

# Modern Slavery Statement 2021

This is our fifth Zalando Modern Slavery Statement and relates to our progress throughout 2020. Our former versions can be found on our [website](#).



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## 1. Our Commitment

Human trafficking and forced labor (modern slavery) are human rights violations. ZALANDO SE and all its subsidiaries (hereinafter commonly referred to as Zalando) are committed to respecting internationally recognized human rights in line with the International Bill of Human Rights and the Conventions of the International Labor Organization (ILO) No. 1, 29, 87, 95, 98, 105, 111, 131, 138 and 155.

We acknowledge our responsibility to have the appropriate codes, policies and processes in place to address actual and potential human rights impacts, in line with the United Nations Guiding Principles on Business and Human Rights.

do.MORE is our sustainability strategy setting out our bold vision to be a sustainable fashion platform with a net-positive impact for people and the planet. Having a net-positive impact means that we run our business in a way that gives back more to society and the environment than we take. As part of our strategy, we have committed to continuously increase our ethical standards and only work with partners who align with them by 2023.

We have conducted a detailed gap assessment and analyzed all of our internal operations and the way in which we collaborate and do business with our external partners. Based on the UN Guiding Principles on Business and Human Rights, we identified gaps and developed a three-year roadmap to raise the bar. Underpinning these efforts are our ethical standards, contained in the Zalando Code of Conduct as well as additional standards where applicable, including our Ethical Sourcing Standards and Social Standards.

With this aim, we will conduct regular assessments to identify potential impacts, act upon the findings, track responses, and communicate how impacts are addressed. Please find more details in our [Sustainability Progress Report](#).

Any allegations that human rights are not being respected within either our own operations or our own supply chain, will be taken seriously and addressed immediately.

## 2. Our Business

Zalando is a European online fashion and lifestyle platform connecting customers and brand partners. The Berlin-based company offers its customers a one-stop shopping experience with an extensive selection of lifestyle articles including shoes, apparel, accessories and beauty products, with free delivery and returns as well as diverse payment options wrapped into an inspirational and personalized digital customer experience.

Zalando's assortment of more than 3,500 international brands ranges from popular global brands to local hero brands and is complemented by private label products. Zalando's main customer proposition, Zalando Fashion Store, is extended and enhanced by Zalando Lounge, which offers registered members special offers at reduced prices. The ten brick-and-mortar outlet stores in Berlin, Frankfurt, Cologne, Leipzig, Hamburg,

Hannover, Münster, Stuttgart, Mannheim and Ulm opened between 2012 and 2020 serve as an additional sales channel for excess inventory for Zalando and its brand partners. As of September 2020 Zalando is expanding its spectrum of value for European customers further by adding a pre-owned category to its platform (starting with France, Germany, Netherlands, Poland and Spain).

Zalando is managed by its ultimate parent company, ZALANDO SE, which was founded in 2008. With its registered offices in Berlin, Germany, the ZALANDO SE bundles all management functions and generates the vast majority of group revenues. In addition to the parent company, Zalando is comprised of 47 subsidiaries that operate, inter alia, in the areas of fulfillment, customer service, payments, product presentation, advertising, marketing, software development and private labels developed in-house. ZALANDO SE has control over all subsidiaries, either indirectly or directly. As a result, group reporting essentially corresponds to the reporting for ZALANDO SE.

Apart from our central offices in Berlin, we have offices, e.g., in Dortmund, Dublin and Helsinki. Beyond the products that we sell on our online fashion platform, our supply chain is also composed of the procurement of non-stock items and services, such as packaging and logistic services. Customer care and fulfillment services are provided by both Zalando teams and external service providers. For our transportation to and from customers we work with logistics service providers.

We serve customers in 17 European markets: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Spain, Sweden, Switzerland and the United Kingdom.

## 2.1 Facts and Figures 2020

more than 14,000 employees	11 logistics fulfillment centers currently operating	more than 5,900 employees in our own Zalando logistics fulfillment centers	more than 38m active customers
more than 3,500 third-party brands	assortment of more than 7500,000 articles	6 active Private Labels brands	5-10% of our revenue comes from our Private Labels
16 sourcing countries of our Private Labels	112 sourcing partners of our Private Labels	195 factories of Tier 1 sourcing partners of our Private Labels	around 81,000 workers in Tier 1 factories of our Private Labels' sourcing partners

### 3. Progress Against Our 2020 Commitments

We acknowledge that our industry is an at-risk sector for human rights violations and therefore take steps to prevent, detect and respond to modern slavery. Thus, throughout 2020, we worked to strengthen our procedures in line with the next steps established in our [Modern Slavery Statement 2020](#).

Steps planned for 2020		Our progress
Supply chain transparency for Private Labels	Increase transparency and disclose deeper levels of our supply chain on an ongoing basis	In 2020 we <b>published</b> 100% of our Tier 1 suppliers for our private labels.
Review our process to enforce standards in a company-wide blueprint	<p>Define overarching approach for onboarding and monitoring of all prioritized suppliers (fashion brands, logistics, customer care)</p> <p>Revise minimum standards</p>	<p>In 2020, we conducted a detailed human rights gap assessment across the entire Zalando business with a human rights risk consultancy.</p> <p>We developed roadmaps based on a human rights due diligence cycle for the entire business and corresponding plans for implementation in the supply chain. We also launched a risk assessment pilot to assess the human rights risk profile of suppliers.</p> <p>As a part of this we worked on defining our ethical standards, which include our Code of Conduct and depending on the business our Ethical Sourcing Standards and Social Standards.</p>
Third-party brands	<p>Launch of brand assessment tool to first phase of brands</p> <p>Pilot with selected brands to identify specific needs when it comes to assessment</p> <p>Continue close partnership with SAC and Higg Co to ensure robustness of assessment tool and data tracking</p>	In 2020, we rolled-out a mandatory sustainability assessment on the basis of the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (BRM). Brand partners have to complete the sustainability self-assessment on a yearly basis, in addition to agreeing to our Code of Conduct and Ethical Sourcing Standards.
Expand our due diligence practices in	Develop format to proactively check distribution and customer	As of 2020, the auditing program has been extended to cover our third-party service providers for

distribution and customer care	care service providers  Conduct pilot and implementation in prioritized suppliers	Customer Support and a pilot program was also launched within our Premium Logistics Delivery network.
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## 4. Governance & Policies

### 4.1 Governance

As informed in our 2020 statement, three teams collaborate closely in the Human Rights and Modern Slavery Working Group, composed by representatives from Compliance & Business Ethics, Sustainability and the International Standards & Relations teams:

- The Compliance & Business Ethics team manages Zalando's group-wide Compliance Management System to foster compliance with applicable laws, internal regulation and ethical standards along our businesses, including our business partner checks process. The Compliance & Business Ethics team also manages investigations following tip-offs via our whistleblowing tool.
- The Sustainability team defines the sustainability strategy for the Zalando group and is responsible for Zalando's overall approach to human rights risk assessment and due diligence strategy. The team also works to ensure that our fashion partners comply with our standards as well as managing social and environmental risks in production for our Private Labels supply chain.
- The International Standards & Relations team within P&O is responsible for the organisation of the social standards audits in logistics. Through our social standards we want to ensure fair and decent working conditions at our fulfilment centers and those of our business partners in our logistics supply chain and customer care.

### 4.2 Policies

As reported in our 2020 statement, our expectations towards all our employees and business partners are set forth in our policies which highlight, among others, the imperative respect for human rights in all our business activities. The Compliance and Sustainability teams review and update these policies on a regular basis.

- Zalando's Code of Ethics sets out Zalando's specific expectations towards every employee regarding social and ethical behavior. The Code of Ethics has been communicated to our employees in various languages and is publicly available on our website. We revised our Code of Ethics in 2020 to further stress topics such as anti-discrimination and anti-harassment, and to communicate our grievance channels more prominently.
- Our commitment to avoid human trafficking and forced labor in our supply chain is underpinned in our Code of Conduct for Business Partners. It was established in 2013 and last reviewed in 2017. The next review will take place in 2021. It is issued by ZALANDO SE Management Board and applies group-wide to our business partners. The Code of Conduct expressly prohibits the use of forced, bonded, indentured and prison labor, as well as the slavery or trafficking of persons in any form.

- Complementary to our Code of Conduct, our Sustainable Sourcing Standards set additional standards that all third-party brands, as well as our private labels, must comply with. It includes our commitment to the non-use of materials containing cotton sourced from Uzbekistan, Turkmenistan or the Xinjiang region in China due to the high risk of forced labour in these countries.
- Our Group Policy “Compliance Checks on Business Partners” governs the scope and process for carrying out the compliance check on third-party business partners and applies to all employees of ZALANDO SE and its subsidiaries.

## 5. Risk Assessment & Management

### 5.1 Human rights due-diligence

The human rights due diligence cycle is the foundation of our work regarding human rights and ethical standards. This framework allows us to identify and act upon real and potential human rights risks for workers in our operations, supply chains, and the services we use. The framework is based on various standards, including the [Corporate Human Rights Benchmark](#) and [OECD Due Diligence Guidance](#). Since the launch of our do.MORE sustainability strategy, we have accelerated integration of this due diligence process into our operations.

1. Policies: Partners are required to agree to Zalando ethical standards. These include our Code of Conduct, and, depending on the business, our Ethical Sourcing Standards and Social Standards.
2. Onboarding: We pre-screen our partners and communicate our ethical standards to them during the onboarding process. Across the business, we will begin to integrate parameters around ethical standards into the screening process and reject partners who are not able to comply.
3. Risk assessment: After onboarding, partner risk profile is defined based specifically on location of production and industry (e.g. commodity group or type of business model). The risk profile determines the type of monitoring we will undertake.
4. Monitoring: Based on the risk analysis, partners are continuously monitored, with processes dependent on the business type. These include third party audits against standards such as SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative) in our private labels, the Higg Brand & Retail Module for third party brand partners, and third-party audits against the Zalando Social Standards for many of our logistics providers.
5. Partner review: Regular partner reviews are conducted and remediation strategies put in place where necessary.
6. Offboarding: In cases where partners fail to demonstrate progress within agreed time frames, or are implicated in zero tolerance issues with no sign of remediation, we will pause and eventually end the business relationship.

### 5.2 Managing Risks in our Private Labels Supply Chain

For our six labels (Anna Field, Even&Odd, Friboo, Pier One, Yourturn, ZIGN), we source products from 16 different countries, and currently work with 112 sourcing partners and 195 factories. Due to the size and variety of our assortment, we do not own any of the factories in our supply chain and therefore focus on strengthening our relationships with key sourcing partners.

Increasing transparency continues to remain a focus for us. In 2020, we disclosed 100% of our Tier 1 suppliers on our website and also shared this data with the Open Apparel Registry (OAR) to further enhance transparency, access to OAR IDs for these facilities and facilitate collaboration with stakeholders. We are committed to increasing transparency and disclosing deeper levels of our supply chain on an ongoing basis.

In our private labels we look to ensure that our sourcing partners comply with our Zalando group-wide Code of Conduct and treat workers with dignity. Our Program includes the following:

1. All Tier 1 factories must provide us with social audits on a yearly basis, which are evaluated according to our internal non-compliance matrix, based on our Code of Conduct, local legal requirements, and industry standards including SMETA and BSCI. Findings of non-compliance are classified as minor, major, or critical (zero-tolerance), from which the factory is issued an overall rating and, if necessary, a Corrective Action Plan (CAP).
2. As part of the onboarding process, new suppliers must agree to our Code of Conduct and provide a factory audit report conducted within the last twelve months. If any critical issues are observed, the supplier must provide evidence of correction, such as a new third-party, on-site audit, before we begin the business relationship. In the past year, we declined to onboard 5 factories or suppliers due to non-compliance.
3. We require existing factories to provide us with new audits every twelve months to ensure we have visibility on current factory conditions. In 2020, we evaluated 229 audit reports for new and existing factories. If a critical non-compliance issue is found at an existing factory, the factory must remediate the issue and provide a new audit within seven months. To continue our business relationship, we require our sourcing partners to demonstrate improvement.

Apart from the Zalando-wide policies mentioned further above, we also have specific policies for our private label business on contract workers, homeworkers and migrant workers.

### **5.3 Managing Risks in our Third-party Brand's Supply Chain**

In 2020, we launched the roll-out of mandatory brand assessments to all partners on the basis of the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (BRM). This allows us to gather comparable sustainability data to better understand and act on the challenges faced by the industry. We are using the Higg BRM for our strategic partners covering the majority of our business and we will collaborate with other industry stakeholders to develop a leaner version for our smaller partners. Brand partners have to complete the sustainability assessment on a yearly basis, in addition to agreeing to our Code of Conduct and Ethical Sourcing Standards. As the Higg BRM is a self-assessment, we have supported the SAC's development of a data verification approach. We strive to have the capability to empower our customers with information regarding what brands are doing both in their operations and supply chains when it comes to sustainability.



## 5.4 Managing Risks in our Logistics Network

We are constantly reviewing and expanding our logistics network to efficiently serve our customers throughout Europe.

### Our Fulfillment Centers and Inbound Distribution Centers



The fulfillment centers Erfurt, Lahr, Mönchengladbach and Großbeeren are operated by Zalando, whilst all other logistic sites are operated by third-party fulfillment partners.

Since 2012, we have set out our expectations for our own logistic sites and those of our partners in clear social standards, and we have implemented an auditing system to assess compliance. Our social standards are based on our Code of Conduct as well as additional relevant local regulations and cover key topics such as equal opportunities, remuneration, working hours and freedom of association.

Compliance with our social standards is reviewed twice a year for all Zalando logistics sites through an audit by an external auditor. Equally, compliance with our social standards is also reviewed twice a year at logistics sites managed by our partners. With the audits, we want to assess whether we and our business partners fulfill our expectations regarding decent working standards. The results of the audits form the basis to agree on measures to address the findings at the sites. Zalando monitors the implementation of these measures through regular meetings.

Additionally, our employees help us to further develop the work experience in our fulfillment centers. Various bodies of employee participation (i.e. works councils, round tables) are actively engaged in improving the environment at their respective sites. We promote various opportunities for dialogue between employees and management by asking our employees, such as in engagement surveys or personal interviews, for feedback and ideas on how we can make working at Zalando an even better experience.

Before starting business with service providers of certain commodities, a comprehensive partner check is conducted, which includes corruption and human rights violations topics. An initial assessment is handled by a specialized service provider and is the basis for the Compliance and Business Ethics team to decide where further investigation is needed. Depending on the findings, a decision might be taken to not initiate business with the potential partner. Where existing business relationships are to be extended or expanded after a three-year period, a new check process must take place.

All logistics service providers are checked and, depending on the results, we may choose not to accept certain suppliers.

We believe that we can nonetheless improve our practices. Our transportation services, including deliveries, are provided by business partners. In line with our do.MORE strategy, we expanded our due diligence practices in logistics to include a pilot audit programme in the Zalando Premium Logistics network with the target to move into regular monitoring by 2021.

### **5.5 Managing Risks in our Customer Care**

Our Customer Care teams are constantly striving for outstanding customer satisfaction. Part of our customer care services are executed by Zalando employees and another part by service providers. Our own employees are based in Customer Care offices located in Berlin, which go through annual audits conducted by external auditors to verify compliance with our social standards.

Service providers offering customer services for Zalando must agree with our Code of Conduct and go through our Compliance Checks on Business Partners process before starting business. Site visits normally take place before starting a new partnership, however due to COVID-19 travel restrictions, this currently takes place virtually. In 2020, our auditing program was extended to cover our third-party service providers for Customer Care.

### **5.6 Training**

Training on business integrity, including our Code of Ethics and our Code of Conduct as well as the business partner check requirements, continues to be mandatory for each Zalando employee with a Zalando e-mail address. The training reinforces awareness of the relevant regulatory framework, internal rules and regulations and provides information regarding the established processes within the Compliance Management System. Attendance of trainings and completion of e-learning is monitored by the Compliance and Business Ethics team.

### **5.7 Grievance Mechanisms**

Zalando has a compliance management system to prevent non-compliance with its standards and to allow appropriate response. We offer different channels for both employees and externals to report possible violations. We have put in place a whistle-blowing tool managed and hosted by an external service provider which is available in several languages and provides the possibility of remaining anonymous. In addition, our Compliance & Business Ethics Team can be directly contacted through various channels (email, chat, in person, telephone).

Employees and temporary staff at Zalando's fulfillment centers and customer care offices can, in addition, address any concerns to social workers.

Through our Code of Conduct, we require our business partners to provide their own feedback mechanism to allow non-compliances with the law or with Zalando Code of Conduct to be reported anonymously, providing protection of identity and assurance of no negative consequence.

## 6. Our Next Steps

Together with the different departments, we are working to create a detailed roadmap to achieve the goals defined in our do.MORE strategy. In line with the target "By 2023, we have continuously increased our ethical standards and only work with partners who align with them", we are committed to taking the following steps in 2021:

1. Develop more appropriate and robust processes to address human rights topics across the business, including conducting in-depth risk assessments in all areas of operations, and scaling risk-based monitoring programs, as already implemented for private labels.
2. Overhaul our Code of Conduct and Ethical Sourcing Standards, strengthening our partner policies.
3. Increase minimum requirements for brands in the onboarding process, and define and implement a more explicit and consistent offboarding process for partners that do not comply.
4. Further embed and continue to strengthen the integration of the human rights due diligence cycle in all areas of our operations.

This statement has been published in accordance with the UK Modern Slavery Act and summarizes our steps taken against human rights violations including but not limited to modern slavery during the financial year ending 31 December 2020. It was prepared by the Sustainability team. The statement has been approved and signed on June 16th, 2021, by



**David Schneider**  
Management Board ZALANDO SE