics 2021	3-3	Management of material topics	38–42	
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	39–42	

GRI Standard	Disclosures		Page	Further references and explanations
Child labor				
GRI 3: Material topics 2021	3-3	Management of material topics	38–42	
GRI 408: Child labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	39–42	
Forced or compulsory labor				
GRI 3: Material topics 2021	3-3	Management of material topics	38–42	
GRI 409: Forced or compulsory labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	39–42	
Human rights assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	38–42	
GRI 412: Human rights assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	41	
Supplier social assessment				
GRI 3: Material topics 2021	3-3	Management of material topics	38–42	
GRI 414: Supplier social assessment 2016	414-1	New suppliers that were screened using social criteria	41	
	414-2	Negative social impacts in the supply chain and actions taken	39–42	

SASB index Financial year 2022

This is Zalando's third index to report on the Sustainability Accounting Standards Board (SASB) Standards. The index on the following pages 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 2022 and considers the industry-specific sustainability accounting standards "Apparel, accessories & footwear" (version 2022-05) and "E-commerce" (version 2018-10). The index contains references to our Annual Report 2022, Sustainability Progress Report 2022, Diversity & Inclusion Report 2022, as well as to further information and documents available on our corporate website.

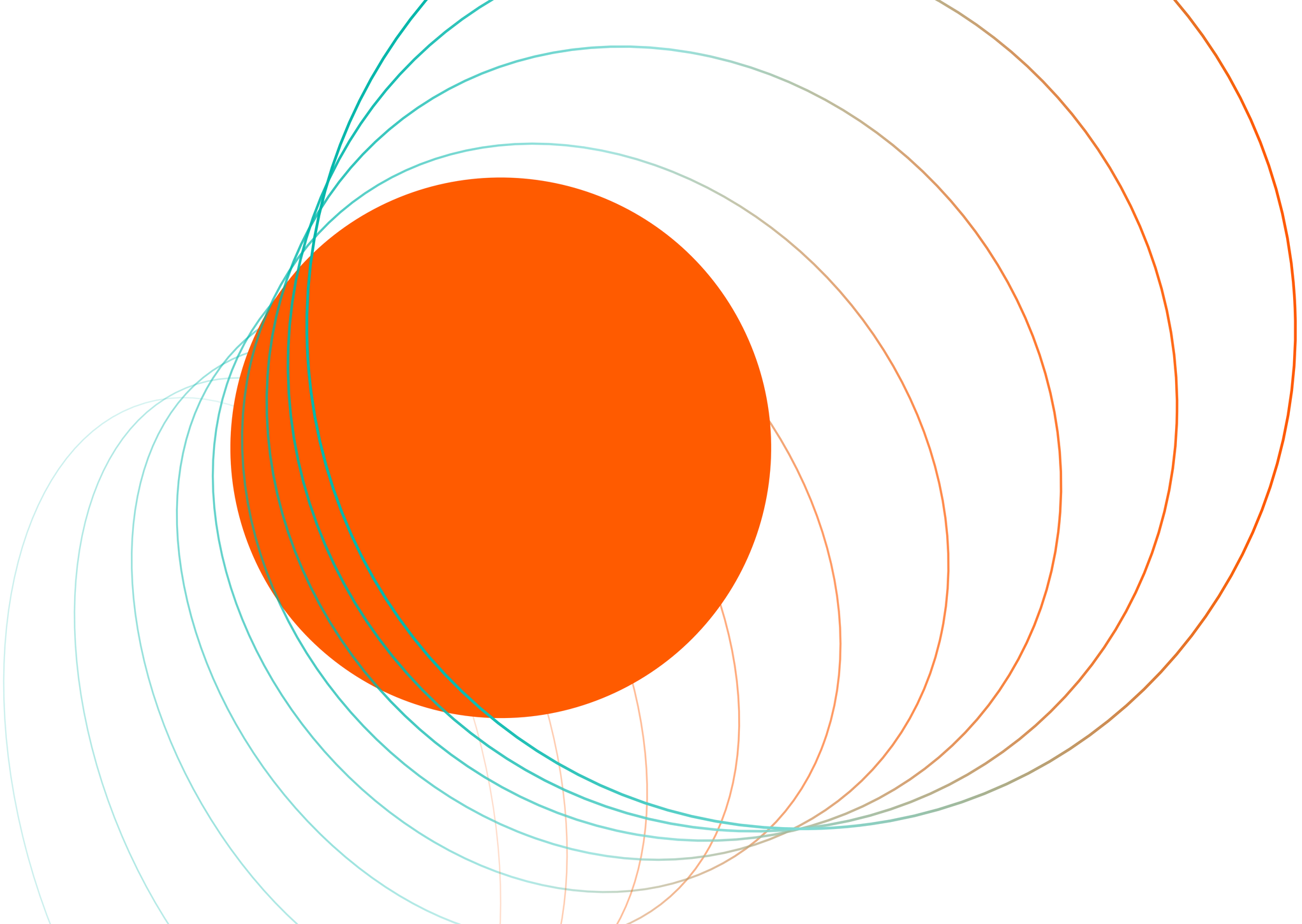
Code	Metric	Performance/reference
Apparel, accessories & footwear		
Management of chemicals in products		
CG-AA-250a.1	Discussion of processes to maintain compliance with restricted substances regulations	**Restricted Substances List** To control chemical compliance, Zalando established a Restricted Substances List (RSL) that 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 legislation. To prove that a product is compliant, it must undergo comprehensive product and material testing by accredited laboratories. The RSL is an integral part of the Zalando QA Manual and constitutes contractual agreement with our wholesale suppliers. The Wholesale Team established a mechanism of reactive and proactive processes to ensure product compliance: onboarding questionnaire, due diligence testing based on a random selection, and supplier grading. 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.
CG-AA-250a.2	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	

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	In 2022, 178 factories (Tier 1) supplying our private labels, representing 93% of our production volume, completed the Sustainable Apparel Coalition's Higg FEM and shared their results. This tool provides facilities a clear picture of their environmental impact. It helps them identify and prioritize opportunities for performance improvements and includes water use/efficiency and wastewater.
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	
Labor conditions in the supply chain		
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 2022, a total of 302 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	**Sustainability Progress Report 2022 (p. 41)**
CG-AA-430b.3	Description of the greatest (1) labor and (2) environmental, health, and safety risks in the supply chain	**Sustainability Progress Report 2022 (pp. 15–16, 38–42)**

Code	Metric	Performance/reference
Activity metric		
CG-AA-000.A	Number of (1) Tier 1 suppliers and (2) suppliers beyond Tier 1	**Sustainability Progress Report 2022 (p. 41)** In 2022, 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.
E-commerce		
Hardware infrastructure energy & water management		
CG-EC-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	**Sustainability Progress Report 2022 (p. 14)** (1) Total energy consumed: 601,506 GJ (2) 435,460 GJ grid electricity was consumed in 2022, which is around 72% of total energy consumption. (3) 514,078 GJ renewable energy was consumed in 2022, which is around 85% of total energy consumption.
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
Data privacy & advertising standards		
CG-EC-220a.1	Number of users whose information is used for secondary purposes	**Annual Report 2022 (Combined management report, Risk and opportunity report)** Zalando provides its customers transparency about their data usage within our Privacy Notice. We primarily process this information to provide and improve our services, to enable users with a personalized user experience on our website, to fulfill orders, for our customer care service, account administration, and fraud prevention. 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.
CG-EC-220a.2	Description of policies and practices relating to behavioral advertising and user privacy	**Annual Report 2022 (Combined management report, Risk and opportunity report)** For Zalando, data privacy is a customer promise. Zalando therefore implemented internal Privacy Principles that provide guidance for strategy business questions to its employees. We provide a public Privacy Notice to customers to transparently inform about the ways Zalando processes customer data. In addition, 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. Zalando sets up and maintains records of processing activities and PIAs where needed, and governs important privacy topics like data retention with group-wide policies.

Code	Metric	Performance/reference
Data security		
CG-EC-230a.1	Description of approach to identifying and addressing data security risks	**Annual Report 2022 (Combined management report, Risk and opportunity report)**
Employee recruitment, inclusion & performance		
CG-EC-330a.1	Employee engagement as a percentage	**Diversity & Inclusion Report 2022**
CG-EC-330a.2	(1) Voluntary and (2) involuntary turnover rate for all employees	**Sustainability Progress Report 2022 (p. 53)**
CG-EC-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	**Diversity & Inclusion Report 2022** Our commitment: By 2025, we will ensure equity in policies and practices (hiring, promotion, development) by conducting audits to proactively identify and eliminate biases and systemic barriers. The share of women across Zalando for EOY 2022 is 47.6%. This includes 25.1% for women in technical roles (e. g. software engineering, product management, product design, applied science, software, software project management) and 37.5% for women in leadership (e. g. head, director, VP, SVP, MB).
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	**Sustainability Progress Report 2022 (pp. 15, 51)**
CG-EC-410a.2	Discussion of strategies to reduce the environmental impact of product delivery	**Sustainability Progress Report 2022 p. 12–18, 19–23)**
Activity metric		
CG-EC-000.A	Entity-defined measure of user activity	**Annual Report 2022 (Overview: Zalando at a glance)**
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	**Annual Report 2022 (Overview: Zalando at a glance)**



Publishing details

Contact
ZALANDO SE
Valeska-Gert-Str. 5
10243 Berlin, Germany
corporate.zalando.com

Sustainability team
Allison Morton
Director Sustainability
sustainability@zalando.de

Realization and production
Zalando Corporate Brand Communications with the collaboration of Strichpunkt – Agentur für visuelle Kommunikation GmbH, Berlin, and David Wigan

Photo credits
Page 2: Daniel Hofer

04/2023

zalando