FASHION WITH INTEGRITY

ASOS
GREENHOUSE GAS REPORT
2017/18

Produced by

carbon smart

FOREWORD BY CEO NICK BEIGHTON

"Collaborating with our suppliers is essential if ASOS is going to become a truly sustainable company. By working together we can enable ASOS customers to enjoy fashion in the knowledge that they are buying from a responsible company"

Nick Beighton, Chief Executive Officer

In 2010, ASOS committed to the Fashion with Integrity programme to drive our transparent, responsible and inclusive approach to business. As part of this programme, addressing the environmental impact of our business and products is accepted as a business imperative.

Every year, we deepen the programme and increasingly we are using our influence to encourage and support our suppliers in making commitments to reduce their environmental impacts. Collaborating with our suppliers is essential if ASOS is to become a truly sustainable organisation. By working together, we can enable ASOS customers to enjoy fashion in the knowledge that they are buying from a responsible company.

This report shows a breakdown of the greenhouse gas (GHG) emissions arising from our business operations and highlights how we are working across ASOS and with our suppliers to reduce these emissions in order to meet our target of reducing the carbon intensity of a customer order each year up to 2020.

Nick Beighton
Chief Executive Officer, ASOS

INTRODUCTION BY DIRECTOR OF CORPORATE RESPONSIBILITY LOUISE McCABE

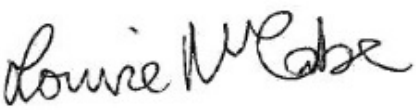
"ASOS is committed to improving our reporting year on year so that we can continue to minimise the use of assumptions in our carbon emissions calculations and identify opportunities for reducing emission hotspots."

Louise McCabe, Director of Corporate Responsibility

ASOS is committed to improving our reporting year on year so that we can continue to minimise the use of assumptions in our carbon emissions calculations and identify opportunities for reducing emission hotspots. We have focused our efforts on collaborating with our delivery network to improve the sustainability of our operations and identify greenhouse gas reduction opportunities.

ASOS does not own a fleet of vehicles but, instead, uses the services of over 20 carrier partners to deliver ASOS orders to customers worldwide, across 239 countries and territories. The transportation of goods case study in this report is an excellent example of how working more closely with our suppliers to increase transparency of reporting is also creating opportunities for reducing carbon emission hotspots.

As we look to the future, we are increasingly turning to our customers to find out how they feel about sustainability. We also seek to understand whether they recognise how their shopping behaviour can impact the environment. We remain positive that as we continue our sustainability journey, we will be able to provide our customers with the ASOS experience they love but with increased transparency and choice around sustainability, so that they feel empowered to do the right thing.



Louise McCabe
Director of Corporate Responsibility, ASOS

INTRODUCTION BY MANAGING DIRECTOR OF CARBON SMART BEN MURRAY

"In FY 17/18, ASOS undertook an impressive range of new projects that continue to broaden and strengthen their commitments to the 'Fashion with Integrity' programme."

Ben Murray, Managing Director of Carbon Smart

In FY 17/18, ASOS has continued to make significant strides towards their commitments to becoming a sustainable and responsible leader in fashion. The past 12 months have seen significant growth and transformation in ASOS' operations. Throughout the year, ASOS has continued to work with Carbon Smart to identify new opportunities to create a positive impact. These efforts have translated into a 10% decrease in the company's total greenhouse gas (GHG) footprint.

Focusing on the transportation of goods has remained a priority for ASOS. Two years on from the launch of the responsible carrier project, ASOS and Carbon Smart continue to support partner carriers in the establishment of roadmaps and strategies towards emission reduction targets. In FY 17/18, several carriers took their first steps towards this journey by measuring the impact of their operations and setting out plans to reduce emissions.

Addressing the impact of building emissions has also remained an imperative for ASOS. In FY 17/18, the business made significant progress in the deployment and purchasing of renewable energy across their sites, evidenced by a lower market-based footprint for electricity. In summer 2018, Carbon Smart helped ASOS identify priority markets to explore renewable electricity tariffs and alternative energy procurement routes, identifying GHG savings equivalent to up to 90% of building emissions.

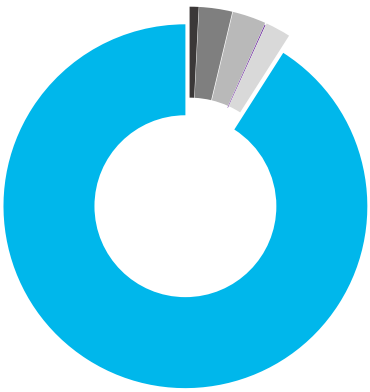
Moving into FY 18/19, Carbon Smart looks forward to supporting ASOS on their journey as the business continues to grow innovative solutions that strengthen and drive 'Fashion with Integrity'.

Ben Murray
Managing Director, Carbon Smart

CARBON FOOTPRINT 2017/18

236,720 tCO_2e – location based

-10% on 2016/17



98 tCO_2e/£m — **-30%** on 2016/17

3.8 $kgCO_2e$/delivery — **-26%** on 2016/17

52 tCO_2e/employee — **-22%** on 2016/17

In FY 17/18, ASOS' total absolute 'location-based'* greenhouse gas (GHG) emissions decreased by 10%. The majority of this reduction was driven by scope 3 emissions, which include indirect uses of energy (e.g. business travel, transportation of goods).

Scope 3 emissions fell by 11% in FY 17/18. Transportation of goods accounted for nearly 91% of ASOS' scope 3 footprint and decreased by 13% from FY 16/17. ASOS has increasingly worked with its delivery partners, including its suppliers and carriers, to measure its indirect impact and identify opportunities to reduce its footprint.

Due to the addition of new buildings to ASOS' portfolio, scope 1 emissions, which reflect on-site fuel usage (e.g. natural gas) increased by 58%. Scope 2 emissions from indirect on-site energy use (e.g. electricity) grew by 33%.

However, ASOS has continued to purchase 100% renewable electricity at key sites to reduce its scope 2 footprint. As a result, when accounting for actual energy purchased by ASOS, (i.e. 'market-based') emissions were 31% lower than location-based emissions.

The breakdown of emissions remains similar to FY 16/17, with scope 3 emissions representing 96% of the total footprint. The remaining 4% of emissions are predominantly a result of on-site energy use.

Scope 1 – 1,885 tCO_2e	**+58%**
Scope 2 – 6,920 tCO_2e	**+33%**
Scope 3 – 227,915 tCO_2e	**-11%**

*Location-based emissions are calculated using the average emissions intensity of the grid. All figures referred to within this report are 'location based', unless otherwise stated. Please see page 8 for further information on 'market-based' GHG emissions or refer to the World Resource Institute's (WRI) 'Scope 2 Guidance'.

TRANSPORTATION OF GOODS

214,329 tCO_2e

90.5% of total carbon footprint

Inbound
25,032 tCO_2e

Inter-site
17,129 tCO_2e

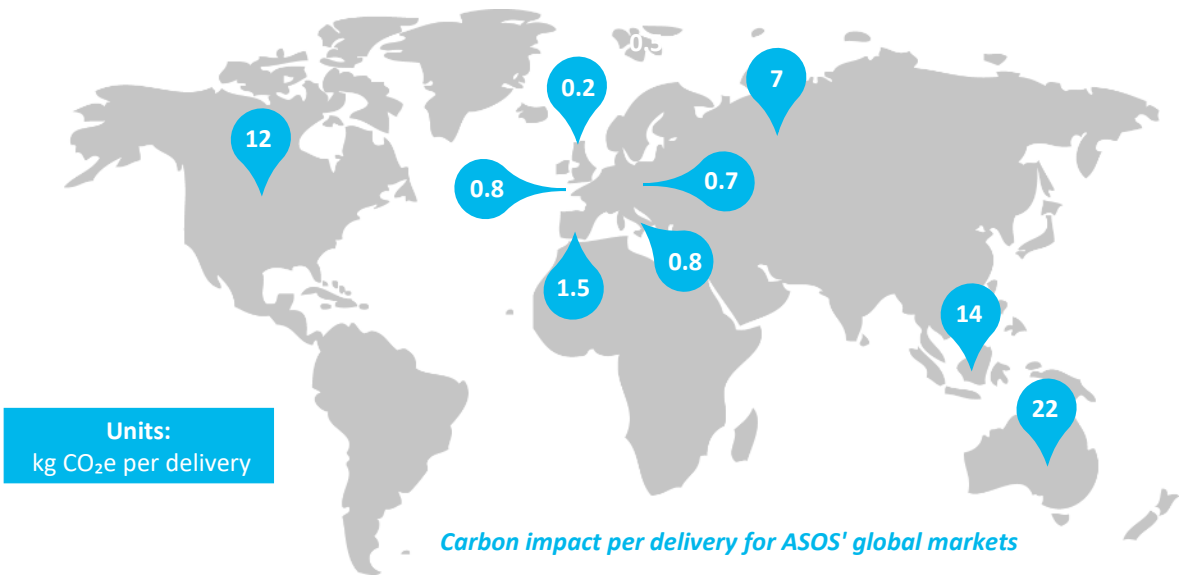
Deliveries/returns
172,168 tCO_2e

Emissions from the transportation of goods include those associated with the transport of inbound goods, outbound deliveries and inter-site journeys. In FY 17/18, total emissions from the transportation of goods decreased by 13%.

This was primarily driven by a 31% decrease in inbound emissions, associated with the transport of goods from ASOS' suppliers to the UK. This was largely due to a decrease in the total tonnage of goods being flown from long-haul destinations, as well as improved air and road freighting efficiencies.

In addition, inter-site and outbound emissions decreased by 37% and 6% respectively, as ASOS worked closely with its carriers to build efficiencies across its carrier network.

In FY 17/18, outbound emissions decreased as a result of several factors, including the onboarding of new carriers, which resulted in the use of more efficient fleet in key territories. In addition, certain territories experienced a decrease in parcel weights due to a changing profile of customer purchases (i.e. customers are ordering lighter items, such as make-up).



Carbon impact per delivery for ASOS' global markets

TRANSPORTATION OF GOODS CASE STUDY

"The response from our carrier partners regarding the Responsible Carrier Strategy has been extremely positive. Looking to the future, we are confident that through collaboration and innovation, ASOS will be able to continue to improve the transparency of our network, and ultimately reduce the environmental impact of customer deliveries and returns."

Chloe Cane, Delivery Solutions Analyst

ASOS continues to be committed to improving the efficiency of customer deliveries and returns. Due to the high proportion of ASOS emissions arising from transportation of goods, this area continues to be a priority for ASOS to focus on. As ASOS does not operate its own fleet of vehicles, emissions arising from customer deliveries and returns fall into scope 3 of the Greenhouse Gas Protocol. Scope 3 emissions are not directly in the control of ASOS, so it is imperative that ASOS works closely with its carrier partners to promote positive change in this area.

In May 2016, ASOS launched a project to improve the accuracy of the emissions arising from the transportation of goods by increasing transparency of this supply chain. To do this, ASOS engaged directly with the 22 delivery and returns carriers that make up the global network.

In February 2018, all 22 carriers submitted a roadmap setting out their strategy for reducing carbon emissions over the next 12 months. For some carriers this was their first step towards setting carbon reduction targets and strategies. These carriers engaged with sustainability specialists to help build and shape their carbon reduction strategy.

Some carriers already have advanced carbon reduction strategies in place and were able to present solutions that can be incorporated into ASOS' current delivery network.

Examples of this include electric vehicles, upgrading to more efficient fleet, route optimisation, and increases in load capacity.

In January 2019, ASOS will undertake end of year reviews for the first time. This will be an opportunity for ASOS to assess the progress each carrier has made on their roadmap.

Looking to the future, ASOS will present the wider strategy to all of their carriers, enabling transparency on progress made and goals yet to be obtained.

Electric van delivering to ASOS customers in London

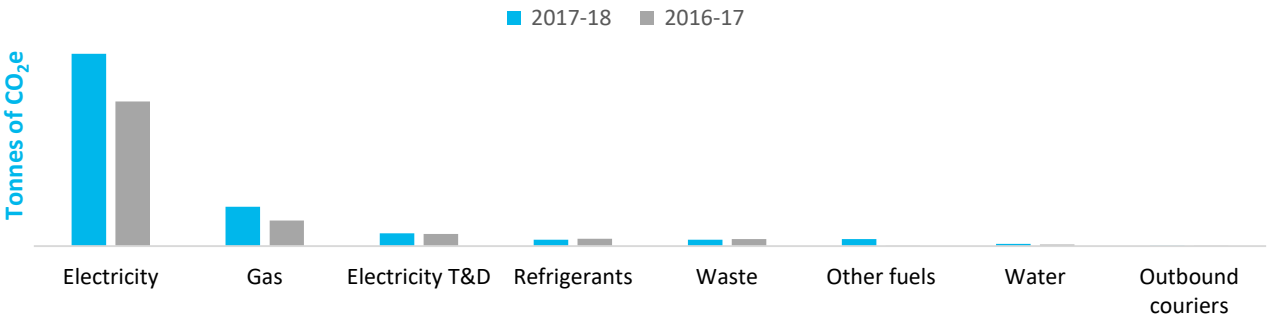
BUILDINGS

9,558

tCO_2e – location based

4.0%

of total carbon footprint



Contribution of different emissions sources to total building emissions: FY 17/18 vs FY 16/17

In FY 17/18, ASOS' building-related GHG emissions increased by 34%, representing 4% of total GHG emissions. There were three key factors that underpinned this growth. The first was the expansion of ASOS' German distribution hub, Eurohub 2; a state-of-the-art facility which saw its floor area increase by 73% since FY 16/17.

The second growth factor was the opening of new sites. In FY 17/18, ASOS opened a new London-based office, Alfred Place, which accounted for 1% of total building emissions. In April 2018, ASOS also began setting up a new distribution centre in Atlanta, United States. The installation of this hub accounted for 13% of building emissions. The facility will be fully operational in FY 18/19 and is expected to account for an increasing share of total building emissions. Finally, growth in building emissions was influenced by an increase in the number of operational days at sites, such as Eurohub 2, Paris and Leavesden.

To offset the development of its buildings portfolio, ASOS made significant renewable energy purchases in FY 17/18 across key sites, including its head office. As a result, ASOS' market-based footprint, which reflect actual electricity purchased, was nearly 2,112 tCO_2e lower than its location-based footprint*. In the near future, consumption will increasingly be offset as ASOS continues to invest into on-site renewable energy systems.

2.1
tCO_2e per employee

+17%
on 2016/17

23
$kgCO_2e$ per m^2

-56%
on 2016/17

7,447
tCO_2e – market based building emissions

-22%
on location based building emissions

* Location-based emissions are calculated based on average emissions from electricity generated across a country's grid

BUILDINGS CASE STUDY

"As part of our energy sourcing strategy, continuing to procure renewable energy across both warehousing and office space will allow us to implement low carbon and renewable practices across the entire ASOS estate. This year we have achieved 100% renewable energy across our Customer Care and German offices, and 96% of our head office, significantly helping us towards our target of reducing carbon intensity every year until 2020.

Daniel Kinsella, Head of Procurement

As part of the onboarding process at their new customer care office in Leavesden, ASOS have replaced all existing lighting fixtures with LEDs. As well as being 12 times more efficient than incandescent bulbs, all LEDs are linked to proximity sensors; optimising consumption through only being activated by presence in a room.

Additionally, a completely new building and energy management system (BEMS) has been implemented at the Leavesden office, and will be live at the head office by 2020. The installation of a BEMS allows ASOS to centrally monitor their mechanical and electrical systems, by having real time viewings of energy consumption through a smart meter. This enables better control of the building's environmental components. Adjustable time clock schedules have been incorporated into the system to allow the HVAC (heating, ventilation, air-conditioning) to operate at peak within working hours and remain dormant otherwise.

Solar Panels installed at ASOS' Head Office in London

With the launch of their new in-office gym 'ASOS Underground' at the head-office earlier this year, ASOS installed motion-sensors across all toilets and shower areas. A mechanical component in this new system requires motion to trigger lights in the mirrors and in-shower cubicles. Only once the lights are active, will the system permit the flow of water. In so doing, this installation generates a significant dual saving, not only for electricity but water as well.

On-site renewable energy generation at Greater London House

A Solar PV System was recently installed on the roof of ASOS' head office in London. As solar panels use light to create energy rather than heat, they do not always require direct sunlight to create electricity and can still generate energy on overcast days.

As well as 96% of ASOS head office being powered by renewable resources purchased from the grid, the installation of solar panels at the head office sees the first generation of on-site renewables, providing a predicted additional 28,220 kWh of clean energy a year.

Following on from these successes, ASOS have also received approval for a solar installation on the roof of their German fulfilment centre.

BUSINESS TRAVEL

7,010

tCO_2e

3.0%

of total carbon footprint

ASOS' business travel emissions increased by 45% since FY 16/17. The breakdown of ASOS' business travel, which represents approximately 3% of total global GHG emissions, has remained relatively similar to FY 16/17. Flights account for 88% of travel emissions, up from 87%, and hotels remain the second largest contributor (9%).

Flight emissions grew by 47% from FY 16/17, due to an increase in total distance flown, which increased from 19 million kms to 26 million kms as a result of business growth. In addition, the near doubling of premium economy and first-class trips has further increased emissions.

While the increase in flight emissions was the largest contributor to total business travel emissions, the carbon intensity per km flown only increased by 6%, from 0.23 to 0.24 $kgCO_2e$ per km. The number of hotel stays was the second largest driver of business travel emissions, increasing by 19% from FY 16/17 in line with business growth. To limit the impact of business activities, ASOS has implemented travel policies that aim to incentivise employees to limit travel and choose alternatives, such as the use of digital technologies to facilitate conferences.

1.5 tCO_2e per employee	**+26%** on 2016/17
26m kms flown	**+40%** on 2016/17

Emissions attributable to personal mileage and car hire expenses increased by 149%. Improved data coverage was partly responsible for this increase. While this represents the most significant percentage increase, car emissions only account for 1% of total business travel emissions.

CARS	FLIGHTS	TRAINS	HOTELS	TAXIS
76	**6,187**	**125**	**593**	**29**
tCO_2e	tCO_2e	tCO_2e	tCO_2e	tCO_2e





BUSINESS TRAVEL CASE STUDY

"Thanks to Wildlife Works bursaries, my grandchild has been educated through secondary education ever since he joined form one. The educational bursaries have made a positive impact to the whole community. We are also grateful for the numerous water projects, which have eased the burden of having to walk long distances to fetch water."

Elina Steven Mbele, Community Member, Bungule

As the scale of ASOS' international operations grows, so too does the necessity for business travel. Sustainability has been embedded into this requirement from the onset, with a travel policy being implemented in order to minimise consequent emissions.

Simultaneously, continuing renovations at ASOS' Head Office have provided a growing number of technological devices which are helping to facilitate video conferencing and digital communication, reducing the need for employees to travel. In order to counteract the emissions from necessary business travel, ASOS has invested over £84,000 in carbon-offset projects in developing countries.

Kasigau corridor REDD+ in Kenya

The Kasigau Corridor is an area of tropic forest situated in the Taita Taveta District, Kenya; home to more than 2,000 elephants as well as 50 other species of large mammal. The Wildlife Works project is protecting 500,000 acres of dryland forest from deforestation and degradation by training over 120 young men and women from the local community to be Wildlife Rangers. In doing so, the forest remains intact and abundant, maintaining its ability to absorb CO_2 from the atmosphere, whilst also preventing damaging activities, such as slash and burn farming.

Elephants on grassland in the Kasigau Corridor

Solar water heating units in India

Solar radiation is in high abundance in India and can be used to provide a heated water supply, thereby avoiding the use of carbon-intensive fossil fuels instead. The programme enhances energy supply and employs roughly 160 local residents in a variety of roles, all whilst endorsing low carbon development.

Carbon credits are purchased relating to the removal of one tonne of existing carbon emissions from the atmosphere or the reduction of one tonne of future emissions.

This investment covers emissions produced from three years' worth (2015-2018) of ASOS business travel. As can be seen in the photos below, these carbon offsetting projects benefit both the environment as well as the local people.

Local resident maintaining solar water heater in Bangalore

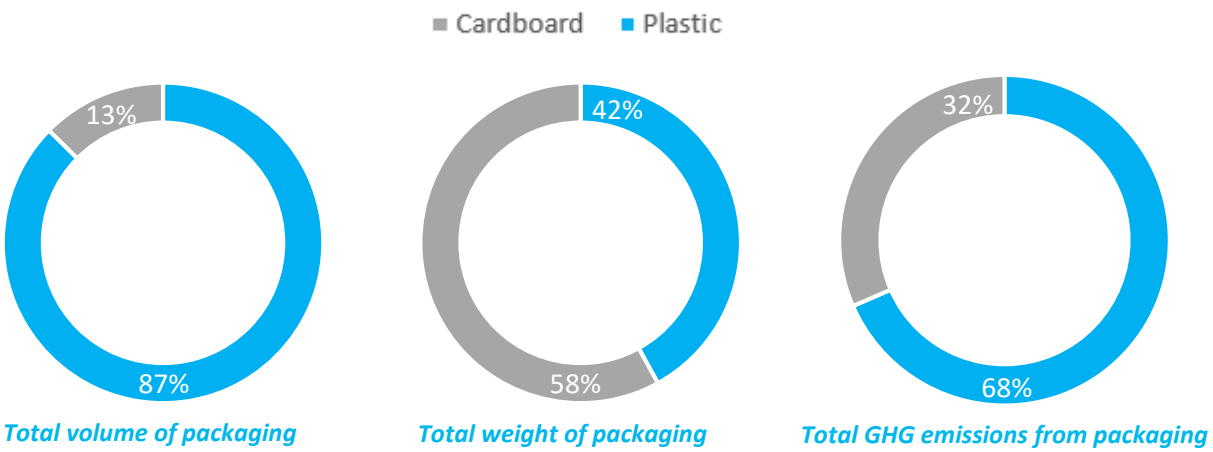
PACKAGING

5,281

tCO_2e

2.2%

of total carbon footprint



Total volume of packaging | *Total weight of packaging* | *Total GHG emissions from packaging*

In FY 17/18, ASOS' deliveries increased by 22%, amounting to over 62 million parcels sent to customers around the world. In light of this growth, ASOS is conscious of reducing the impact of packaging and has been investigating ways to reduce the intensity of its packaging footprint.

However, total packaging GHG emissions grew proportionally less than deliveries at 21%*. This was partly driven by an increase in customer demand for smaller items, as ASOS increases its offering for make-up, jewellery and small home items.

In addition, ASOS continues to work closely with cardboard box and plastic mail bag suppliers to decrease the amount of material used in packaging and increase the recycled content.

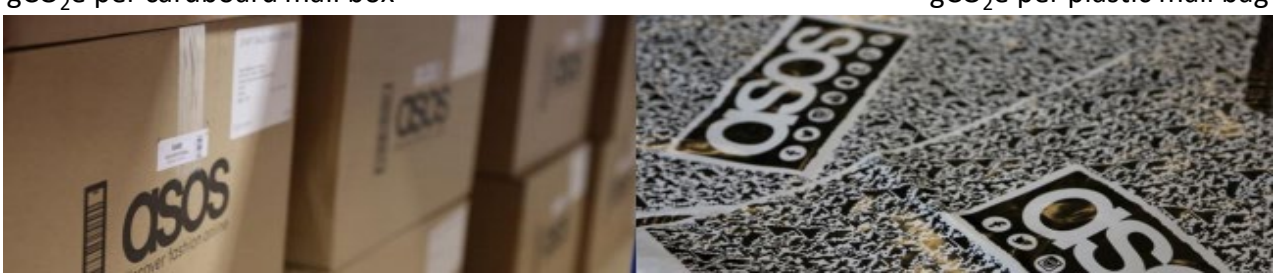
Through work done with Carbon Smart in FY 16/17, ASOS identified that switching to smaller-sized packaging could significantly reduce emissions. As a result of increased demand for smaller goods as well as collaboration with suppliers to optimize packaging, the use of small boxes and plastic bags increased by 64% and 26% respectively.

195

gCO_2e per cardboard mail box

61

gCO_2e per plastic mail bag



**Due to an improvement in data coverage, packaging emissions for FY 16-17 were revised.*

PACKAGING CASE STUDY

"Improving the sustainability of our packaging, both customer facing and in the supply chain, is really important to ASOS. We are following the waste hierarchy 'reduce, reuse and recycle' and are working to increase the amount of recycled material used in our key packaging products."

Andy Parslow, Procurement Category Manager - Packaging

As an online retailer, ASOS utilises packaging to ensure that products reach customers without damage. However, following the current linear economy model (make, use, dispose), packaging use does inevitably lead to resource waste.

In order to counter this, ASOS is applying the waste hierarchy of reduce, reuse, recycle, incineration for energy recovery and, lastly, landfill, to its packaging strategy.

For example, in order to reduce packaging, ASOS has worked closely with its mailing bag manufacturer since October 2017 to identify ways to reduce the amount of plastic used in each bag. Through this collaboration, ASOS has identified that the thickness of bags can be reduced without impacting the functionality of the packaging.

As a result, by early 2019, all bag sizes will be thinner, contributing to a plastic saving of approximately 400 tonnes per year. While the impact of this change will not be realised until the FY 18/19 GHG emissions report, ASOS continues to explore ways to reduce the carbon and waste impact of packaging in the meantime.

Over the longer term, ASOS is applying circular economy principles to the packaging strategy. A circular economy is an alternative to a traditional linear economy, in which resources are kept in use for as long as possible. In a circular economy the maximum value of resources is extracted whilst they are in use. Resources are then recovered to regenerate products and materials at the end of their life.

ASOS is actively exploring closing the loop on plastic packaging. Plastic packaging returned to ASOS through customer returns is already recycled. However, ASOS is investigating how this plastic packaging can be used to manufacture new ASOS packaging. Closing the loop on plastic packaging in this way will reduce the need for virgin plastic manufacture, as the plastic resource will be kept in use for as long as possible.

In doing so, ASOS will also realise reductions in GHG emissions. The average mail bag results in 61 grams of emissions; 77% of these emissions are a result of sourcing and processing virgin plastic. If ASOS is able to reduce the GHG emissions from this part of the mail bag lifecycle, then the overall footprint of mail bags is likely to decrease.

This report has been produced for ASOS by Carbon Smart, a global sustainability consultancy working with private and public organisations on environmental and social issues.

Carbon Smart calculated ASOS' GHG emissions in accordance with the requirements of the World Resources Institute 'Greenhouse Gas Protocol (revised version)', 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance' (Defra, 2013) and ISO 14064 – part 1.

This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, ©OECD/IEA 2018 but the resulting work has been prepared by Carbon Smart and does not necessarily reflect the views of the International Energy Agency.

For further information, please visit www.carbonsmart.co.uk
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If you have any questions about the report, please email cr@asos.com

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