

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

Founded in 2008, Zalando is Europe's leading online platform for fashion and lifestyle, connecting customers, brands and partners. We bring head-to-toe fashion to more than 38 million active customers across 17 markets, offering clothing, footwear, accessories and beauty. More than 3,500 brands are currently offered by Zalando, from world famous names to local labels, as well as our own products. Our platform is a one-stop fashion shop for inspiration, innovation and interaction. As Europe's most fashionable tech company, we work hard to find digital solutions for every aspect of the fashion journey: for our customers, partners and every valuable player in the Zalando story. Our goal is to become the starting point for fashion – the destination that customers gravitate towards for all their fashion needs.

Zalando's localized offering addresses the distinct preferences of its customers in each of the 17 European markets being served. The logistics network with 11 centrally located fulfillment centers (2 more under construction) in Germany, Northern Italy, France, Sweden and Poland allows Zalando to efficiently serve its customers throughout Europe with a focus on local customer needs. Zalando offers over 20 payment options and 60 delivery and return options.

The company's management believes that the integration of fashion, operations and online technology provides the capability to deliver a compelling value proposition to both customers and fashion brand partners. To give its customers a broad service, Zalando's offering has been extended and enhanced with Zalando Lounge, Zalon, Zalando Wardrobe and the 10 brick-and-mortar outlet stores in Germany, which serve as additional sales channels for excess inventory. Further outlet stores are planned. Zalando Lounge offers registered members special offers at reduced prices and Zalon is Zalando's personal stylist service, working with about 800 stylists who put together looks from the Zalando fashion store, based on customer preferences. In addition, in 2020 Zalando expanded its spectrum of value for European customers further by adding a preowned category to its platform that is integrated in the Zalando Fashion Store.

In the face of global developments like climate change, we see a pressing urgency to reimagine our industry in a way that benefits all stakeholders involved in the fashion ecosystem. Creating value for everyone involved also includes taking responsibility for the people and environment along our value chain. In 2019 we therefore developed and launched our new sustainability strategy, which is anchored in our group strategy. Titled do.MORE, the strategy combines our long-term vision to be a sustainable fashion platform with a net-positive impact for people and the planet with specific commitments some of which we want to reach very quickly. Having a net-positive impact means that we run our business in a way that gives back more to society and the environment than we take. This aspiration calls for us to continuously reduce and mitigate the negative impact our business may have on society and the environment, while we aim to increase and amplify the value we create not just for customers, brands and shareholders, but also for people more generally and the planet. We have set ourselves a first set of six ambitious commitments for the short- and mid-term regarding guided by the three focus areas - Planet, Products, People.

PLANET

- 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 of our own operations compared to 2017.
- By 2023, we will design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics.

PRODUCT

- By 2023, we generate 20% of our GMV (Gross Merchandise Volume) with more sustainable products. Due to our progress we have decided to raise our target to 25% by 2023.
- By 2023, we apply the principles of circularity and extend the life of at least 50 million fashion products.

PEOPLE

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

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Reporting year	January 1 2020	December 31 2020	Yes	3 years

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

- Austria
- Belgium
- Czechia
- Denmark
- Finland
- France
- Germany
- Ireland
- Italy
- Luxembourg
- Netherlands
- Norway
- Poland
- Spain
- Sweden
- Switzerland
- United Kingdom of Great Britain and Northern Ireland

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

EUR

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Chief Executive Officer (CEO)	The highest level of responsibility with respect to the oversight of climate-related issues lies with one of our Co-CEOs, who is a member of the Management Board. The Management Board as a whole provides guidance on specific sustainability and climate change topics and receives updates about the overall progress with relation to our sustainability strategy on a monthly basis. The Co-CEO is also chairman of the Sustainability Forum, which is the highest decision-making body for climate-related issues. It serves as the overarching steering committee, keeps the necessary strategic oversight and ensures progress against Zalando's sustainability targets, including the climate targets. Two climate-related key decisions made by the Co-CEO in 2020 were i) defining two science-based targets in line with the 1.5 C degree Paris Agreement (after committing to setting targets in 2019) and ii) raising our sustainable product target from generating 20% of Zalando's GMV with more sustainable fashion to 25% until 2023, while continuing to raise the bar on eligibility criteria, including environmental criteria. In both instances, the Co-CEO was actively involved in the development process by guiding the reviewing of the content and targets of the strategy.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Scope of board-level oversight	Please explain
Scheduled – all meetings	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Reviewing and guiding annual budgets</p>	<Not Applicable>	<p>The Management Board receives a monthly Board Member memo, which updates the board about the overall progress of our sustainability strategy and provides guidance on specific sustainability topics. In 2020, the Management Board as a whole was briefed by the Director of Sustainability at least quarterly. The Co-CEO as member of the Management Board receives climate information through different channels. For example, he has weekly meetings with the Director of Sustainability covering the day-to-day business and monthly deep-dives on different topics (e.g. science-based targets). In addition, as chairman of the Sustainability Forum the Co-CEO receives updates on progress against climate goals and targets on a quarterly basis in the Sustainability Forum meetings. The Co-CEO relays climate information to the other members of the Management Board. In 2020, he reviewed and guided the development process of our Science Based Targets and related plans of action. This included the consideration of risks and opportunities connected to climate disruption. In addition, he was involved in budget decisions, concerning for example our carbon reduction goal. The CFO oversees the Risk Management Team as part of the Corporate Governance business unit. Once risks are identified, which include also climate-related risks if present, they are reported to the top management and, depending on probability of occurrence and potential impact, they are also reported to the Management Board and the shareholders of the company. Following the information flow described, the Board makes decisions regarding risk control measures in relation to the pursuing of company objectives. These governance mechanisms allow the Management Board to maintain close oversight over the company's sustainability and climate performance.</p>

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Reporting line	Responsibility	Coverage of responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO)	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Sustainability committee	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Quarterly
Safety, Health, Environment and Quality committee	<Not Applicable>	Both assessing and managing climate-related risks and opportunities	<Not Applicable>	Half-yearly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

1) Co-CEO

The highest level of responsibility with respect to climate-related issues lies with our Co-CEO, as we consider climate change a priority, which needs high-level management attention and oversight. He is responsible for approving climate-related strategic decision and chairman of the Sustainability Forum. The Sustainability Team, which is in charge of the day-to-day business with respect to sustainability and climate change related issues, reports directly to him.

2) Committees

With the launch of our new sustainability strategy in Q4 2019, we adjusted our governance structure and transitioned the responsibility for climate-related issues from the Environmental Steering Committee to the **Carbon Action Goal Group** as part of the **Sustainability Forum**. Both committees lie directly below management board. The Environmental Steering Committee was dissolved by 2020. This change was conducted to raise the responsibility for Sustainability to our Management Board, align all future activities along our new sustainability strategy and built a corresponding and clear governance structure that allowed integrating sustainability into all business units.

2a) Sustainability Forum

The Sustainability Forum is the highest decision-making body for climate-related issues and chaired by our Co-CEO's. It serves as overarching steering committee and keeps the necessary strategic oversight. The sustainability Forum consists of six workstreams, each one focuses on one of our six sustainability targets and has an executive sponsor as well as project management and expert support from the central Sustainability team. Our executive sponsors (Director of Sustainability, VP Logistics, VP Category Women, SVP Markets, VP Retail Operations and content Solutions, and SVP People & Organization) together with representatives from Sustainability, Corporate Communications, Finance, Demand, Digital Experience and Offprice teams meet every quarter. The committee consisted of the following members:

- Co-CEO: chairman of the Sustainability Committee, overviews all sustainability targets, including the climate targets
- Director of Sustainability: Sponsor of the Carbon Action Goal Group; she reviews, and guides Zalando's climate targets and approves major plans of action. She also oversees the progress against targets and advises the Sustainability Team in climate-relevant decisions. She reports to our Co-CEO on climate related targets and actions.

2b) Carbon Action Goal Group (CAGG)

Responsibilities include monitoring the progress against Zalando's climate goals and targets for addressing climate-related issues; providing guidance on overall direction of the carbon strategy; evaluation of main projects and plans of action on climate protection. By combining members on different hierarchy levels, the committees build a bridge between high-level management oversight and the operational execution of climate-related issues.

The committee consisted mainly of the following members:

- SVP Customer Fulfillment, VP Logistics & Director Transport: monitoring progress on the reduction of emissions in our warehouses; monitoring progress towards increased supplier engagement resulting in packaging and last-mile-delivery partners having set science-based targets
- VP Corporate Real Estate and Director of Indirect Procurement: approve major plans of action, such as the installation of solar panels and the switch from natural gas to biogas at our logistic centers, monitor progress on the reduction of our own emissions in our offices and retail spaces
- Director Supply & Director Office Logistics: monitoring progress towards an increased supplier engagement resulting in packaging and last-mile-delivery partners having set science-based targets
- VP Category Women and VP DACH & GM Strategy: responsible for targets regarding the climate footprint of our partner brands and our private labels brands, such as the reduction of GHG emissions from private label products and the setting of Science Based Targets of our partner brands
- Director Product Digital Experience Sustainability: Responsible for continuously evolving the digital experience in a way that makes selecting more sustainable products and delivery options like for example the delivery offset feature for customers and adopting circular services more accessible
- Director Sustainability: Monitoring progress towards all mentioned goals in cooperation with respective business units, responsible for Zalando's environmental performance with a special focus on climate and packaging, including definition and prioritization of reduction areas and initiatives in line with science-based targets
- Sustainability Team: Working group owners, responsible for the day-to-day management and implementation of the concrete sustainability initiatives (e.g. drafting of climate strategy and targets together with Co-CEO)

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

	Provide incentives for the management of climate-related issues	Comment
Row 1	Yes	Zalando provides incentives to all employees, including its senior management, to use more sustainable forms of transport, contributing towards reducing travel- and commuting-related GHG emissions.

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Entitled to incentive	Type of incentive	Activity incentivized	Comment
All employees	Non-monetary reward	Behavior change related indicator	All Zalando employees working in the offices and warehouses are offered a subsidized company ticket for the respective public transport. In doing so, employees are incentivized to reduce or even replace the use of cars or other high emission vehicles, both for reaching the workplace and for private travelling. This initiative allows a reduction in GHG emissions and contributes towards a more climate-friendly behavior.
All employees	Non-monetary reward	Behavior change related indicator	Zalando provides rail discount cards with a 25% and 50% discount to employees that regularly travel for business purposes. With this card, employees have a 25% or 50% discount on all inner country rail travels within Germany that can also be used for private purpose. In doing so, employees are incentivized to reduce or even replace the use of high emission vehicles such as cars and airplanes for their inner country travels, for business travels, for reaching the workplace and for private travelling.
Other C-Suite Officer	Non-monetary reward	Behavior change related indicator	Zalando has a car-leasing program on management level, which is available to Vice Presidents, Senior Vice Presidents and our Management Board. The program offers, among others, a wide array of hybrid and electric cars and contributes towards reducing GHG emissions from car fleet.
All employees	Non-monetary reward	Emissions reduction target	We believe incentives should not only focus on single targets, but on successfully executing on our long-term strategy. Integral part of this strategy is our do.MORE strategy, which includes concrete goals on carbon footprint reduction. We measure our employees against their contribution and impact on our strategy and thus create incentives to indirectly contribute to our strategic carbon goals.

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

	From (years)	To (years)	Comment
Short-term	0	1	Time-horizon we consider primarily for sales and operations planning as well as risk assessment.
Medium-term	1	5	Time-horizon we consider primarily for our financial planning as well as risk assessment.
Long-term	5	30	Time-horizon we consider primarily for our strategic planning as well as risk assessment.

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

Generally, we define “risk” as a potential future development or an event that could lead to a negative (risk) or positive (opportunity) deviation from the company’s targets. Risks and opportunities are defined as top risks or top opportunities (i.e. having a substantive financial or strategic impact) if they display a material combination of probability and impact. The probability of occurrence represents the possibility that a specific impact for a risk or an opportunity may materialize within the defined time horizon. The impact assessment is conducted on quantitative or qualitative scales. The quantitative scale refers to the potential financial impact on profit (EBIT) while the qualitative scale considers the impact on Zalando’s image.

The minimum thresholds for material combination of probability and impact (and vice versa) that classify risks and opportunities as top risks and opportunities are the following: medium & very high; high & medium; very high & low. For example, a risk is considered a top risk if it has a low probability but a very high impact (and vice versa). In the assessment, gross and net risks are considered, whereas material net risks are monitored closely by the Management Board.

In FY 2020 we applied the following quantifiable indicators:

Probability: very low ≤ 10%; low: >10-25%; medium: >25-50%; high: >50-75%; very high: >75%

Impact: very low <1m EUR; low: 1-5 m EUR; medium: 5-20 m EUR; high: 20-60 m EUR; very high: >60m EUR

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations
Upstream
Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

A) Risk Management Process Zalando has a dedicated Risk Management Team, which is responsible for the identification and communication of risks and opportunities within the Zalando Group. The identification of climate risks is integrated into the company-wide risk management process and considers the whole value chain. The Risk Management Team uses multiple instruments, such as workshops and self-assessments, for the identification and assessment of risks and opportunities. To enable a risk monitoring between the semi-annual risk cycles, Zalando has implemented an ad-hoc reporting which informs the Risk Management Team and Management Board about current risk events and changes. The Risk Management Team closely cooperates with the Sustainability Team, in order to identify climate related risks. As such, the Sustainability Team participates in workshops that aim to identify climate related risks and opportunities and evaluates them in accordance with the EU commission guideline on non-financial reporting. Risk Management Process Steps: 1. Scoping: Coverage of relevant company & subsidiaries as well as relevant partners within the value chain; 2. Detection: Interdisciplinary Risk Identification Approach; 3. Evaluation: Qualitative/Quantitative Assessment of identified risks including probability of occurrence & impact. For the impact evaluation we are using the scenario technique to assess the impact for the predicted time point of the defined scenario and assess the financial implications for the defined time horizon; 4. Steering: Risk Owners define Mitigation Strategies and Measures for their risks; 5. Monitoring: Proactive Analysis of changes of defined Key Risk Indicators; 6. Reporting: Summary of identified single risks on Risk Owner level, Aggregated Summary for Internal Management Updates & External Financial Disclosure Reporting. An example of the management of physical risks is the management of potential damages and operation interruptions caused by extreme weather events. In particular, the operation interruption is approached with more flexible procurement and a more robust planning process. Sourcing processes are updated in order to substitute materials with materials that requires less resources (for example scaling the use of recycled and organic cotton across all our products) and to reduce dependency on single suppliers or areas. Damages from extreme weather events are managed and mitigated by means of an insurance policy that transfer the cost from Zalando to the insurance company. The Risk Management process has also been applied for the identification of transitional risks. During this process, we identified the transition to low carbon technologies as relevant technological risk. We manage this particularly by evaluating energy efficiency initiatives, which could cut emissions. The usage of more efficient technologies might impact Zalando in terms of reduced operational costs, reduced GHG emissions and energy consumption with a reputational benefit. B) Risk control measures (in accordance with IDW PS 981) Identified risks are reported to management (Risk Owner) and potentially, depending on probability of occurrence and potential impact, to the Management Board and the shareholders of the company. Based on the identified and assessed risks, the Management Board makes decisions regarding risk control measures in relation to the company objectives. Risk Avoidance: Exit from activities if control measures are not cost-efficient and/or benefits are in unfavorable proportion to the risk. Risk Transfer: Transfer of risk control and/or the financial impact of the risk to third parties, e.g. insurance companies. Risk Mitigation: Reduction of the probability of occurrence and/or reduction of the amount of loss through appropriate measures. Risk Acceptance: The occurrence of the risk is accepted, and no further mitigating measures are planned. For the management of risks, the units and the dedicated owners are in charge. The Sustainability Team will identify gaps and provide advice on appropriate countermeasures.

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	Current regulations are part of our risk assessment, fall under the risk cluster "Compliance", and are defined as risks or opportunities arising from compliance with current laws and regulations. Close cooperation between Zalando's Legal, Sustainability and Risk Management Teams is established to ensure that current regulatory requirements are considered and followed. Additionally, a regulatory watch process is implemented to identify potential future regulations or changes. Example of specific current regulations considered in our assessment is the German implementation of the CSR Directive on Non-Financial Reporting (CSR-RUG) (Section 289b (1) and (3) and Section 315b (1) and (3) HGB (German Commercial Code) and the Sustainable finance taxonomy - Regulation (EU) 2020/852.
Emerging regulation	Relevant, always included	Regulatory changes are part of our risk assessment, fall under the risk cluster "Compliance" and are defined as risks or opportunities arising from the introduction of new laws and regulations. Close cooperation between Zalando's Legal, Sustainability and Risk Management Teams is established to ensure that current regulatory requirements are considered and followed. Additionally, a regulatory watch process is implemented to identify potential future regulations or changes. The European Green Deal and the ambitious targets set by the EU for 2030 regarding GHG emission reductions, renewable energy and energy efficiency is an example for a policy initiative, which may result in concrete emerging regulation, with particular relevance to us as a European company.
Technology	Relevant, always included	New technologies that disrupt the market are likely to have an impact on our business model raising the need for increasing investment. As a tech company, there are corresponding technology risks, which we identify and evaluate together with our risk owners in order to rapidly adapt to this evolution. The usage of emerging technologies such as renewable energy and energy efficiency might affect our competitiveness, our costs and our ability to respond to consumer demands for sustainability in the way Zalando operates. Concrete examples for technology risks evaluated in our risk assessment are related to the increased costs associated with the investment in new low carbon technologies and R&D necessary to meet the Paris Agreement Goals. As a technological company this risk is particularly related to the energy efficiency and business continuity of our digital platform that is able to connect all participants in the fashion ecosystem – customers, brands, retailers, manufacturers, stylists, content providers such as influencers, logistics companies or service providers – in 17 markets.
Legal	Not relevant, included	Due to our business model, the occurrence of legal risks associated with climate-related litigation claims is very unlikely. However, legal risks in general are constantly monitored and evaluated in the risk cluster "Compliance".
Market	Relevant, always included	Market risks are part of our risk assessment and fall under the risk cluster "Strategic". We are continuously analyzing and incorporating market signals (e.g. macro-economic developments, social and environmental aspects, consumer behavior, etc.) into the risk identification and subsequent assessment and reporting. One example for a market risk considered in our assessment is the risk of changing consumer behavior: customers turn away from fast fashion or buy less since fast fashion no longer enables status in a world shaped by global warming, which might result in us losing market shares. We are responding to this risk by our stronger focus on sustainable brands and the above-mentioned constant monitoring of market signals.
Reputation	Relevant, always included	Reputational risks are part of our risk assessment and fall under the risk cluster "Reputation and Sustainability". An example for reputational risks considered in our assessment relates to the increasing importance of climate change to our customers. Thus, the failure to manage our climate (and also social) issues appropriately might significantly damage our reputation.
Acute physical	Relevant, always included	Physical risks are part of our risk assessment and fall under the risk cluster "Operations". For example, flood or hurricanes can damage logistics infrastructure lead to limited availability of raw materials for textiles. This poses a supply risk. The widespread supplier network is managed and dependency on single suppliers / areas being reduced.
Chronic physical	Relevant, always included	As described in C2.3a, changes in weather patterns can significantly influence Zalando's business performance, are therefore included in the risk identification process and fall under the risk cluster "Operations / Sales". For example, changes in weather conditions effect seasonality and thus product selection, purchasing and sales forecast. In addition, sea level rise can stress transport infrastructure and lead to limited availability of raw materials. The widespread supplier network is managed and dependency on single suppliers / areas being reduced.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Chronic physical	Changes in precipitation patterns and extreme variability in weather patterns
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Primary potential financial impact

Decreased revenues due to reduced demand for products and services

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

In the latest edition of the World Economic Forum's Global Risks Report, climate change is the standout long-term risk the world faces. The report, which identifies the top threats facing our world by likelihood and extent of impact, names failure to mitigate and adapt to climate change as the key concern. Extreme weather events that result from chronic changes such as changes in precipitation patterns or variability in weather patterns are events that might affect Zalando. As a company in the fashion industry, Zalando's product selection, purchasing and sales forecasts are based on fashion industry seasonality and their respective climatic conditions. In 2020, we served products to over 38.7 million active customers across 17 European countries. Given our European presence, it is likely that extreme weather conditions such as very long seasons (summer/winter) may cause a late or early start of the following fashion season. Both situations affected by the climate change can have a significant impact on our goals. This may lead to uncertainty and a decrease in revenues with a medium estimated financial impact within a short-term period of 1 year.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

20000000

Potential financial impact figure – maximum (currency)

60000000

Explanation of financial impact figure

The evaluation shows a potential EBIT effect of a deviation from planned revenue due to persistent weather conditions.

Cost of response to risk

2000000

Description of response and explanation of cost calculation

Management method: We approach this weather-induced uncertainty with more flexible procurement and planning processes as well as expanding our product range in non-seasonal areas, to mitigate the risk. Dependency on weather effects, as one inherent risk of the business, cannot completely be eliminated. A residual risk therefore has to be accepted. In addition to that, we are taking responsibility for our environmental impact and are working to reduce our carbon footprint with our Zalando do.MORE group sustainability strategy. The strategy shows the commitment of Zalando in tackling climate change. For example, we aim that 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 of our own operations compared to 2017. In addition, by 2023, we design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics. Moreover, we are in the process of replacing our plastic shipping bags with paper alternatives and other more sustainable materials. Cost of response to risk: the approximately 2,8 m EUR refer to the budget that we have allocated for mitigating carbon emissions in 2020. Our overall budget for sustainability initiatives will increase significantly for 2021.

Comment**Identifier**

Risk 2

Where in the value chain does the risk driver occur?

Upstream

Risk type & Primary climate-related risk driver

Acute physical	Increased severity and frequency of extreme weather events such as cyclones and floods
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Primary potential financial impact

Increased direct costs

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

As stated in the latest edition of the World Economic Forum's Global Risks Report, climate change is the standout long-term risk the world faces. The report, which identifies the top threats facing our world by likelihood and extent of impact, places extreme weather, climate action failure and natural disasters as the top 3 risks by likelihood. Zalando produces sustainable products, requiring sustainable product components/materials and recyclables. Zalando may face limited availability of sustainable product components, materials and/or recyclables due to supply disruption caused by extreme weather events. Zalando sells more than 3500 brands and owns six labels. For these six labels, we source products from 16 different countries, and currently work with 126 sourcing partners and 195 factories. Due to the size and variety of our assortment, extreme weather events resulting from climate change can impede manufacturing operations, increase prices, or delay production of highly important raw materials and finished products transportation. This would affect our whole supply chain, from sourcing partners to our factory partners, which are manufacturing our Private Label items. The main consequences are an increase in cost of goods sold due to adjusted sourcing and usage of substitute materials requiring less/other resources. In addition, supply chain investments need to be undertaken to serve future customer demand (e.g. sourcing for sustainable product assortment, carbon neutral transportation modes). In addition, increasing costs of insurance premiums are expected in the mid-term to cover the increase in frequency of natural disaster damages (caused by e.g. floods, hurricanes) to assets and infrastructure (e.g. warehouses, fulfillment centers).

Time horizon

Medium-term

Likelihood

Unlikely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

20000000

Potential financial impact figure – maximum (currency)

60000000

Explanation of financial impact figure

A price increase or the prohibition of raw materials would lead to significant additional costs for Zalando private labels. Since larger price changes are probable with the increasing environmental awareness, but are probably only to be expected in a period of 3-5 years, the probability of occurrence is currently estimated at 10-25%. A price increase about EUR 54 m affecting the Private Labels budget is expected in the mid-term.

Cost of response to risk

2000000

Description of response and explanation of cost calculation

During 2020, the risk in operative interruption caused by extreme weather events was managed and mitigated through the following measures (also forward looking measures): - Maintenance of a widespread supplier network with reduced dependency on single suppliers/areas; - Commitment of Zalando to positively impact the entire value chain having 90% of its suppliers (based on their emissions) set science-based targets until 2025. In order to tackle climate change and reduce the probability of extreme weather events in the future, Zalando adopted the sustainability strategy do.MORE setting out the bold vision to be a sustainable fashion platform with a net-positive impact on the planet. In this context, Zalando set science-based targets for Scope 1, 2 and 3 emissions under the Science Based Targets Initiative and in line with the 1.5 degree Paris Agreement on climate change. Moreover, all own operations source 100% renewable electricity since 2020. In addition, since October 2019 our own operations and all deliveries and returns are carbon neutral through these reduction measures and the purchasing of carbon offsets. Cost of response to risk: the approximately 2,8m EUR refer to the budget that we have allocated for mitigating carbon emissions in 2020. Our overall budget for sustainability initiatives will increase significantly for 2021.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Current regulation	Mandates on and regulation of existing products and services
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Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

<Not Applicable>

Company-specific description

Increased costs to meet the Paris Agreement Goals refer to either investment costs in new technologies or GHG emissions related regulation, taxes and cap & trade systems, more R&D Investments in new technologies for mitigating measures. In particular, the risk refers to business practices not in line with European GHG emissions reduction plans, such as: 1.) Circularity requirements/restrictions over the whole product lifecycle of fashion articles: 1a) Disposal of Products/Waste Management (End-Of-Life), 1b) Design of products is increasingly regulated; 1c) Product Packaging (avoidance of single used plastics/EPR). 2) Carbon Emissions restrictions (Regulatory) 3) Fuel/energy taxes and regulations 4) General environmental regulations 5) Regulation of transport industry: contingents, air pollution limits and packaging affect transport from logistic centers to customers; 6) Inappropriate emissions due to fossil-based heating systems; 7) Inappropriate emissions emitted during clothing production are not sufficiently mitigated (Private Labels) (trend: global clothing production has more than doubled since 2002); 8) Inappropriate emissions from transportation are not sufficiently mitigated (modes: vessels, cargo planes, train, truck) 9) Inappropriate emissions from packaging increase in short term due to the growing substitution of plastics with paper-based alternatives; 10) Last mile delivery and high amount of returns results in higher emissions per article (e-commerce business vs. retail sales).

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

20000000

Potential financial impact figure – maximum (currency)

60000000

Explanation of financial impact figure

The Carbon Intensity of Zalando's Fashion Platform including up- & downstream CO₂eq. emissions is aiming to be in line with the Paris Agreement Goals by 2025. Under the notion of the expanding internalization of these costs onto business as well as under the assumption of no further countermeasures, we see a potential financial impact on our whole value chain, with a potential high financial impact ranging between EUR 20m - EUR 60m (EBIT) in 2025.

Cost of response to risk

2000000

Description of response and explanation of cost calculation

Carbon pricing has emerged as a key policy mechanism to curb and mitigate the negative external effects of greenhouse gas emissions and drive investments towards cleaner, more efficient alternatives. Zalando discloses CO₂eq. emissions (direct/indirect) to implement further effective counter measures such as: • Reduction of Scope 1 and 2 carbon emissions by 80% by 2025 (Science Based Targets (SBTs) set in line with Paris Agreement) • Reduction of packaging waste • Commitment to net-zero carbon footprint in our own operations and all deliveries and returns as of today. We achieve this by purchasing carbon offsets and funding projects that compensate our carbon emissions by reducing emissions, somewhere else via Gold Standard certified reforestation projects in Ethiopia, Uganda, Panama, Colombia and a VCS certified project in Indonesia. Furthermore, Zalando customers can now choose to contribute to a climate-neutral delivery for a small fee of 0.25 EUR cents including VAT per order • Reduction of transportation emissions through reducing emissions of parcels per order by gathering customer orders from different suppliers/brands of our Partner Program in one package via Zalando Fulfillment Solution • Investment in green building technologies: for example in 2020 the photovoltaic systems of one of our fulfillment centers was expanded, thus doubling the amount of procured energy from this building. • Purchasing of renewable energy in order to reduce the carbon emissions of Zalando: in 2020, we joined the RE100 initiative and achieved our target of supplying all our own operations with 100% renewable electricity by either sourcing renewable electricity or purchasing guarantees of origin. Cost of response to risk: the approximately 2,8m EUR refer to the budget that we have allocated for mitigating carbon emissions in 2020. Our overall budget for sustainability initiatives will increase significantly for 2021.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of lower-emission sources of energy

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

Shifting the use of energy sources towards low carbon alternatives generates different benefits, such as reduced operational costs and reduced GHG emissions in case of potential regulation. This is particularly relevant for Zalando as a European company, considering the European Green Deal and the ambitious targets set by the EU for 2030 regarding GHG emission reductions, renewable energy and energy efficiency. In addition, using lower-emission sources of energy and thus reducing our GHG footprint results in reputational benefits.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

152926

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

We calculated the financial impact figure based on the estimated annual monetary savings generated by i) reducing our energy demand through the implementation of energy-efficiency measures at our fulfilment centre in Erfurt, Germany (see question C4.3b); ii) reducing our demand for purchased electricity through the self-generation of solar energy (specifically the extension of our solar panels in 2020 at one of our logistic locations in Lahr, Germany; see question C4.3b).

Cost to realize opportunity

1064113

Strategy to realize opportunity and explanation of cost calculation

The use of low carbon energy sources present a great opportunity for us. We plan to realize this opportunity through further efficiency initiatives and green energy sourcing. In 2020, i) we replaced our lighting system by energy-efficient LEDs and renewed our cooling system in our oldest fulfilment center in Erfurt; and ii) we doubled the amount of solar panels at one of our sites in Lahr. In addition, we joined the RE100 initiative last year and pledged to source 100% renewable electricity in our own operations by 2025, as part of our science-based targets. We are proud to say that we have achieved this in 2020 already. Explanation of cost calculation: The cost to realize opportunity is was calculated by adding together the investment required for our energy efficiency measures in Erfurt. The cost for expanding our solar panels in Lahr were not considered, because we chose a contracting finance model, which added operational cost but resulted in no additional investment (see question C4.3b).

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

It is widely recognized that the consumer's demand for a greater assortment of sustainable products is constantly growing in the fashion industry. The "The State of Fashion 2020" report, by McKinsey and The Business of Fashion is the largest and most authoritative overview of the industry, surveying more than 290 global fashion executives and interviewing thought leaders and pioneers. The report finds sustainability as the biggest challenges and the biggest opportunity for 2020. The report highlights that sustainability is getting increasingly important as a priority, reflecting rising concerns of consumers and companies about how to alleviate their impact on the environment. In 2020, we continued focusing on expanding our sustainability assortment and we offered over 80,000 items carrying the sustainability flag in the Fashion Store at the end of 2020, from 25,000 sustainable products in 2019. In addition, we extended the Sustainability Flag to our beauty category. The sale of these products accounted for around 16% of our Gross Merchandise Volume, up from 6,7% in 2019. Zalando's private label ZIGN is fully committed to sustainability since 2020. All items of the collection and 50% of the total private label products feature the sustainability flag in the fashion store. The assortment was extended from shoes and accessories to apparel, and explores quality, durability, as well as sustainability. Zalando highlights products with the sustainability flag when they meet one of the company's sustainability criteria, which cover a range of social, environmental and animal welfare topics. Zalando's criteria are aligned with international industry best practices and third-party standards. In 2020, 166 factories supplying our private labels, representing 90% of our production volume, completed the SAC's Higg Facility Environmental Module.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

160000000

Potential financial impact figure – maximum (currency)

230000000

Explanation of financial impact figure

The overall Fashion Market in Europe amounts to EUR 350 bn in 2020 (decreasing from 420bn in 2019 due to area-wide closures of stationary retail as a protective measure against the COVID-19 pandemic). By 2025 Zalando aims to generate EUR 30bn in GMV, this would lead to a 8,57% market share. Furthermore, by 2023, Zalando aims to generate 25% of its gross merchandise value with more sustainable products (target was raised from 20-25% at the end of 2020). This translates into EUR 7.5bn in GMV generated with sustainable fashion and a potentially very high profit impact of 160m to 230m on Zalando. The range results from the dependency on our partners & brands for the supply of sustainable products. To give an even more accurate figure, we included the profit margin for more sustainable fashion in our estimate.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

By 2023, we aimed to generate our Gross Merchandise Volume (GMV) with more sustainable products. Due to our progress in 2020, we have decided to raise this target to 25% by 2023. To seize this opportunity, we will seek to attain more sustainable brands to our platform and work with partners to increase their share of more sustainable products. To engage brands in broadening their more sustainable collections, we plan to start a campaign with our ZMS Service, giving brands marketing incentives for their sustainable products. Our private label ZIGN is already fully committed to sustainability for all future collections. From 2020, all ZIGN products contain at least 50% of a more sustainable material, or at least 20% recycled content, which can often be difficult to work with in high amounts whilst ensuring the same quality and durability of a product that our customers love. To raise the bar, by the end of 2021, our aim is for 70% of our private label products to fulfil our sustainability criteria and carry the sustainability flag, compared with 50% at present. We also decided to raise the recycled content minimum from 20% to 30% in 2021. All products of our private label ZIGN fulfil sustainability criteria since spring/summer 2020 and carry the sustainability flag in our online fashion store. In addition, all factories supplying our private label Zign completed the SAC's Higg Facility Environmental Module and shared their results.

Comment

At this stage, we are not able to provide an estimate of the cost to realize this opportunity.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

The growing demand for greater sustainable products and services from consumers represents an opportunity for Zalando in terms of reputation and increase of revenues. To better cater to our customers' needs, we constantly build innovative fashion experiences and services. One such free digital service is Zircle (previously "Wardrobe"), which was launched in 2018 for the German speaking market. Zircle ties into a more circular approach to fashion, allowing customers to digitize their wardrobe and to sell or buy clothes to and from Zircle as well as directly to other customers. The Zircle web shop has been extended to 5 new markets in 2020 and is now available in Spain, Belgium, France, the Netherlands and Poland. To further scale circularity, in 2020, Zalando also launched a Pre-Owned fashion category that is integrated directly into its Fashion Store, offering targeted preowned fashion for men and women in Germany, Spain, Belgium, France, the Netherlands and Poland. Customers can trade-in or buy preowned items while experiencing Zalando's usual convenience proposition. By keeping products and materials in use, and impacting post-production phases such as buying, wearing and end-of-life via (re-)selling or donation, Zalando's Pre-owned fashion category and Zircle can help extend the life of fashion products and add a loop to the linear fashion system, thus contributing to reducing GHG emissions in the long-run. In addition, after trading in their fashion items, customers can support the donation partner, WeForest, an organization that promotes reforestation to combat global warming. Also in the private labels category, circularity has been implemented together with the start-up circular.fashion to develop a new, recyclable collection and extend the life of garments. Together with the Ellen MacArthur Foundation, Zalando will scale its circular design and manufacturing activities, since, according to the Ellen MacArthur Foundation (Report: A New Textiles Economy), the industry could tap into an USD 460 bn economic opportunity by moving to a circular system (assuming that all new garment sales would be avoided). In 2020, we extended the life of over 340,000 fashion

products via the initiatives described above.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

In 2020, we extended the life of over 340,000 fashion products by means of selling or donating via Pre-owned and Zircle. As we are scaling both Zircle and Pre-owned, we expect this number to grow in the following years, but cannot pin down a specific number, as this is an offer that has never existed like this before. We consider the Pre-owned Fashion Category as well as the Zircle as a complementary service that aims to deepen customer relationships. The granted credits at the return will drive additional frequency and customer lifetime value and ultimately our financial performance.

Cost to realize opportunity

2800000

Strategy to realize opportunity and explanation of cost calculation

Our goal is to extend the life of at least 50 million fashion products by 2023. Part of our strategy to reach this goal was the roll out and expansion of Zircle and the Pre-owned fashion category. To further scale circularity opportunities for our customers that have a growing interest in sustainable product and circular economy, we extended the Zircle web shop from Germany to Spain, France, the Netherlands, Belgium and Poland in autumn 2020 and launched a Pre-Owned fashion category that is directly integrated into the Zalando Fashion Store in the same six markets. To further extend the geographical scope, the Pre-owned fashion category will be launched in seven further countries in April 2021 (Italy, Czech Republic, Sweden, Finland, Denmark, Ireland and Austria thus covering 14 of our 17 markets). The Zircle web shop will be expanded to Sweden, Denmark and Finland. Explanation of cost calculation: the EUR 2,8m refer to the personnel costs that were necessary to develop and launch the Pre-owned fashion category in 2020 and to maintain and expand Zircle to five new markets and are a rough estimate.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?

	Is your low-carbon transition plan a scheduled resolution item at AGMs?	Comment
Row 1	No, and we do not intend it to become a scheduled resolution item within the next two years	Our low-carbon transition plan is not part of the AGM resolution. However, our Sustainability Progress Report 2020 and the Combined Non-Financial Report 2020, which includes our science-based targets and our related progress for achieving those targets, have been listed in the documents of our AGM 2021. Also, our science-based targets have been presented to the Supervisory Board during the board meeting.

C3.2

(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?

No, but we anticipate using qualitative and/or quantitative analysis in the next two years

C3.2b

(C3.2b) Why does your organization not use climate-related scenario analysis to inform its strategy?

Zalando has grown successfully in the past few years and has set itself the ambitious target to triple its business to a scale of more than 30bn EUR in GMV by 2025. This growth has been accompanied by a larger ecological footprint, including increasing GHG emissions. By implementing our new sustainability strategy do.MORE, we are continuously working to reduce the negative impact of our business, while increasing the value we create for people and planet. We reached carbon neutrality in our own operations as well as deliveries, returns and packaging as of 24 October 2019.

We have achieved this through reduction measures and purchases of carbon offsets via carbon removal projects for unavoidable emissions. One of the key elements of our climate strategy was the setting of Science Based Targets in line with the 1.5 C degree Paris agreement in 2020, reaching a 64% reduction of our Scope 1 and 2 GHG emissions from a 2017 baseline. In addition, we have reduced Scope 3 emissions from private label products by 19% per million euros gross profit from a 2018 base year. The science-based targets we set were informed by scenario analysis. We are still in the process of defining an approach on how to rollout the use of climate-related scenario analysis to inform our business strategy. The time frame for this is within the next 2 years.

C3.3

(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate-related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Zalando might face negative (risk) or positive (opportunity) consequences from climate-related potential future developments or events (as reported in C2.3a Risk 3 and C2.4a Opportunity 1 and 2). In order to respond to the shift in consumer preferences and the transition towards low emission technology, Zalando adapted its product-related strategy. We launched a pre-owned fashion category in our online fashion stores and Zircle, – both enabling Zalando customers to resell their clothes and buy second hand clothes. The pre-owned category and Zircle apply the principles of circularity and contribute to achieving our goal of extending the life of at least 50 million fashion products by 2023. In addition, Zalando’s private label ZIGN fully commits to sustainability since 2020. The assortment was extended from shoes and accessories to apparel, and provides quality, durability, as well as sustainability. All items of the spring/summer 2020 collection feature Zalando’s sustainability flag in the Fashion Store. Zalando highlights products with the sustainability flag when they meet one of the company’s sustainability criteria, which cover a range of social, environmental and animal welfare topics. Zalando’s criteria are aligned with international industry best practices and third-party standards. We know that customers are increasingly concerned about the future of our planet and want to make more sustainable fashion choices. Our customers’ demand for sustainable products, which we see in the increase of searches on our platform for “organic,” or “Fairtrade”, for example, reflects the growing interest. In 2020, we expanded our assortment with new brands that will further diversify our assortment with more sustainable clothing. We were able to get some sustainability pioneers on board: Brava Fabrics, Mini Rodini, Thought, Flamingos’ Life, EOE Eyewear, Afends. A bit bigger and more commercial but still with a sustainable focus includes Arket, Lindex and Nu-In. By the end of 2020, the sustainable fashion assortment consisted of more than 80,000 items from over 500 brands, generating 16% of Zalando’s GMV, and is constantly expanding. In this context, by 2023, we plan to generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products. Due to our progress in 2020, we have made increased our target from 20% to 25%.
Supply chain and/or value chain	Yes	Since we connect all participants in the fashion ecosystem – customers, brands, retailers, manufacturers, stylists, content providers such as influencers, logistics companies or service providers – supply chain and collaboration with more than 3,500 international brands in 17 markets is essential. As reported in C2.3a Risk 1 and 2, supply chain disruptions are expected and we have started approaching this with a more flexible procurement and a more robust planning process. Sourcing processes will be updated in order to substitute materials that require less resources (for example scaling the use of recycled and organic cotton across all our products) and to reduce dependency on single suppliers or areas of supply. Since the launch of our do.MORE strategy in 2019, we have been carbon neutral in our own operations (Scope 1 and 2) and in packaging and upstream transportation and distribution (deliveries and returns). The key tool for this achieving this are our reduction measures, completed by purchasing carbon offsets and funding projects that compensate our GHG emissions by reducing emissions somewhere else for our unavoidable emissions. In addition, offer our customers the chance to contribute to offsetting the carbon produced by the delivery, packaging and potential return of the order placed on our platform. This is currently possible at the last step of the purchase process, before placing the order. Zalando customers can contribute to climate-neutral delivery for a small fee of 0.25 cents including VAT per order. We work closely with Gold Standard - an internationally recognized standard and certification organization for emission reduction projects - to ensure that these contributions go towards genuine projects that offset GHG emission. We also set ambitious targets with respect to sustainable packaging: By 2023, we will design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics. Finally yet importantly, Zalando has set science-based targets. We commit to reduce scope 3 GHG emissions from private label products 40% per EUR m Gross Profit by 2025 from a 2018 base year. Zalando also commits that 90% of its suppliers by emissions covering purchased goods and services sold on its platform, packaging and last-mile-delivery partners will have science-based targets by 2025.
Investment in R&D	Yes	As disclosed under risk and opportunities, building a sustainable business model is essential to be successful in the long-term. At Zalando, we also observe this drive for sustainability from our customers. We consider this in our R&D strategy, as highlighted in the following activities. 1) Reusable packaging keeps materials out of waste streams and reduces resource use. That is why we continued our pilot from 2019, in which we tested the use of reusable shipping bags. In 2020, we successfully encouraged customers to return the reusable bags, as one key challenge was a low return rate in 2019. Our improvements have boosted customer engagement and the return rate for reusable packaging rose by 52% points. We will continue to explore reusable packaging systems that reduce the need for single-use packaging. 2) We have committed to engage our biggest partners, including brands, packaging suppliers and last-mile delivery partners, to set their own SBTs by 2025, covering 90% of our emissions. Currently, partners covering 34% of our 2020 Scope 3 emissions have set science-based targets. 3) We are in the process of replacing our plastic shipping bags with paper alternatives. In the Nordics, we have piloted the replacement with paper alternatives in 2020 and we will roll out across all markets in 2021. In our new Pre-owned category, we started piloting the use of plastic-free packaging in 2020. The shipping bags consist of 100% recycled paper and shipping boxes are made of recycled paper and grass. The production of the grass pellets requires significantly fewer energy resources than conventional raw materials for the paper industry. Estimates suggest that a ton of wood pulp requires about 5000 kWh of energy to create paper, while the same amount of grass pulp could require just 137 kWh. The pilot boxes are made out of 30% grass and 70% recycled paper. Thereby, total carbon emissions are 18% lower than when 100% recycled paper is used. 4) The R&D strategy also focuses on minimizing waste. In 2019, we have set the explicit target to design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics by 2023. Over the past year, we reduced the amount of single-use plastic in packaging per item shipped by 22% to an average of 7.8 grams.
Operations	Yes	Influenced by climate-related risks and opportunities (as reported in C2.3a Risk 1 and C2.4a Opportunity 1) Zalando adapted its operations strategy. We have committed to ambitious targets on carbon reduction by setting Science Based Targets in line with the 1,5°C degree Paris Agreement in 2020, including an 80% reduction in emissions of our own operations compared to 2017 and an increase in annual sourcing of renewable electricity from 34% in 2017 to 100% by 2025. In 2020 Zalando reduced its market-based Scope 1 and 2 GHG emissions by 64% against a 2017 baseline year and already achieved the target of supplying all own operations with 100% renewable electricity. Furthermore, with the introduction of our sustainability strategy do.MORE, our own operations and all deliveries and returns are carbon neutral since October 2019. The pledge is part of Zalando’s sustainability strategy, “do.MORE”, which aims for a net-positive impact for the planet. We achieve this by purchasing carbon offsets and funding projects that compensate our GHG emissions by reducing emissions somewhere else.

C3.4

(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Direct costs Indirect costs	<p>A) Revenues: Zalando's financial planning and revenues might be impacted by the following risks and opportunities: 1. Changes in precipitation and chronic weather events might influence the ability of Zalando to generate expected revenues (as reported in C2.3a). Extreme weather events, such as long seasons, may cause a late or early start of the following season leading to uncertain and decreased revenues with a medium-high estimated financial impact and a short-term period of 1 year. Therefore, we have expanded our product range including non-seasonal items in order to mitigate the effect of longer seasons caused by weather condition. 2. Shift in consumer preferences (as disclosed in C2.4a) may lead to increased demand for products. Zalando expects to expand sales generated by more sustainable products, with an increase in revenues having a medium estimated financial impact in 1 to 5 years. Increasing environmental awareness will spur this shift towards sustainable products. In 2020, we expanded our assortment with new brands that will further diversify our assortment with more sustainable clothing. We onboarded well-known sustainability pioneers like Cras, Flamingo's life, Ethletic, Thought, Afends, Genesis, Wawwa, NAE Vegan Shoes, EOE Eyewear and Mini Rodini among others. Zalando was also proud to launch two larger brands with a strong focus on sustainability, Lindex and ARKET, and worked closely with industry leaders adidas, Levi's and Bestseller to substantially grow their range of more sustainable choices on the platform end of 2020, the sustainability assortment consisted of more than 80,000 items and is constantly expanding. B) Direct Cost: The potential consequences of damages from chronic and acute weather events (as explained in C2.3a Risk 1 and 2) might lead to increased operating costs in the sense that extreme weather events resulting from climate change can impede manufacturing operations and disrupt, increase price or delay production of highly important raw materials and finished products. Availability of sustainable product components, materials and recyclables might be limited or just available at higher costs due to potential supply chain disruptions caused by extreme weather events. In addition, supply chain investments need to be undertaken to serve future customer demand (e.g. sourcing for more sustainable product assortment, carbon neutral transportation modes). Zalando has put in place a more flexible procurement and a more robust planning process in order to reduce dependency on single suppliers and areas of supply. The financial planning will be impacted by a medium level of magnitude in a period of 1 to 5 years. C) Indirect Costs: Additional insurance costs, as explained in C2.3a Risk 2, are indirect costs, which would affect our financial planning. An increase in insurance premiums is expected in the mid-term due to a higher frequency of natural disaster damages (caused by e.g. floods, hurricanes) to assets and infrastructure (e.g. warehouse, fulfilment centers).</p>

C3.4a

(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

All relevant information can be found in the previous answers.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Both absolute and intensity targets

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based)

Base year

2017

Covered emissions in base year (metric tons CO2e)

26225

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)

99

Target year

2025

Targeted reduction from base year (%)

80

Covered emissions in target year (metric tons CO2e) [auto-calculated]

5245

Covered emissions in reporting year (metric tons CO2e)

9316

% of target achieved [auto-calculated]

80.5958055290753

Target status in reporting year

Underway

Is this a science-based target?

Yes, and this target has been approved by the Science-Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

Zalando set science-based target with 2017 as the base year covering 99% market-based GHG of scope 1 and 2 GHG (for absolute emissions).

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set

2020

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Other, please specify (Other, please specify: Scope 3: Purchased goods and services and Scope 3: Upstream transportation & distribution)

Intensity metric

Other, please specify (Metric tons CO2e per EUR m Gross Profit)

Base year

2018

Intensity figure in base year (metric tons CO2e per unit of activity)

130

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

9

Target year

2025

Targeted reduction from base year (%)

40

Intensity figure in target year (metric tons CO2e per unit of activity) [auto-calculated]

78

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

20

Intensity figure in reporting year (metric tons CO2e per unit of activity)

105

% of target achieved [auto-calculated]

48.0769230769231

Target status in reporting year

Underway

Is this a science-based target?

Yes, and this target has been approved by the Science Based Targets initiative

Target ambition

1.5°C aligned

Please explain (including target coverage)

In 2020, we set a science-based target to reduce scope 3 GHG emissions from private label products by 40% per EURm Gross Profit by 2025 from a 2018 base year.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

Target(s) to increase low-carbon energy consumption or production

Net-zero target(s)

Other climate-related target(s)

C4.2a

(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.

Target reference number

Low 1

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: energy carrier

Electricity

Target type: activity

Consumption

Target type: energy source

Renewable energy source(s) only

Metric (target numerator if reporting an intensity target)

Percentage

Target denominator (intensity targets only)

<Not Applicable>

Base year

2017

Figure or percentage in base year

34

Target year

2025

Figure or percentage in target year

100

Figure or percentage in reporting year

100

% of target achieved [auto-calculated]

100

Target status in reporting year

Achieved

Is this target part of an emissions target?

Abs1

Is this target part of an overarching initiative?

Science-based targets initiative

Please explain (including target coverage)

Zalando commits to increase annual sourcing of renewable electricity from 34% in 2017 to 100% by 2025.

C4.2b

(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.

Target reference number

Oth 1

Year target was set

2020

Target coverage

Company-wide

Target type: absolute or intensity

Absolute

Target type: category & Metric (target numerator if reporting an intensity target)

Engagement with suppliers	Percentage of suppliers with a science-based target
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Target denominator (intensity targets only)

<Not Applicable>

Base year

2020

Figure or percentage in base year

0

Target year

2025

Figure or percentage in target year

90

Figure or percentage in reporting year

34

% of target achieved [auto-calculated]

37.777777777778

Target status in reporting year

Underway

Is this target part of an emissions target?

Int2

Is this target part of an overarching initiative?

Science Based Targets initiative

Please explain (including target coverage)

Zalando commits that 90% of its suppliers (by emissions covering purchased goods and services sold on its platform, packaging and last-mile-delivery partners) will have science-based targets by 2025.

C4.2c

(C4.2c) Provide details of your net-zero target(s).

Target reference number

NZ1

Target coverage

Other, please specify (Own operations (Scope 1 and 2) and in packaging and upstream transportation and distribution (deliveries and returns).)

Absolute/intensity emission target(s) linked to this net-zero target

Abs1

Int1

Target year for achieving net zero

2019

Is this a science-based target?

No, and we do not anticipate setting one in the next 2 years

Please explain (including target coverage)

Since the launch of our do.MORE strategy in October 2019, we have been carbon neutral in our own operations (Scope 1 and 2) and in packaging and upstream transportation and distribution (deliveries and returns). To achieve this, in addition to our reduction measures, we procured offsets for 257,360t CO2e. These are verified emission reductions (VERs) from Gold Standard certified reforestation projects in Ethiopia, Uganda, Panama, Colombia and a VCS certified project in Indonesia. Furthermore, our customers continue to have the check-out option to contribute to these efforts with a per order fee of 25 ct including VAT. Both our intensity and absolute targets mentioned above are science-based targets.

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	
To be implemented*	4	4691
Implementation commenced*	0	0
Implemented*	5	66708
Not to be implemented	0	

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Low-carbon energy consumption	Hydropower
-------------------------------	------------

Estimated annual CO2e savings (metric tonnes CO2e)

27526

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

0

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

>30 years

Comment

Last year we joined the RE100 initiative and pledged to source 100% renewable electricity in our own operations by 2025, as part of our science-based targets. We are proud to say that we have achieved this in 2020 already. The guarantees of origin mentioned here were purchased in 2020.

Initiative category & Initiative type

Low-carbon energy consumption	Wind
-------------------------------	------

Estimated annual CO2e savings (metric tonnes CO2e)

38251

Scope(s)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

0

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

>30 years

Comment

Last year we joined the RE100 initiative and pledged to source 100% renewable electricity in our own operations by 2025, as part of our science-based targets. We are proud to say that we have achieved this in 2020 already. The guarantees of origin mentioned here were purchased in 2020.

Initiative category & Initiative type

Low-carbon energy generation	Solar PV
------------------------------	----------

Estimated annual CO2e savings (metric tonnes CO2e)

691

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

6246

Investment required (unit currency – as specified in C0.4)

0

Payback period

<1 year

Estimated lifetime of the initiative

21-30 years

Comment

In 2020, we extended the amount of solar panels at one of our logistic locations in Lahr, Germany, which doubled our electricity generation at this site compared to the previous year. We chose a contracting finance model, which added operational cost but resulted in no additional investment. The annual monetary savings are comparable low as we are working together with an operator and purchase the generated electricity from him.

Initiative category & Initiative type

Energy efficiency in buildings	Other, please specify (New cooling system)
--------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

35

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

82000

Investment required (unit currency – as specified in C0.4)

834113

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

In 2020, we renewed our cooling system in our oldest fulfillment center in Erfurt, two refrigeration systems were replaced by new, more energy-efficient ones. For calculating the payback period as well as monetary savings, we did not only consider reduced electricity costs but also factors such as reduced maintenance costs.

Initiative category & Initiative type

Energy efficiency in buildings	Lighting
--------------------------------	----------

Estimated annual CO2e savings (metric tonnes CO2e)

204

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

64680

Investment required (unit currency – as specified in C0.4)

230000

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

In 2020, the lightening of 2 (out of 5) of the hall in our oldest fulfillment centre in Erfurt was replaced by an energy-efficient LED lightening system.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Employee engagement	The Sustainability Team collaborates with different teams and business units in order to develop and implement measures to reduce Zalando's climate-related impact by means of employee engagement.
Compliance with regulatory requirements/standards	The Sustainability Team identifies regulatory requirements connected to climate protection and informs the affected internal business units. For example, regulations in terms of renewable energy have led the Construction team to evaluate the installation of solar panels in European warehouses.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

No

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

5701

Comment

Scope 2 (location-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

42134

Comment

Scope 2 (market-based)

Base year start

January 1 2018

Base year end

December 31 2018

Base year emissions (metric tons CO2e)

1678

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
8191

Start date
January 1 2020

End date
December 31 2020

Comment

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)
5904

Start date
January 1 2019

End date
December 31 2019

Comment

Past year 2

Gross global Scope 1 emissions (metric tons CO2e)

Start date

End date

Comment

Past year 3

Gross global Scope 1 emissions (metric tons CO2e)

Start date

End date

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

68271

Scope 2, market-based (if applicable)

1125

Start date

January 1 2020

End date

December 31 2020

Comment

Past year 1

Scope 2, location-based

58828

Scope 2, market-based (if applicable)

2271

Start date

January 1 2019

End date

December 31 2019

Comment

Past year 2

Scope 2, location-based

Scope 2, market-based (if applicable)

Start date

End date

Comment

Past year 3

Scope 2, location-based

Scope 2, market-based (if applicable)

Start date

End date

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

3150836

Emissions calculation methodology

1a) Purchased Goods and Services, Product Related Primary data: Volume and weight of packaging, total number of purchased items and total number of sold items, delivered quantities for the purchase orders. Secondary data: Emission factors for the cradle to factory gate emissions associated with a wide variety of different material types by the Higg Materials Sustainability Index were used, which are in line with SBTi sector guidance. For estimating the impact related to the assembly of finished products, the Tier-1 product stage, the Quantis Global Impact study on fashion was used to apply a scaling factor to the material-related impacts. Where material types are unknown, EEIO factors (see below) are used to quantify the impacts on an emissions per US dollar spend basis. 1b) Purchased Goods and Services, Non-product Related: Primary data: EUR Spend across 3 levels of commodity group, including payment provider fees, thus a spent-based approach to calculating emissions is used. Secondary data: calculations were made by using environmental extended input-output (EEIO) analysis. See for details section on "capital goods". Methodology: Total euro spend on non-product goods and services is converted to US dollars and split by commodity group. Each commodity group classification is allocated an appropriate EEIO factor and the total emissions are calculated from this. Where a commodity group has already been accounted for elsewhere within the Scope 3 inventory, these groups are manually excluded and assigned no EEIO factor to avoid doubling counting. $CO_2e \text{ emissions from non product related goods} = \sum (\text{Procurement Spend on Non Product Related Goods } (\$) \text{ sector of economy} \times EEIO \text{ factor} (kgCO_2e/\$) \text{ sector of economy})$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Within this scope 3 category, best practice is applied by differentiating between the purchase of product-related goods that are resold to customers, and non-product related goods (indirect procurement).

Capital goods

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

125095

Emissions calculation methodology

Primary data: Total euro spend on capital goods for each business unit at the second commodity group level. Secondary data: calculations were made by using environmental extended input-output (EEIO) analysis, which uses the OPEN IO database originally developed by dollar of economic value, for various sectors in the economy. The IO database has a collection of economic input-output emission factors for sectors of the economy. To account for the changes in emissions efficiency (for example, grid decarbonisation) and inflation since the IO database was created, the EEIO emission factors are updated accordingly. The EEIO emission factors are updated using World Bank figures for the kg CO₂e improvement per purchasing power parity (PPP) of GDP, which takes into account both changes in efficiency and inflation. Methodology: Zalando's full list of capital goods purchases (in Euros) are summarised at the second commodity group level. The Euro spend is converted to US\$, and each commodity group is matched to a specific capital goods category, for which there is an associated EEIO factor (in kgCO₂e/\$). $CO_2e \text{ emissions capital goods} = \sum (\text{Procurement Spend on Capital Goods } (\$) \text{ Type of capital good} \times EEIO \text{ factor} (kgCO_2e/\$) \text{ Type of capital good})$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

7342

Emissions calculation methodology

Primary data: Scope 1 and 2 energy consumption data Secondary data: 2018 BEIS (DEFRA) conversion factors are used to calculate the upstream emissions (WTT) of purchased fuels and electricity by country, including transport and distribution (T&D) losses. Previous Carbon Trust analysis has developed emission factors for the upstream emissions of renewables. Methodology Emissions are calculated by multiplying fuel and electricity consumption quantities by relevant WTT and T&D emission factors, ensuring quantities match scope 1&2. $CO_2e \text{ emissions fuel and energy related} = \sum (\text{Energy consumption} \times (\text{WTT factor} (kgCO_2e \text{ unit}) + \text{T\&D factor} (kgCO_2e \text{ unit}) \text{ Fuel type}))$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

302892

Emissions calculation methodology

Primary data: total outbound CO2 emissions split by logistics type; individual supplier CO2 reports for Private label inbound; lead time shipping reports from third party carrier, inbound ocean freight Secondary data: Secondary data has been sourced from a number of different resources. This includes emission factors for fuel consumption and tonne.km activity, and supplier specific emission factors for the emissions per parcel. Methodology Transportation Emissions are calculated using the following formula: $CO_2e \text{ Emissions from Trans(for a transport mode)} = \text{Weight of transported goods (tonnes)} \times \text{Average Transportation Distance (km)} \times \text{Emission Factor (for the transport mode)} (kgCO_2e/tonne.km)$ In absence of tonne.km data, the number of shipments for each mode of transport is multiplied by a supplier specific emission factor to calculate the emissions, as done for Outbound and Returns. $CO_2e \text{ emissions from Transportation (for a transport mode)} = \sum (\text{Parcels sent by transport(units)} \times \text{Supplier Specific EF (kgCO}_2e/\text{parcel)}) \times \text{Mode}$ In order to scale up inbound emissions to cover all purchased products, the Private Label inbound emission data was used as a proxy. The average emissions per product were calculated, and then scaled up proportionately based on number of purchased units for Wholesale and Offprice.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

80

Please explain

This includes inbound logistics, outbound logistics (i.e. fulfilment of sold products, if Zalando has paid for/purchased the service) and product returns, when paid for by Zalando. This includes the carbon impact of warehousing.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

538

Emissions calculation methodology

Primary data: Office and retail related waste totals; Waste totals and diversion route for warehouse locations Secondary data: Representative emission factors from BEIS (DEFRA) from 2018 are applied to the different waste streams. This takes in to account the end of life treatment of the waste, as well as the waste category. Note that these factors are UK specific. Methodology: The total tonnage of waste has been provided, along with details on waste type and the end of life treatment. The volume of waste is multiplied by the appropriate emission factor, based on disposal method and waste type. $CO_2e \text{ emissions waste from operations} = \sum (\text{Volume of waste (t)} \times \text{Type of waste} \times \text{Emission factor (kgCO}_2e/t) \times \text{Type of waste})$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2558

Emissions calculation methodology

Primary data: All rail, road and air business travel activity and associated CO2 emissions; Confirmation of number of hotel stays Secondary data: Average hotel-night emission factor based on the expected energy consumption of a hotel, obtained from completed projects with hotel partners developed by Carbon Trust Methodology $CO_2e \text{ emissions from business travel} = \sum (\text{Distance (t)} \times \text{Mode of transport} \times \text{Emission factor (kgCO}_2e/pkm) \times \text{Mode of transport})$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

60

Please explain

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

6212

Emissions calculation methodology

Primary data: Number of employees within each Country Secondary data: BEIS (DEFRA) emissions factors are used for each method of travel, which need to be updated each year. Countries are split into five categories based upon income. These categories are taken from UN country classifications on the UN website. High-income countries are further categorized into those with good public transport and relatively dense populations, and those with poor public transport links and relatively sparse populations. Research was undertaken: to determine the average return trip distance per day per country group of operation; to find out the average number of working days per year per country group; and the proportion travelling by each travel mode per country group. Methodology Average emission factors for commuting by country classification have been calculated by the Carbon Trust. These are multiplied by the total number of employees within each country. $CO_2e \text{ emissions waste from employee commuting} = \sum (\text{Number of VF employees (\#)} \times \text{Country} \times \text{Emission factor (kgCO}_2e/\text{employee)}) \times \text{Country}$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Upstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

With regard to our boundary set-up, all rented facilities were included in Scope 1 and 2. Emissions related to leased warehouse space and data centres have already been included in Categories 4 and 1 respectively.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

4231

Emissions calculation methodology

Primary data: Number of products sold on to third party retailers to be resold, and the typical length of time a product may spend in a third party warehouse. Secondary data: The emissions related to third party warehouse storage are calculated using the average emissions per m2 per day. This emission factor has been developed by the Carbon Trust using bench-mark warehouse energy consumption data from CIBSE. Methodology The Storage Emissions at warehouses are calculated using the following formula: $CO_2e \text{ Emissions from Storage (in warehouses)} = \text{Number of finished goods (units)} \times \text{Stacking ratio (sqm/unit)} \times \text{Days in stock(days)} \times \text{Emission Factor (in warehouses) (kgCO}_2\text{elsqm/day)}$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Downstream transport and distribution covers the transport of sold finished goods to third party retailers and end consumers, only if paid for by a third party. Zalando's own fleet transportation is included in Scope 1&2 emissions, and all inbound and outbound logistics are provided by Zalando, therefore captured in Category 4. As such, only warehousing and retail space not operated by Zalando is included in this category. Any transport / storage of sold products paid for by Zalando is included in category 4, and excluded from this category. This category is only of relevance to Zalando products that are sold on to third party retailers to be resold (e.g. Amazon). To calculate the emissions in this category the Carbon Trust has used assumptions provided by Zalando on the number of products sold through this channel, and the typical length of time a product may spend in a third party warehouse.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Emissions resulting from processing of sold products are not reported. This category is not applicable to Zalando's climate-related activities as we only sell final products. The sold items on our platform (including the small share of products from our private labels) are used directly by the final client. There is no processing of intermediate products.

Use of sold products

Evaluation status

Relevant, calculated

Metric tonnes CO2e

853906

Emissions calculation methodology

Primary data: Please see data sources provided for Category 1 Secondary data: The assumptions on consumer behaviour and appliance energy consumption has been sourced from a literature review of life cycle assessments related to apparel. Electricity emission factors for each country are provided by IEA 2017. Methodology: The calculated emission factor, which is dependent upon product type and market in which the product is used, is multiplied by the total number of units sold, net of any returns (as returned goods will have no use phase). Use phase is relevant to Private Label, Wholesale, Offprice and a proportion of Wardrobe goods. $CO_2e \text{ emissions use of old products} = \sum(\text{Volume of sold units (\#) Market} \times \text{Emission factor(kgCO}_2\text{el/unit)Market})$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

End of life treatment of sold products

Evaluation status

Relevant, calculated

Metric tonnes CO2e

70318

Emissions calculation methodology

Primary data: Please see data sources provided for Category 1 Secondary data: End of Life emission factors are sourced from the End of Life factors for specific product types (e.g. Clothing), as found in BEIS conversion factors 2018. Methodology: The total mass of material purchased is multiplied by the appropriate clothing end of life emission factor. No data is available on actual end of life of Zalando's products, thus the current basis is to assume it is all sent to landfill. $CO_2e \text{ emissions from End of Life of sold products} = \sum (\text{Volume of purchased material (Kg)}) \times \text{Material type} \times \text{Emission factor (kgCO}_2\text{e/Kg Material type)}$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Scope 3 emissions resulting from downstream leased assets are not reported because this category is not applicable to Zalando. We are not active as a lessor.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Scope 3 emissions resulting from franchises assets are not reported because this category is not applicable to Zalando. Zalando is so far not engaged in any franchise activities.

Investments

Evaluation status

Relevant, calculated

Metric tonnes CO2e

2183

Emissions calculation methodology

Primary data: Millions of EUR of investment split by sector Secondary data: Emission factors used were calculated for kgCO₂e/\$million-invested based on TruCost data by the Carbon Trust. Methodology: Euro investment has been used as a proxy and Carbon Trust emission factors will be multiplied by the US dollar equivalent investment in each sector. $CO_2e \text{ emissions from investments} = \sum (\text{Total value of investment held (\$)}) \times \text{Investment category} \times \text{Emission factor (kgCO}_2\text{e/\$ Investment category)}$

Percentage of emissions calculated using data obtained from suppliers or value chain partners

0

Please explain

Other (upstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Scope 3 emissions resulting from other upstream are not reported because this category is not applicable to Zalando.

Other (downstream)**Evaluation status**

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

Scope 3 emissions resulting from other downstream are not reported because this category is not applicable to Zalando.

C6.7**(C6.7) Are carbon dioxide emissions from biogenic carbon relevant to your organization?**

No

C6.10**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.****Intensity figure**

1.17

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

9318

Metric denominator

unit total revenue

Metric denominator: Unit total

7982

Scope 2 figure used

Market-based

% change from previous year

7

Direction of change

Decreased

Reason for change

The decrease (-7%) of emissions per unit of revenue compared to the previous year was due to: i) the increase of revenues of about 23% compared to the prior year, and ii) the increase of Scope 1 and 2 emissions, being 14% more than 2019. By producing and consuming electricity generated by solar panels on our warehouses in Lahr and Verona, we avoided about 1824 tCO2e in 2020, which would have contributed to a further increase in emissions. With energy efficiency initiatives in Erfurt (new cooling system, new LEDs), we avoided additional 240 t CO2e.

Intensity figure

50.22

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)

9316

Metric denominator

Other, please specify (Number of customer orders in milion)

Metric denominator: Unit total

186

Scope 2 figure used

Market-based

% change from previous year

11

Direction of change

Decreased

Reason for change

The decrease (-12%) of emissions per number of customer orders compared to the previous year was due to both: i) the increase of orders of about 28% compared to the prior year, and ii) the increase of Scope 1 and 2 emissions, being 14% more than 2019. By producing and consuming electricity generated by solar panels on our warehouses in Lahr and Verona, we avoided about 1824 tCO2e in 2020, which would have contributed to a further increase in emissions. With energy efficiency initiatives in Erfurt (new cooling system, new LEDs), we avoided additional 240 t CO2e.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	8191	IPCC Fourth Assessment Report (AR4 - 100 year)

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Germany	5616
Poland	2152
Italy	12
Finland	19
Ireland	392

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By activity

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Emissions from company car fleet	238
Emissions from combustion of fuel for heating in the logistic sites	5679
Emissions from combustion of fuel for heating in the non-logistic sites	31
Emissions from fugitive emissions (refrigerant leaks for cooling) from logistic and non-logistics sites	2243

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted for in Scope 2 market-based approach (MWh)
Germany	28818	1124	62753	56885
Poland	32013	0	40010	40010
Ireland	54	0	160	160
Finland	12	0	55	55
Italy	7375	0	17416	17416

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By activity

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)
Scope 2 - Logistics electricity market based	62861	0
Scope 2 - Non-logistic electricity market based	4286	0
Scope 2 - Non-logistic district heating market based	1124	1124

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Increased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	1824	Decreased	22	In 2020, we avoided about 1824 tCO2e thanks to the production and consumption of electricity generated by solar panels on our warehouses in Lahr and Verona. The total Scope 1+2 market based emissions in 2019 were 8175 tCO2e, therefore the related decrease equals 22% calculated as $(-1824/8175)*100=22\%$.
Other emissions reduction activities	240	Decreased	3	In 2020, we replaced our lighting system by energy-efficient LEDs and renewed our cooling system in our oldest fulfillment centre in Erfurt. With those initiatives, we avoided a total of 240 energy-related tCO2e. The total Scope 1+2 market based emissions in 2018 were 8175 tCO2e, therefore the related decrease equals 3% calculated as $(-240/8175)*100=3\%$
Divestment		<Not Applicable >		
Acquisitions		<Not Applicable >		
Mergers		<Not Applicable >		
Change in output	1141	Increased	14	In 2020, our total Scope 1+2 market based emissions increased by 1141 tCO2e compared to 2019. The total Scope 1+2 market based emissions in 2019 were 8175 tCO2e, therefore the related increase equals 14% calculated as $(1141/8175)*100 = 14\%$
Change in methodology		<Not Applicable >		
Change in boundary		<Not Applicable >		
Change in physical operating conditions		<Not Applicable >		
Unidentified		<Not Applicable >		
Other		<Not Applicable >		

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertook this energy-related activity in the reporting year
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total (renewable and non-renewable) MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	29251	29251
Consumption of purchased or acquired electricity	<Not Applicable>	110727	0	110727
Consumption of purchased or acquired heat	<Not Applicable>	0	5868	5868
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	3800	<Not Applicable>	3800
Total energy consumption	<Not Applicable>	114527	35119	149646

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	No
Consumption of fuel for the generation of heat	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Diesel

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

638

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

2.64056

Unit

kg CO2e per liter

Emissions factor source

GEMIS - Global Emissions Model for integrated Systems

Comment

Fuels (excluding feedstocks)

Natural Gas

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

28366

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

2.2033

Unit

kg CO2e per m3

Emissions factor source

GEMIS - Global Emissions Model for integrated Systems

Comment

Fuels (excluding feedstocks)

Motor Gasoline

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

246

MWh fuel consumed for self-generation of electricity

<Not Applicable>

MWh fuel consumed for self-generation of heat

<Not Applicable>

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self-cogeneration or self-trigeneration

<Not Applicable>

Emission factor

2.24117

Unit

kg CO2e per liter

Emissions factor source

GEMIS - Global Emissions Model for integrated Systems

Comment

C8.2d

(C8.2d) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	3800	3800	3800	3800
Heat	0	0	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and/or cooling amounts that were accounted for at a zero emission factor in the market-based Scope 2 figure reported in C6.3.

Sourcing method

Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Hydropower

Country/area of consumption of low-carbon electricity, heat, steam or cooling

Germany

MWh consumed accounted for at a zero emission factor

56541

Comment

Last year we joined the RE100 initiative and pledged to source 100% renewable electricity in our own operations by 2025, as part of our science-based targets. We are proud to say that we have achieved this in 2020 already.

Sourcing method

Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Wind

Country/area of consumption of low-carbon electricity, heat, steam or cooling

Poland

MWh consumed accounted for at a zero emission factor

54802

Comment

Last year we joined the RE100 initiative and pledged to source 100% renewable electricity in our own operations by 2025, as part of our science-based targets. We are proud to say that we have achieved this in 2020 already. The countries of consumption were Poland, Italy, Ireland and Finland.

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Zalando_SE_Sustainability_Progress_Report_2020.pdf

Page/ section reference

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Page/ section reference

Page 58-59

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 2 approach

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Page/ section reference

Page 58-59

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Purchased goods and services

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Page/section reference

Page 58-59

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Capital goods

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Upstream transportation and distribution

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Waste generated in operations

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Business travel

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Employee commuting

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Zalando_SE_Sustainability_Progress_Report_2020.pdf

Page/section reference

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Downstream transportation and distribution

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Use of sold products

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Page 58-59

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: End-of-life treatment of sold products

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Investments

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

Zalando_SE_Sustainability_Progress_Report_2020.pdf

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Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

C10.2**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C4. Targets and performance	Progress against emissions reduction target	ISAE3000	We publish in our Sustainability Progress Report 2020 information on our progress against targets. This section of the report has a limited assurance.
C8. Energy	Renewable energy products	ISAE3000	We publish in our Sustainability Progress Report 2020 information on the use of renewable energy products, including offsetting and the sourcing of green energy. This section of the report has a limited assurance.
C11. Carbon pricing	Renewable energy products	ISAE3000	We publish in our Sustainability Progress Report 2020 information on the use of renewable energy products, including offsetting and the sourcing of green energy. This section of the report has a limited assurance.

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?

No, and we do not anticipate being regulated in the next three years

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Forests

Project identification

1. Project Soddo, Ethiopia Working with the environmental consultancy Forliance, we have committed to Gold Standard and VCS certified reforestation projects in Ethiopia, Uganda, Colombia, Panama, and Indonesia. The projects restore native forests, encourage sustainable planting, and support local communities. Reforestation removes carbon dioxide from the atmosphere through photosynthesis and turns it into biomass.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

45635

Number of credits (metric tonnes CO2e): Risk adjusted volume

45635

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Forests

Project identification

2. Project Uganda Kikonda Forest reserve Working with the environmental consultancy Forliance, we have committed to Gold Standard and VCS certified reforestation projects in Ethiopia, Uganda, Colombia, Panama, and Indonesia. The projects restore native forests, encourage sustainable planting, and support local communities. Reforestation removes carbon dioxide from the atmosphere through photosynthesis and turns it into biomass.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

58717

Number of credits (metric tonnes CO2e): Risk adjusted volume

58717

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Forests

Project identification

3. Project Panama Working with the environmental consultancy Forliance, we have committed to Gold Standard and VCS certified reforestation projects in Ethiopia, Uganda, Colombia, Panama, and Indonesia. The projects restore native forests, encourage sustainable planting, and support local communities. Reforestation removes carbon dioxide from the atmosphere through photosynthesis and turns it into biomass.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

141987

Number of credits (metric tonnes CO2e): Risk adjusted volume

141987

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Forests

Project identification

4. Project Colombia Working with the environmental consultancy Forliance, we have committed to Gold Standard and VCS certified reforestation projects in Ethiopia, Uganda, Colombia, Panama, and Indonesia. The projects restore native forests, encourage sustainable planting, and support local communities. Reforestation removes carbon dioxide from the atmosphere through photosynthesis and turns it into biomass.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

3337

Number of credits (metric tonnes CO2e): Risk adjusted volume

3337

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Forests

Project identification

5. Project Sumatra Merang Peatland, Indonesia Working with the environmental consultancy Forliance, we have committed to Gold Standard and VCS certified reforestation projects in Ethiopia, Uganda, Colombia, Panama, and Indonesia. The projects restore native forests, encourage sustainable planting, and support local communities. Reforestation removes carbon dioxide from the atmosphere through photosynthesis and turns it into biomass.

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)

7684

Number of credits (metric tonnes CO2e): Risk adjusted volume

7684

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, and we do not currently anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

Yes, our customers

Yes, other partners in the value chain

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Collect climate change and carbon information at least annually from suppliers

% of suppliers by number

100

% total procurement spend (direct and indirect)

0

% of supplier-related Scope 3 emissions as reported in C6.5

34

Rationale for the coverage of your engagement

In order to monitor the environmental impact linked to our supply chain more properly and to have a positive influence on our suppliers climate performance as well as on our Scope 3 emissions, Zalando commits that 90% of its suppliers by emissions covering purchased goods and services sold on its platform, packaging and last-mile-delivery partners will have science-based targets by 2025. In 2020, we started to engage with our biggest partners, including brands, packaging suppliers and last-mile delivery to reach this target. We conducted workshops and gave advice. Until the end of 2020, partners accounting for 34% of our 2020 supplier-related emissions have set science-based targets.

Impact of engagement, including measures of success

Our measure of success is to reach the following target: by 2025 90% of our suppliers by emissions covering purchased goods and services sold on our platform, packaging and last-mile-delivery partners will have science-based targets.

Comment

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Collect climate change and carbon information at least annually from suppliers

% of suppliers by number

100

% total procurement spend (direct and indirect)

0

% of supplier-related Scope 3 emissions as reported in C6.5

19

Rationale for the coverage of your engagement

In order to reduce the environmental impact linked to our supply chain and to have a positive influence on our supplier's climate performance as well as on our Scope 3 emissions. Zalando commits to reduce Scope 3 GHG emissions from its private label products and thus is engaging intensely with all its private labels suppliers. We have reduced Scope 3 emissions from private label products by 19% per million euros gross profit from a 2018 base year. While this was partly achieved by a slimming of the supply base, our profit growth has also contributed. Going forward we will develop a decarbonization strategy for our private label products from our private label suppliers. We will research alternative materials and processes, and pursue emissions reductions in our supply chain.

Impact of engagement, including measures of success

Our measure of success is to reach the following target: Zalando commits to reduce Scope 3 GHG emissions from private label products by 40% per million euros gross profit by 2025 from a 2018 base year.

Comment

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Collect climate change and carbon information at least annually from suppliers

% of suppliers by number

7

% total procurement spend (direct and indirect)

59

% of supplier-related Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

Zalando engages with its partner brands in order to measure environmental and social sustainability impact across the fashion industry. Therefore in 2020 we started to roll-out the collection of self-assessments from brand partners by using the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (BRM). The tool allows to gather comparable sustainability data to better understand and act on the challenges faced by the industry, including 11 environmental aspects such as GHG emissions, fuel use and air pollution. Zalando, its own brands, and all brands selling on the platform are required to report against social and environmental standards. The output of the assessment is a sustainability management score, showing where brands concentrate their sustainability efforts. In 2020, we collected data from 250 brands and discussed outcomes as well as improvement areas and potential steps for improvement. In total, we have 3500 brand partners. The assessment takes part on an annual basis.

Impact of engagement, including measures of success

Our measure of success is the target that until 2023 all our brands including own brands and partner brands are assessed on the basis of the BRM

Comment

The % of suppliers by number has been calculated by considering only brand partners. The % of total procurement spend refers to our net merchandise volume (i.e. the value of all merchandise sold to customers after cancellations and returns and excluding VAT, dynamically reported)

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Collect climate change and carbon information at least annually from suppliers

% of suppliers by number

85

% total procurement spend (direct and indirect)

90

% of supplier-related Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

To help us track and reduce the negative environmental impacts of our supply chain activities, including our Scope 3 GHG emissions, water use and waste, we require factories, which produce our private label clothing, to complete the Sustainable Apparel Coalitions Higg Index's Facility Environmental Module [HIGG FEM] and share their results with us. In 2020, 166 (out of 195) factories, representing 90% of our production volume did so.

Impact of engagement, including measures of success

Our measure of success is to reach the following target: Factories, representing 100% of our private label production volume, to fill out the Higg Index's Facility Environmental Module

Comment

The % of suppliers by number has been calculated by considering only factories, which produce for us. The % of total procurement spend refers to our production volume.

Type of engagement

Compliance & onboarding

Details of engagement

Code of conduct featuring climate change KPIs

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

% of supplier-related Scope 3 emissions as reported in C6.5

0

Rationale for the coverage of your engagement

We require all our business partners, who produce or supply goods and services to us, to acknowledge the Code of Conduct for business partners. The Code sets the minimum standards by which business partners must abide, this includes minimizing the negative impacts of their operations on the environment, including energy consumption. Our Code of Conduct is supplemented by our Ethical Sourcing Standards that aim to ensure that all the goods we sell have been produced in an ethical and environmentally responsible manner. The policy sets minimum requirements for the use of specific fibers, materials and manufacturing methods.

Impact of engagement, including measures of success

We apply our Code of Conduct for business partners to all suppliers in order to make sure that our environmental performance and strategic objectives are safeguarded outside our boundaries. In doing so, we aim to improve sustainability within our entire value chain.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to educate customers about the climate change impacts of (using) your products, goods, and/or services

% of customers by number

100

% of customer - related Scope 3 emissions as reported in C6.5

0

Portfolio coverage (total or outstanding)

<Not Applicable>

Please explain the rationale for selecting this group of customers and scope of engagement

The sustainability flag, which we rolled-out in 2018, highlights more sustainable products on our platform, meaning at least one of our sustainability product criteria is fulfilled. The product criteria entail climate, environmental and social elements and are aligned with international industry standards and best practices. We collect the necessary information from brands during the buying process along with other data like size and material composition. The sustainability flag is available to all our customers.

Impact of engagement, including measures of success

With the sustainability flag, we increase the awareness of our customers with respect to sustainability and offer them the option to shop more sustainably. We measure our success by the progress towards reaching the following target: By 2023, we generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products. We raised this target for 2023 from 20% previously, to reflect our growing ambition. In 2020, 16% of GMV (6.78% in 2019) was generated by products carrying the sustainability flag. In 2020, we significantly increased our assortment carrying the sustainability flag, having over 80,000 products in the Zalando (25,000 in 2019). In addition, we extended the sustainable flag to our beauty category.

Type of engagement

Education/information sharing

Details of engagement

Run an engagement campaign to educate customers about the climate change impacts of (using) your products, goods, and/or services

% of customers by number

100

% of customer - related Scope 3 emissions as reported in C6.5

6

Portfolio coverage (total or outstanding)

<Not Applicable>

Please explain the rationale for selecting this group of customers and scope of engagement

Within the life cycle of a textile product, textile care represents up to 40% of its environmental impact (Ginetex). At the same time, 70% of Europeans follow the textile care instructions featured on the labels (Ginetex, international Association for Textile Care Labeling; European Barometer: European and Textile Care Labelling). In order to leverage those two mechanisms and educate our customers about the climate change impacts of using our Private Label products, we adapted all our care labels starting in 2018 to include the Clevercare logo and promote washing at 30°C. Washing at 30°C i) extends the product's life and ii) reduces energy and subsequently CO2 emissions.

Impact of engagement, including measures of success

With the implementation of the Clevercare logo we help our customers reduce their impact on the planet and extend the life of their clothing. We measure our success by the share of customer-related Scope 3 emissions (use of sold products) generated by our Private Label products. The 6% is a rough estimate.

C12.1d

(C12.1d) Give details of your climate-related engagement strategy with other partners in the value chain.

In addition to our supplier and customers, we are also engaging our employees in climate-related activities, who are in general very interested in our sustainability approach and our efforts in reducing carbon emissions.

In order to promote alternative solutions for mobility and to reduce commuting-related emissions generated by cars and other high-emission vehicles, all Zalando employees working in the offices and warehouses are offered a subsidized company ticket for the respective public transport. In addition, we are offering a car-leasing program on management level, which is available to Vice Presidents, Senior Vice Presidents and our Management board. The program offers amongst others a wide array of hybrid and electric cars and contributes towards reducing GHG emissions from car fleet. For employees that travel regularly for business purposes, Zalando provides rail discount cards. With this card, employees have a 25% or 50% discount on all inner country rail travels within Germany that can also be used for private purposes. In doing so, employees are incentivized to reduce or even replace the use of high emission vehicles such as cars and airplanes for their inner country travels, for business travels, for reaching the workplace and for private travelling.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Trade associations

Other

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

No

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

Zalando's Public Affairs Team was asked in 2020 to contribute expertise, on a voluntary basis, to workshops of the German government on the destruction by e-commerce platforms of goods that are returned by customers. Zalando only destroys 0.05% of all returned goods and is thus extending the life cycle of products.

Further Zalando's Public Affairs Team together with Zalando's Sustainability Team attended meetings, on a voluntary basis, with the German Government to discuss the German Supply Chain Law, which Zalando welcomed. The supply chain law focuses on social issues, but also covers environmental issues which have the potential to impact climate change.

The goal for future engagement activities is to make Zalando's views and practical knowledge regarding sustainability in the fashion industry and e-commerce available to policy makers while focusing on those issues that are most connected to Zalando's sustainability strategy do.MORE.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Zalando's Public Affairs Team leads engagement with the Sustainability Team and the Corporate Communication Team to align policy work and communication. The Sustainability Team is responsible for company-wide coordination and ensures alignment on all external sustainability engagement in order to have a consistent approach in regards to our climate protection efforts.

In monthly to quarterly meetings, the Sustainability Team assures a common approach that is aligned with our overall sustainability strategy and focus. These meetings include i) a jour fixe between the Director Sustainability, the Head of Public Affairs and the members of their teams; and ii) a jour fixe between our Co-CEO, the Director Sustainability and the Head of Public Affairs. In addition, ad-hoc meetings are held whenever needed and whenever possible to leverage the diverse perspectives across the different business functions and divisions.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports

Status

Complete

Attach the document

Zalando_SE_Sustainability_Progress_Report_2020.pdf

Page/Section reference

All pages, primarily Planet and Product chapters (p.21-39)

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Comment

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

RE100_Reporting_Spreadsheet_2021 (submitted).xlsx

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Co-CEO and Founder	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	I am submitting to	Public or Non-Public Submission
I am submitting my response	Investors	Public

Please confirm below

I have read and accept the applicable Terms