

Modern Slavery Statement 2022

This is our sixth Zalando Modern Slavery Statement and relates to our progress throughout 2021. Our former versions can be found on our [website](#).



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1. Our commitment

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

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

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

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

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

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

2. Our business

The Zalando group is managed by its ultimate parent company ZALANDO SE, which was founded in 2008. With its registered office in Berlin, Germany, ZALANDO SE bundles all management functions and generates the vast majority of group revenue. In addition to the parent company, Zalando is comprised of 47 subsidiaries that operate, inter alia, in the areas of fulfillment, customer service, payments, product presentation, advertising, marketing, software development, integration services and private labels. ZALANDO SE has full control over all subsidiaries, either indirectly or directly.

Zalando has a very strong reach and engagement with more than 48 million active customers and partnerships with more than 5,800 global and local fashion and lifestyle brands as well as almost 7,000 brick-and-mortar stores, complemented by private label products. ZALANDO SE's internal management structure is based on a sales channel

perspective. Our main sales channel continues to be the Fashion Store (Zalando app and website). The Offprice segment includes the sales channels Zalando Lounge (Zalando Lounge app and website), brick-and-mortar outlet stores (12 in Berlin, Düsseldorf, Frankfurt, Cologne, Constance, Leipzig, Hamburg, Hannover, Münster, Stuttgart, Mannheim and Ulm) and B2B overstock management. In addition, Zalando's other segment bundles the emerging businesses Zalando Marketing Services, the personal style advice service Zalon and the independently operating marketplace integrator business Tradebyte.

Our own logistics network is the biggest purpose-built logistics network for fashion in Europe with 12 fulfillment centers across seven countries. We serve customers in 23 European markets: Austria, Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom.

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

2.1 Facts and figures 2021

more than 17,000 employees	12 logistics fulfillment centers currently operating	more than 7,400 employees in our own Zalando logistics fulfillment centers	more than 48m active customers
more than 5,800 third-party brands	assortment of more than 1.4m articles	6 active private label brands	5-10% of our revenue comes from our private labels
16 sourcing countries of our private labels	116 sourcing partners of our private labels	213 factories of Tier 1 sourcing partners of our private labels	around 86,000 workers in Tier 1 factories of our private labels' sourcing partners

3. Progress against our 2021 commitments

We acknowledge that our industry is an at-risk sector for human rights violations and therefore take steps to prevent, detect and respond to modern slavery. Thus, throughout 2021, we worked to strengthen our procedures in line with the next steps established in our [Modern Slavery Statement 2021](#).

Steps planned for 2021	Our progress
<p>Develop more appropriate and robust processes to address human rights topics across the business, including conducting in-depth risk assessments in all areas of operations, and scaling risk-based monitoring programs, as already implemented for private labels.</p>	<p>This year we have taken the big step of conducting risk assessments across our business units, continuing our collaboration with Verisk Maplecroft. In each assessment, suppliers were assessed on human rights risk (child labor, decent wages, decent working time, discrimination in the workplace, freedom of association and collective bargaining, informal workforce, migrant workers, minority rights, modern slavery, health and safety, right to privacy, women's and girls' rights, young workers), based on their location, industry and spend. The results feed into a standardized risk profile (extreme risk, high risk, moderate risk, and low risk) which in turn informs levels of monitoring.</p>
<p>Overhaul our Code of Conduct and Ethical Sourcing Standards, strengthening our partner policies.</p>	<p>Updated our ethical standards, including:</p> <ul style="list-style-type: none"> ● Code of Conduct ● Social Standards (logistics) ● Sustainable Sourcing Policy ● Animal Welfare Policy ● Product & Content Guidelines
<p>Increase minimum requirements for brands in the onboarding process, and define and implement a more explicit and consistent offboarding process for partners that do not comply.</p>	<p>Onboarding: For brand partners we have introduced three minimum requirements: They must have at least one dedicated employee for sustainability in their supply chains. They must comply with our Code of Conduct, have their own Code of Conduct, and communicate their ethical standards to their suppliers and factories. And they must be able to identify their Tier 1 production sites (names and location: cutting, sewing, stitching, lasting, finishing). As part of the onboarding process, brand partners are also asked to commit to annual self-assessments and, where applicable, to set science-based targets.</p> <p>Offboarding: For our brand partners, we are launching an annual review process from 2022 onwards based on compliance with ethical requirements, commitment to annual self-assessment, and setting of science-based targets, where applicable. If the brand struggles to engage or demonstrate progress, we trigger an escalation process.</p>
<p>Further embed and continue to strengthen the integration of the human rights due diligence cycle in all areas of our operations.</p>	<p>As outlined above, we have:</p> <ul style="list-style-type: none"> ● Started to introduce standardized onboarding and offboarding processes based on sustainability requirements. ● Updated key policies ● Introduced new tracking processes in contract management systems to enable us to follow up whether all our business partners agree to our standards.

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| | <ul style="list-style-type: none">• Conducted a human rights risk assessment in all our internal business units. |
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4. Governance & policies

4.1 Governance

As informed in our 2021 statement, three teams collaborate closely in the Human Rights and Modern Slavery Working Group, composed by representatives from Compliance & Business Ethics, Sustainability and Employee Relations teams:

- The Compliance & Business Ethics team manages Zalando's group-wide Compliance Management System to foster compliance with applicable laws, internal regulations and ethical standards along our businesses, including our business partner checks process. Our compliance management system encompasses policy management, a help desk function, whistleblowing management (including internal investigations where required), business partner due diligence, compliance-related training, and monitoring of certain types of expenses.
- The Sustainability team defines the sustainability strategy for the Zalando group and is responsible for Zalando's overall approach to human rights risk assessment and due diligence strategy. The team also works to ensure that our fashion partners comply with our standards as well as managing social and environmental risks in production for our private label supply chain and in our logistics and customer care units.
- The Employee Relations team works closely with the Ethical Responsibility team as an expert function regarding the definition of the content of Zalando's updated Social Standards, the interpretation of audit results as well as the implementation of corrective action plans (CAPs). The team also works closely with P&O business partners of the respective areas (especially Logistics) to ensure that the Social Standards are fulfilled by Zalando's business partners.

Further, the Legal team supports the teams involved in ensuring legal requirements are met as well as in implementing legal measures within the company.

4.2 Policies

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

- Zalando's Code of Ethics sets out Zalando's specific expectations towards every employee regarding social and ethical behavior. The Code of Ethics has been communicated to our employees in various languages and is publicly available on our website. We revised our Code of Ethics in 2020 to further stress topics such as anti-discrimination and anti-harassment, and to communicate our grievance channels more prominently.

- Our commitment to avoid human trafficking and forced labor in our supply chain is underpinned in our Code of Conduct for Business Partners. The standards and scope of our Code of Conduct were revised in 2021. It is issued by ZALANDO SE Management Board and applies group-wide to our business partners. The Code of Conduct expressly prohibits the use of forced, bonded, indentured and prison labor, as well as the slavery or trafficking of persons in any form.
- Complementary to our Code of Conduct, we also updated our Sustainable Sourcing Policy, as well as our Animal Welfare Policy, Product and Content Guidelines and Restricted Substances List (RSL). The Sustainable Sourcing Policy aims to support the transition to a fair, sustainable and circular economy and defines minimum requirements for the use of specific fibers, materials and manufacturing methods for products sold through Zalando. It includes our commitment to the non-use of materials containing cotton sourced from Uzbekistan, Turkmenistan or the Xinjiang region in China due to the high risk of forced labor in these countries.
- In line with our Group Policy “Compliance Checks on Business Partners”, Zalando carries out business partner due diligence, including sanction list screening and compliance database and adverse media checks for defined groups of business partners of every Zalando group entity and in cases where potential compliance risks are apparent.

5. Risk assessment & management

5.1 The due diligence framework

Respect for human rights and the environment is non-negotiable across our business. Using a due diligence framework allows us to identify and act on risks in our operations, supply chains, and business partnerships. The framework is based on standards including the World Benchmarking Alliance’s [Corporate Human Rights Benchmark](#) and [OECD Due Diligence Guidance](#). When we identify an issue, we work with our partners to address it. In extreme cases, we consider pausing or ending the relationship. Since the launch of our do.MORE sustainability strategy in 2019, we have accelerated integration of the due diligence process into our operations. The framework is built on six pillars:

1. Policies: Partners are required to agree to Zalando’s ethical standards.
2. Onboarding: We carry out business partner due diligence for defined groups of business partners¹ and in cases where potential compliance risks are apparent. In addition, we have started to integrate parameters around ethical standards into the onboarding process.
3. Risk assessment: After onboarding, partner risk profile is defined based specifically on location of production and industry.
4. Monitoring: Based on the risk analysis, partners are continuously monitored, with processes dependent on the business type.
5. Partner review: Regular partner reviews are conducted and remediation strategies put in place where necessary.

¹ According to commodity groups, namely logistic services, professional services, corporate property, packaging and direct business partners in sourcing for private labels and in overstock management.

6. Consequence Management: In cases where partners fail to demonstrate progress within agreed time frames, or are implicated in zero tolerance issues with no sign of remediation, we will pause and eventually end the business relationship where we do not see engagement or improvement.

5.2 Managing risks in our private label supply chain

For our six labels (Anna Field, Even&Odd, Friboo, Pier One, YOURTURN, ZIGN), we source products from 16 different countries, and currently work with 116 sourcing partners and 213 factories. Due to the size and variety of our assortment, we do not own any of the factories in our supply chain and therefore focus on strengthening our relationships with key sourcing partners.

Increasing transparency continues to remain a focus for us. In 2021, we disclosed 100% of our Tier 1 suppliers on our website. To further enhance transparency, we also shared this data with the Open Apparel Registry (OAR), including access to OAR IDs for these facilities. In addition, we disclosed Tier 2 factories, relating to core final material manufacturers and leather tanneries for our shoes and accessories products. We are committed to increasing transparency and disclosing deeper levels of our supply chain on an ongoing basis.

In our private labels we look to ensure that our sourcing partners comply with our Zalando group-wide Code of Conduct and treat workers with dignity. All Tier 1 factories must provide us with social audits annually or on a timeframe recommended by the auditing standard. All of our audits are evaluated against an internal non-compliance matrix, based on our Code of Conduct, local legal requirements, and industry standards including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative). Findings of non-compliance are classified as minor, major, critical and zero tolerance, and based on these the factory is issued an overall rating and a corrective action plan (CAP).

If a zero tolerance non-compliance issue is found, the factory must remediate the issue and provide a new audit. In 2021, we evaluated 175 audit reports and declined to onboard five factories or suppliers for not meeting audit requirements.

Apart from the Zalando policies and processes for all business partners, we also have specific policies for our private label business on contract workers, homeworkers and migrant workers.

5.3 Managing risks in our third-party brand's supply chain

Our primary brand self-assessment is based on the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (BRM), covering social standards, working conditions, and environmental practices. In 2021, we received 109 assessments from 283 brands, covering 64% of our net merchandise volume. However, we understand that our brand partners are on a learning journey, so along with other SAC members we are working with the SAC, Higg, retailers, and brands to develop a more accessible version called BRM Foundations which is being released in 2022.

Our long-term goal is to rely on this reporting to direct our efforts and disclose consistent information to our customers about impact, performance, and practices. However, we

face challenges in ensuring the required data quality and feasibility of verifications. We will continue to work with the SAC and Higg to support brands throughout the process and explore options for data validation and verification.

5.4 Managing risks in our logistics network

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

Our fulfillment centers and inbound distribution centers



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

Since 2012, we have set out our expectations for our own logistic sites and those of our partners in clear Social Standards, and we have implemented an auditing system to assess compliance. Our Social Standards were updated in 2021 to be more comprehensive and align with provisions of our new Code of Conduct, such as grievance mechanisms and diversity and inclusion, in addition to existing legal obligations around remuneration, working hours, and freedom of association.

Compliance with our Social Standards is reviewed at least once a year through an audit by an external auditor for all Zalando logistics sites and logistics sites managed through our partners. Through these comprehensive audits, we assess whether we and our business partners fulfill our expectations regarding decent working standards. In case of non-compliance, a corrective action plan (CAP) is formulated and the site must remediate the issue.

Our transportation services, including deliveries, are provided by business partners. We have started to integrate the Zalando Premium Logistics network into regular monitoring in 2021 and will continue doing so in 2022.

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

Before starting business with pre-defined service providers², a comprehensive partner check is conducted, which includes a pre-screening for evidence of sanctions, political risk, adverse media, or geo-political red flags, and check whether they have robust anti-bribery and anti-corruption systems in place. An initial assessment is handled by a specialized service provider and is the basis for the Compliance and Business Ethics team to decide where further investigation is needed. Depending on the findings, a decision might be taken to not initiate business with the potential partner. Where existing business relationships are to be extended or expanded after a three-year period, a new check process must take place.

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

5.5 Managing risks in our customer care

Our Customer Care teams are constantly striving for outstanding customer satisfaction. Some of our customer care services are executed by Zalando employees and another portion by service providers. Service providers offering customer services for Zalando must agree with our Code of Conduct and go through our Compliance Checks on Business Partners process before starting business. Site visits normally take place before starting a new partnership, however due to COVID-19 travel restrictions, this currently takes place virtually. Our own Customer Care offices located in Berlin and all third-party service providers are audited annually by external auditors to verify compliance with our Social Standards.

5.6 Training

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

5.7 Grievance mechanisms

Zalando has a compliance management system to prevent non-compliance with its standards and to allow appropriate response. We offer different channels for both employees and externals to report possible violations. We have put in place a whistle-

² According to commodity groups, namely logistic services, professional services, corporate property, packaging and direct business partners in sourcing for private labels and in overstock management.

blowing tool managed and hosted by an external service provider which is available in several languages and provides the possibility of remaining anonymous. In addition, our Compliance & Business Ethics Team can be directly contacted through various channels (email, chat, in person, telephone).

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

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

6. Our next steps

Together with many teams across Zalando and line with our target "By 2023, we have continuously increased our ethical standards and only work with partners who align with them", we are committed to taking the following steps in 2022:

1. Create a non-compliance matrix which outlines the criticality of Code of Conduct violations at group level to ensure we formalize and have consistency in our partner reviews.
2. Align our existing do.MORE strategy roadmap with legal requirements from the German Supply Chain Act to capture synergies.
3. Summarize our standards and expectations in a Human Rights Policy and appoint a Human Rights Officer.

This statement has been published in accordance with the UK Modern Slavery Act and summarizes our steps taken against human rights violations including but not limited to modern slavery during the financial year ending 31 December 2021. It was prepared by the Sustainability team. The statement has been approved and signed on June 27th, 2022, by



David Schneider
Management Board ZALANDO SE