

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 31 million active customers across 17 markets, offering clothing, footwear, accessories and beauty. More than 2,500 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 (1 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. Zalando Wardrobe is a second-hand channel, where consumers can sell their clothes, buy used fashion and share their styles. In 2020 an additional "Pre-Owned" category will be available on the Zalando online shop.

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. Our Corporate Strategy is built on our purpose of "reimagining fashion for the good of all". In 2019 we turned the page and entered the next sustainability chapter for Zalando. We developed and launched our new sustainability strategy, which is anchored in our group strategy and our will to create deep customer relationships. 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.

'Less bad' isn't good enough anymore. 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.

This is a long-term vision and a task for the decades ahead, but we've set ourselves a first set of ambitious commitments for the short- and mid-term. We will always start with improving our own business. We are taking a stand on climate change, use of resources and worker rights, while bringing our partners on the journey. We are styling with care to make it easier for customers to shop more sustainably. And we are experimenting and collaborating to shape a more circular future for fashion. This is how we will do more to move the fashion industry forward.

Our six targets are divided into three areas:

Take a stand

— Since October 2019, our own operations and all deliveries and returns will be carbon neutral. We have set science-based targets in June 2020.

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

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

Style with care

— By 2023, we generate 20% of our Gross Merchandise Volume (GMV) with more sustainable

products.

Shape our future

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

— 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 2019	December 31 2019	Yes	2 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 three 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 at least twice a year about the overall progress with relation to our sustainability strategy. In 2019, the Co-CEO also chaired the Environmental Steering Committee, which was responsible for managing, among others, climate-related issues in 2019 and met on a bi-annual basis. With the launch of our new sustainability strategy in Q4 2019, we adjusted our governance structure and transitioned the responsibility for climate-related issues towards the Carbon Action Goal Group as part of the Sustainability Forum. The Co-CEO is also chairman of the Sustainability Forum. The Co-CEO relays information from the Committee to the Board during Board meetings, if necessary. Two climate-related key decisions made by the Co-CEO in 2019 were i) the setting of science-based targets in conjunction with committing to being carbon neutral in our own operations and all deliveries and returns, and ii) the adoption of our new sustainability strategy do.MORE. 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	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Reviewing and guiding annual budgets	<Not Applicable>	The Management Board as a whole receives updates at least twice a year about the overall progress with relation to our sustainability strategy and provides guidance on specific sustainability topics. In 2019, the Management Board as a whole was briefed by the General Council and SVP Corporate Governance until August. Since August 2019 it was briefed by the Director of Sustainability. 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 Environmental Steering Committee and the Sustainability Forum the Co-CEO receives updates on progress against climate goals and targets on a bi-annual and quarterly basis, respectively. The Co-CEO relays climate information to the other members of the Management Board. In 2019, he reviewed and guided the development process of our new sustainability strategy do.MORE 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 neutrality goal. The CFO, who joined the Management Board in April 2019, 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.

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 the management of climate-related issues lies with our Co-CEO, as we consider climate change a priority topic for our business, which needs high-level management attention and oversight. He is responsible for approving climate-related strategic decisions and the adoption of our new sustainability strategy, which includes the setting of science-based targets. In addition, he is chairman of the Environmental Steering Committee and 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

In 2019, the Environmental Steering Committee was mainly in charge of climate-related issues. However, with the launch of our new sustainability strategy in Q4 2019, we also adjusted our governance structure and transitioned the responsibility for climate-related issues towards the Carbon Action Goal Group as part of the Sustainability Forum. Both committees lie directly below management board.

The Carbon Action Goal Group is responsible for climate-related issues because climate change related topics in particular affect our whole business. This committee consists of members representing the different business units. 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.

2a) Environmental Steering Committee

Responsibilities include monitoring the progress against 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.

The committee consisted of the following members:

- Co-CEO: chairman of the Committee
- General Counsel-SVP Corporate Governance: reviewed and guided our climate protection strategy in 2019 and approves major plans of action. He also oversees the progress against targets and advises the Sustainability Team in climate-relevant decisions. With our new governance structure this responsibility lies now solely with our Co-CEO
- VP Logistics: approves and monitors climate initiatives connected to the logistics and packaging area, which have an impact on climate, and monitors the progress against the targets set for addressing climate-related issues
- VP Corporate Real Estate: approves major plans of action, such as the implementation of an EMS according to ISO 50001 or the installation of solar panels at our logistic centers
- Head of Product, Checkout & Returns & Order Management: responsible for the technical checkout, order and return process of our customer's orders, including the bundling of customer returns, which reduces transport emissions
- Senior Lead Environmental Sustainability: 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: responsible for the day-to-day management and implementation of sustainability initiatives (e.g. drafting of climate strategy and targets together with Co-CEO)

2b) Carbon Action Goal Group

The Carbon Action Goal Group is exclusively responsible for the management of our climate-related activities. In order to realize our climate targets, every business unit has to contribute their share with the following responsibilities:

- VP Corporate Real Estate and Director of Indirect Procurement: monitoring progress on the reduction of our own emissions in our offices and retail spaces
- Director Sales & 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 & VP Partner Strategy: monitoring progress towards an increased supplier engagement
- Director Product Supply Women for Private Labels: monitoring the progress of our relative reduction target for Private Labels (i.e. our own brands), responsible for monitoring progress towards an increased supplier engagement with the aim that 90% of our suppliers by emissions covering packaging and last-mile-delivery partners will have science-based targets by 2025
- 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
- Director Digital experience Sustainability: monitoring progress towards climate-neutrality of own operations, deliveries and returns
- Director Sustainability: monitoring progress towards all mentioned goals in cooperation with respective business units

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 upper 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.
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, amongst 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.

We apply 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. An example of a specific current regulation 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).
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 stand-out 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 impact 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 2019, we served products to over 31 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-high 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, 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 converting our beauty bags from plastic to 100% recycled paper and other more sustainable materials. Cost of response to risk: the 2m EUR refer to the budget that we have allocated for mitigating carbon emissions in 2020.

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 stand-out 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 and natural disasters in the top 10 risks. 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 2500 brands and owns five labels. For these five labels, we source products from 15 different countries, and currently work with 131 sourcing partners and 212 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). Also, 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

Low

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 25.6m 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 2019, 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 the top 300 brands/merchants (based on their emissions) to set science-based targets until 2025. In order to tackle climate change and reduce the probability of extreme weather events in the future Zalando set a sustainable strategy called do.MORE setting out the bold vision to be a sustainable fashion platform with a net-positive impact on the planet. In this context, 90% of the energy across all Zalando locations come from renewable sources. In addition, since October 2019 our own operations and all deliveries and returns are carbon neutral. Cost of response to risk: the 2m EUR refer to the budget that we have allocated for mitigating carbon emissions in 2020.

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

Medium

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. 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: a) Pilot Project with partners for last mile e-mobility delivery b) Reducing emissions of parcels per order (customer orders from different suppliers/brands) via Zalando Fulfilment Solution • Investment in green building technologies: for example in 2019 photovoltaic systems were installed on two warehouses • Purchasing of renewable energy in order to reduce the carbon emissions of Zalando Cost of response to risk: the 2m EUR refer to the budget that we have allocated for mitigating carbon emissions in 2020.

Comment

(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

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

400000

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 an energy management system according to ISO 50001; ii) reducing our demand for purchased electricity through the self-generation of solar energy.

Cost to realize opportunity

0

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 the implementation of Energy Management System, efficiency initiatives and green energy sourcing. In 2019, we successfully implemented an energy management system according to ISO 50001 for the entire Zalando SE, including our own operated warehouse in Mönchengladbach, Erfurt and Lahr. In addition, we added solar panels to our warehouses in Lahr and Verona. We are further member of the RE100 initiative: we commit to sourcing 100% renewable electricity across our entire global operations by 2025. In order to meet this commitment, we have continued to source 100% green energy across almost all our German offices, our own German fulfillment centers and the Polish fulfillment centers. Explanation of cost calculation: The cost to realize opportunity is 0 because, we chose a contracting finance model, which added operational cost but resulted in no additional investment.

Comment

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

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 2019: A year of awakening" report, promoted by McKinsey is the largest and most authoritative overview of the industry, surveying more than 275 global fashion executives and interviewing thought leaders and pioneers. The report highlights sustainability as one of the challenges and opportunities for 2019. 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 2019, we focused on expanding our sustainability assortment and we offered over 24,000 items carrying the sustainability flag in the Fashion Store at the end of 2019. Zalando's private label ZIGN fully commits to sustainability by spring/summer 2020 and all items of the collection will feature Zalando's 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 social, environmental and animal welfare standards. Zalando's criteria are aligned with international industry standards and best practices.

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)

60000000

Potential financial impact figure – maximum (currency)

150000000

Explanation of financial impact figure

The overall Fashion Market in Europe amounts to EUR 420bn. By 2023/24 Zalando aims to generate 20bn in GMV, this would lead to a 5% market share. Furthermore by 2023, Zalando aims to generate 20% of its gross merchandise value with more sustainable products. This translates into a potentially very high profit impact of 60-150m EUR on Zalando. The range results from the dependency on our partners & brands for the supply of sustainable products.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

By 2023, we aim to generate 20% of our Gross Merchandise Volume (GMV) with more sustainable products. We will reach this goal thanks to our new sustainability strategy, which is integrated into our group strategy. 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. Our private label ZIGN is already fully committed to sustainability for all future collections. From 2020, all ZIGN products will 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. All items of the spring/summer 2020 collection will carry Zalando's sustainability flag in the Fashion Store.

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 service is Wardrobe, a free digital application. Launched in 2018, Wardrobe ties into a more circular approach to fashion, allowing customers to digitize their wardrobe and to sell or buy clothes via a dedicated app. 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 Wardrobe can help extend the life of fashion products and add a loop to the linear fashion system, and thus contributes to reducing GHG emissions in the long-term. In 2019, we extended the life of over one million fashion items through Wardrobe.

Time horizon

Medium-term

Likelihood

Likely

Magnitude of impact

Medium

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

Over 1 million items have been sold to Zalando via our Wardrobe App in 2019. As we are scaling this offer and making it available in the Fashion Store, we expect this number to grow but cannot pin down a specific number, as this is an offer that has never existed like this before. We consider the Wardrobe App 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

2000000

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 is the further roll-out and promotion of the Wardrobe App. Starting back in 2018 with a pilot, the app focuses so far on our German-speaking markets, but we are currently in the process of extending the geographical scope in order to respond to customer's growing interest in sustainable product and circular economy. We are further scaling this offer by making it available in our Zalando shop by means of a distinct Pre-Owned fashion category. The Pre-Owned Category will launch in the fall of 2020. Explanation of cost calculation: the EUR 2m refer to the personnel costs that were necessary to develop the Wardrobe App 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) 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

C3.1c

(C3.1c) 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 drive double digit growth in the coming years to achieve a scale of 20bn EUR GMV by 2023/24. 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. Already today, our own operations and all deliveries and returns are carbon neutral via offset and we have decoupled our growth from our environmental impact: In 2019, we reached a reduction of our emissions per order of 29% compared to 2017 levels. In addition, we have set science-based targets, which are in line with the 1.5 degree scenario and which were informed by scenario analysis. We are still in the process of defining an approach on how to roll-out the use of climate-related scenario analysis to inform our business strategy. The time-frame for this is within the next 2 years.

C3.1d

(C3.1d) 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 the App Wardrobe – an app for Zalando customers to resell their clothes and buy second hand clothes. The app Wardrobe applies the principles of circularity and contributes to achieving our goal of extending the life of at least 50 million fashion products by 2023. In 2019, we expanded our product range towards non-seasonal items in order to mitigate the effect of longer seasons caused by weather conditions. In addition, Zalando's private label ZIGN fully commits to sustainability by spring/summer 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 will 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 social, environmental and animal welfare standards. Zalando's criteria are aligned with international industry standards and best practices. 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 2019, we expanded our assortment with new brands that will further diversify our assortment with more sustainable clothing by Spanish label Ecoalf, denim by Dutch label Mud Jeans, activewear from Girlfriend Collective or stockings by Swedish label Swe-s. At the end of 2019, the sustainable fashion assortment consisted of more than 24,000 items and is constantly expanding. In this context, by 2023, we plan to generate 20% of our GMV (Gross Merchandise Volume) with more sustainable products.
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 2,500 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. In 2019, we have set the target for all deliveries and returns to be carbon neutral. We will achieve this by purchasing carbon offsets and funding projects that compensate our GHG emissions by reducing emissions somewhere else. In addition, we inserted a carbon offset option for customer delivery. We 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 now choose 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. Last but not least, 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 in C2.3a Risk 3 and C2.4a Opportunity 1 and 2, building a fashion sustainable business model is essential to be successful in the long-term. At Zalando, we also observe this trend in the expectations and feedback from our customers. This trend is reflected in our investment and R&D strategy. In 2019, we launched a four-week pilot to test on reusable packaging for the delivery of customer orders with RePack, an enterprise that gained traction following a successful stint in Fashion for Good's accelerator program. 10,000 customers in Finland, Norway, Sweden and Denmark have received their Zalando orders in reusable shipping bags. This reduces packaging waste by using the same packaging repeatedly for shipping and returns. In 2019, we launched pilot projects targeting last-mile delivery in a sustainable manner. These projects include the use of e-vehicles, carbon-neutral cargo bikes and neighborhood collection points to enable first attempts delivery. For example, starting in October 2019, Zalando is piloting different e-vehicles for same-day deliveries of several hundred packages per day in Hamburg. We are in the process of converting our beauty bags from plastic to 100% recycled paper and other more sustainable materials. The R&D strategy is also focused 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.
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 set ambitious targets on carbon reduction, namely reducing GHG emissions per order by 10% by 2020 compared to 2017. We overachieved this target as the GHG reduction per order in 2019 was 29%, because we have continued to source 100% green energy across almost all our German offices, our own German fulfillment centers and the Polish fulfillment centers. With the introduction of our new 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 new 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.

C3.1e

(C3.1e) 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	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. In 2019, we 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 2019, we expanded our assortment with new brands that will further diversify our assortment with more sustainable clothing by Spanish label Ecoalf, denim by Dutch label Mud Jeans, activewear from Girlfriend Collective or stockings by Swedish label Swe-s. At the end of 2019, the sustainability assortment consisted of more than 24,000 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, fulfillment centers).

C3.1f

(C3.1f) 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)

8175

% of target achieved [auto-calculated]

86.0343183984747

Target status in reporting year

New

Is this a science-based target?

Yes, this target has been approved as science-based by the Science-Based Targets initiative

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

2017

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (market-based) +3 (upstream)

Intensity metric

Other, please specify (Metric kg CO2e per customer order)

Base year

2017

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

2.54

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

100

Target year

2020

Targeted reduction from base year (%)

10

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

2.286

% change anticipated in absolute Scope 1+2 emissions

-69

% change anticipated in absolute Scope 3 emissions

38

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

1.48

% of target achieved [auto-calculated]

417.322834645669

Target status in reporting year

Achieved

Is this a science-based target?

No, but we are reporting another target that is science-based

Please explain (including target coverage)

In 2017, we set a target to reduce GHG emissions per consumer order by 10% by 2020, compared to 2017 levels. In 2019, we achieved this goal reducing our GHG emissions per order by 29% compared to 2017 levels. Please note that the indicator reported has been calculated based on the net carbon emissions, not considering the emissions neutralized by carbon offset projects.

Target reference number

Int 2

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)

81

% of target achieved [auto-calculated]

94.2307692307692

Target status in reporting year

New

Is this a science-based target?

Yes, this target has been approved as science-based by the Science Based Targets initiative

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
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

99

% of target achieved [auto-calculated]

98.4848484848485

Target status in reporting year

New

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
---------------------------	---

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

0

% of target achieved [auto-calculated]

0

Target status in reporting year

New

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.

C4.3

(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	2758
Implementation commenced*	0	
Implemented*	3	1131946
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 generation	Solar PV
------------------------------	----------

Estimated annual CO2e savings (metric tonnes CO2e)

665

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

250072

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

0

Payback period

<1 year

Estimated lifetime of the initiative

21-30 years

Comment

We added solar panels to two of our logistic locations (Lahr and Verona), which generated more than 1500 MWh. We chose a contracting finance model, which added operational cost but resulted in no additional investment.

Initiative category & Initiative type

Energy efficiency in buildings	Other, please specify (EMS according to ISO 50001)
--------------------------------	--

Estimated annual CO2e savings (metric tonnes CO2e)

800

Scope(s)

Scope 1

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

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

150782

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

0

Payback period

<1 year

Estimated lifetime of the initiative

21-30 years

Comment

We implemented an energy management system according to ISO 50001 at all corporate offices and our warehouses through which we saved around 3000 MWh of energy. We chose a contracting finance model, which added operational cost but resulted in no additional investment.

Initiative category & Initiative type

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

Estimated annual CO2e savings (metric tonnes CO2e)

29272

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

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025.

Initiative category & Initiative type

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

Estimated annual CO2e savings (metric tonnes CO2e)

4858

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

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025.

Initiative category & Initiative type

Low-carbon energy consumption	Biogas
-------------------------------	--------

Estimated annual CO2e savings (metric tonnes CO2e)

22159

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

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025.

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. According to Italian law, new building constructions need to be supplied with renewable energy sources to a certain extent. This is why our new fulfillment and other logistics sites were provided with roof solar panels.

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)
5904

Start date
January 1 2019

End date
December 31 2019

Comment

Past year 1

Gross global Scope 1 emissions (metric tons CO2e)
5701

Start date
January 1 2018

End date
December 31 2018

Comment

Past year 2

Gross global Scope 1 emissions (metric tons CO2e)
4935

Start date
January 1 2017

End date
December 31 2017

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

58828

Scope 2, market-based (if applicable)

2271

Start date

January 1 2019

End date

December 31 2019

Comment

Past year 1

Scope 2, location-based

42134

Scope 2, market-based (if applicable)

1678

Start date

January 1 2018

End date

December 31 2018

Comment

Past year 2

Scope 2, location-based

33276

Scope 2, market-based (if applicable)

21290

Start date

January 1 2017

End date

December 31 2017

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?

Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source

The energy emissions from our offices and offline-stores with less than 40 employees and 3 of our logistic locations were excluded.

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)

Emissions are not relevant

Explain why this source is excluded

All our offices and offline-stores with less than 40 employees and 3 of our logistic locations were excluded from our energy emissions, as they do not contribute significantly to the company's total scope 1 and 2 emissions.

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

2508257

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 spend-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

182395

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 the University of Arkansas and further developed by the Carbon Trust. This analysis is based on financial spend, coupled with GHG emission factors which convert this spend into GHG emissions. These EEIO emissions factors calculate the average GHG emissions per US 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

6355

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

263075

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: $CO_2e \text{ Emissions from Transportation (for a transport mode)} = \text{Weight of transported goods (tonnes)} \times \text{Average Transportation Distance (km)} \times \text{Emission Factor (for the transport mode) (kgCO}_2\text{e/tonne.km)}$ 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. $CO_2e \text{ emissions from Transportation (for a transport mode)} = \sum(\text{Parcels sent by transport (units)} \times \text{Supplier Specific EF (kgCO}_2\text{e/parcel)} \times \text{Mode})$ 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 Office.

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

80

Please explain

This includes inbound logistics, outbound logistics (i.e. fulfillment 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

Not relevant, calculated

Metric tonnes CO₂e

413

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. $CO_2e \text{ emissions waste from operations} = \sum(\text{Volume of waste (t)} \times \text{Type of waste} \times \text{Emission factor (kgCO}_2\text{e/t)} \times \text{Type of waste})$

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

5300

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 $CO_2e \text{ emissions from business travel} = \sum(\text{Distance (t)} \times \text{Mode of transport} \times \text{Emission factor (kgCO}_2\text{e/pkm)} \times \text{Mode of transport})$

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

5566

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. $CO_2e \text{ emissions waste from employee commuting} = \sum(\text{Number of VF employees (\#)} \times \text{Country} \times \text{Emission factor (kgCO}_2\text{e/employee)} \times \text{Country})$

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 centers have already been included in Categories 4 and 1 respectively.

Downstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

3187

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 benchmark warehouse energy consumption data from CIBSE. Methodology The Storage Emissions at warehouses are calculated using the following formula: $CO_2e \text{ Emissions from Storage (in warehouses)} = \text{Number of finished goods (units)} \times \text{Stacking ratio (sqm/unit)} \times \text{Days in stock (days)} \times \text{Emission Factor (in warehouses) (kgCO}_2\text{e/sqmday)}$

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

800351

Emissions calculation methodology

Primary data: Please see data sources provided for Category 1 Secondary data: The assumptions on consumer behavior 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. $CO_2e \text{ emissions use of sold products} = \sum (\text{Volume of sold units (}\# \text{) Market} \times \text{Emission factor (kgCO}_2\text{e/unit)Market})$

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

60046

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. $CO_2e \text{ emissions from End of Life of sold products} = \sum (\text{Volume of purchased material (Kg)}) \times \text{Material type} \times \text{Emission factor (kgCO}_2\text{e/kgMaterial type)}$

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

2304

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

1.26

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

8175

Metric denominator

unit total revenue

Metric denominator: Unit total

6483

Scope 2 figure used

Market-based

% change from previous year

8

Direction of change

Decreased

Reason for change

The decrease (-8%) of emissions per unit of revenue compared to the previous year was due to both: i) the increase of revenues of about 20% compared to the prior year, and ii) the increase of Scope 1 and 2 emissions, being 11% more than 2018.

Intensity figure

56.42

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

8175

Metric denominator

Other, please specify (number of customer orders in mio)

Metric denominator: Unit total

144.9

Scope 2 figure used

Market-based

% change from previous year

11

Direction of change

Decreased

Reason for change

The decrease (-11%) of emissions per number of customer orders compared to the previous year was due to both: i) the increase of orders of about 25% compared to the prior year, and ii) the increase of Scope 1 and 2 emissions, being 11% more than 2018.

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	5904	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	4256
Poland	1587
Italy	0
Finland	50
Ireland	11

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	311.45
Emissions from combustion of fuel for heating in the logistic sites	4393.45
Emissions from combustion of fuel for heating in the non-logistic sites	98.26
Emissions from fugitive emissions (refrigerant leaks for cooling) from logistic and non-logistics sites	1100.41

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		2249	70688	60087
Poland		0	31107	31107
Ireland		0	158	158
Finland		0	90	90
Italy		19	6237	4903

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		0
Scope 2 - Non-logistic electricity market based		471
Scope 2 - Non-logistic district heating market based		1798

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	665	Decreased	9	In 2019, we avoided about 670 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 2018 were 7379 tCO2e, therefore the related decrease equals 9% calculated as $(-665/7379)*100=-9\%$.
Other emissions reduction activities	800	Decreased	11	In 2019, we implemented an energy management system according to ISO 50001 at all corporate offices and our warehouses through which we avoided energy-related 800 tCO2e. The total Scope 1+2 market based emissions in 2018 were 7379 tCO2e, therefore the related decrease equals 11% calculated as $(-800/7379)*100=-11\%$.
Divestment		<Not Applicable >		
Acquisitions		<Not Applicable >		
Mergers		<Not Applicable >		
Change in output	796	Increased	11	In 2019, our total Scope 1+2 market based emissions increased by 796 tCO2e compared to 2018. The total Scope 1+2 market based emissions in 2018 were 7379 tCO2e, therefore the related increase equals 11% calculated as $(796/7379)*100 = 11\%$
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)	23478	0	23478
Consumption of purchased or acquired electricity	<Not Applicable>	96345	994	97339
Consumption of purchased or acquired heat	<Not Applicable>	0	9385	9385
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>	1556	<Not Applicable>	1556
Total energy consumption	<Not Applicable>	121379	10379	131758

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

954

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

22315

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

210

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	1556	1556	1556	1556
Heat				
Steam				
Cooling				

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

Europe

MWh consumed accounted for at a zero emission factor

60117

Comment

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025.

Sourcing method

Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Wind

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

Europe

MWh consumed accounted for at a zero emission factor

8472

Comment

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025.

Sourcing method

Unbundled energy attribute certificates, Guarantees of Origin

Low-carbon technology type

Biomass

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

Europe

MWh consumed accounted for at a zero emission factor

27696

Comment

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025.

C9. Additional metrics

C9.1

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

Description

Please select

Metric value

Metric numerator

Metric denominator (intensity metric only)

% change from previous year

Direction of change

<Not Applicable>

Please explain

There are no additional metrics relevant for this disclosure.

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_Annual-Report_2019.pdf

Page/ section reference

30, 36-40

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

30, 36-40

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

30, 36-40

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: 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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Page/section reference

30, 36-40

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

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Page/section reference

30, 36-40

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

Zalando_SE_Annual-Report_2019.pdf

Page/section reference

30, 36-40

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

10

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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Page/section reference

30, 36-40

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

100

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

Zalando_SE_Annual-Report_2019.pdf

Page/section reference

30, 36-40

Relevant standard

ISAE3000

Proportion of reported emissions verified (%)

1

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
C6. Emissions data	Year on year emissions intensity figure	ISAE3000	We publish in our Non-financial Report 2019 our carbon intensity figure (kg CO2e per order). This section of the report has a limited assurance.
C11. Carbon pricing	Renewable energy products	ISAE3000	We publish in our Non-financial Report 2019 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.
C12. Engagement	Other, please specify (value chain engagement with packaging suppliers and CEP carriers)	ISAE3000	We publish in our Non-financial Report 2019 information on value chain engagement with packaging suppliers and CEP carriers. 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

The first project is a Gold Standard certified reforestation project in Soddo, Ethiopia (circa 300 km south from the capital Addis Abeba). Its goal is to protect the heavily degraded forest at the slopes of the Mount Damota and to regenerate the land by planting new trees and thereby restoring the vital forest ecosystem. The project is an outstanding example of community-driven reforestation, offering significant social, biodiversity and carbon sequestration benefits. Being impact driven, we selected a reforestation project out of many other options because not only are forests the most efficient CO2 sink, but also because of its additional positive contributions to a sustainable development aside from carbon sequestration: Regenerating native forests, utilizing the farmer-managed natural regeneration and traditional forest establishment techniques. Restoring native vegetation and biodiversity in the project area, which functions as a refuge for local and migratory species and connects fragmented forest ecosystems. Reducing soil erosion, flooding, and helping to maintain the supply of the subterranean streams to support the region's water supply. Providing additional and stable income for communities by sustainably harvesting and collecting forest products.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

4000

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

4000

Credits cancelled

No

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Forests

Project identification

The second project is a Gold Standard certified reforestation project in the Kikonda Forest, Uganda. The project is located 30km southeast of the City of Hoima in the catchment of the Kafu River in central Uganda. The project activity includes an eligible planting area of 7,321 ha complemented by non-eligible land and conservation areas of 4861 ha, adding up to a total of 12,182 ha.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

43720

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

43720

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)

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

7

Rationale for the coverage of your engagement

In order to monitor the environmental impact linked to our supply chain more accurately and to have a positive influence on supplier's climate performance, we started in 2018 to request carbon data from packaging suppliers and nationwide carriers. In addition, we informed them of our climate strategy. The reason for focusing on packaging and carrier suppliers is that they contribute significantly to our scope 3 carbon footprint.

Impact of engagement, including measures of success

Our measure of success is to reach the following target: By 2020, we want 100% of our packaging suppliers and nationwide carrier partners to provide us with carbon data, enabling us to measure our climate impact more accurately. In 2019, we requested from 100% of our nationwide carrier and packaging provider carbon data. We received carbon data from 87% of carriers (in 2018: 80%) and one packaging supplier, who is providing us with 28% of our sourced plastic packaging by weight (in 2018: 0%).

Comment

The % of suppliers by number has been calculated by considering only the carrier partners. The 7% of Scope 3 emissions relate to the upstream transportation emissions.

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.

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

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

6

% total procurement spend (direct and indirect)

80

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

0

Rationale for the coverage of your engagement

In 2019 we requested around 400 of our brand partners (i.e. all brands sold via our platform), which are responsible for 80% of our net merchandise volume, to provide us with environmental (including carbon) and social data via the Higg Brand & Retail Module (Higg BRM). The Higg BRM was developed in collaboration with the Sustainable Apparel Coalition as one step towards scaling a global sustainability standard for the fashion industry and to measure social and environmental impacts. The data collection process is currently ongoing. We are supporting our brand partners by providing them with information material such as webinars, and are available for questions via phone or email. We selected the 400 brand partners according to their strategic relevance and their size measured in net merchandise volume.

Impact of engagement, including measures of success

The Higg BRM will contribute towards raised sustainability awareness amongst brand partners and will allow us to measure more accurately our supply chain impact. In addition, we plan to develop minimum requirements for brands based on the BRM data. Our measure of success is the amount of data received from our brand partners. The data collection is currently ongoing, but so far, we have received positive feedback from our brand partners.

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

70

% total procurement spend (direct and indirect)

80

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

0

Rationale for the coverage of your engagement

In 2019 we requested around 70% (126 out of 180) manufacturing suppliers (i.e. factories, which produce our private label clothing), which are responsible for 80% of our net merchandise volume, to provide us with environmental (including GHG emissions) data via the Higg Facility Environmental Module (Higg FEM). We selected the 126 factories according to their strategic relevance and their size measured in net merchandise volume.

Impact of engagement, including measures of success

The Higg FEM contributes towards raised sustainability awareness amongst the factories and allows them to understand and benchmark their performance with respect to environmental and climate issues. At the same time, it allows us to measure more accurately our supply chain impact. Our measure of success is the amount of data received from the factories. The data collection is currently ongoing, but so far, we have received positive feedback from the factories.

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 net merchandise volume (i.e. the value of all merchandise sold to customers after cancellations and returns and excluding VAT, dynamically reported.).

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, which is part of our newly launched do.MORE sustainability strategy: By 2023, we generate 20% of our GMV (Gross Merchandise Volume) with more sustainable products. In 2019, 6.78% of GMV was generated by products carrying the sustainability flag. In 2019, we significantly increased our assortment carrying the sustainability flag, having over 24,000 products in the Zalando Shop at the end of 2019. Additionally, we broadened our assortment with 32 new brands, which have a sustainable focus.

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

2

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 2% 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.

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 Sustainability Team was asked in 2019 to contribute expertise, on a voluntary basis, to two workshops of the German government. The first covered transparency and fairness in supply chains for fashion production, as part of work on the potential development of the German label "Grüner Knopf", which certifies sustainable textiles. The assessment includes strict climate criteria. The second covered 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.

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_Annual-Report_2019.pdf

Page/Section reference

Corporate Responsibility and Sustainability Section in the Annual Report 2019; primarily chapter on Environment (p. 29-32).

Content elements

Governance

Strategy

Risks & opportunities

Emissions figures

Emission targets

Other metrics

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.

We are member of the RE100 initiative and commit to source 100% renewable electricity across our entire global operations by 2025. Please find attached the RE100 Reporting Spreadsheet for FY2019.
RE100 Reporting Spreadsheet 2020.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 Member of the Management Board	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