

# MODERN SLAVERY ACT STATEMENT

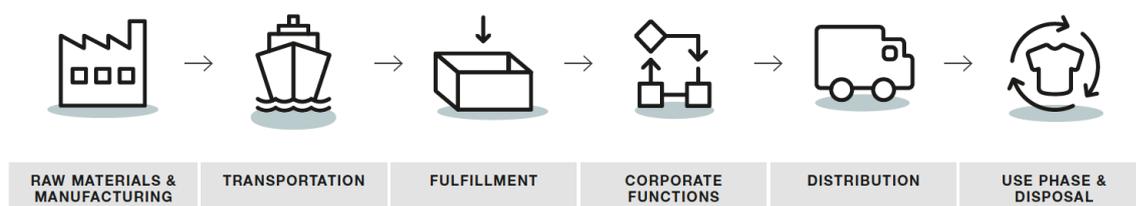
## OUR BUSINESS

Zalando is a leading European online fashion platform for women, men and children serving 15 European markets. Our operating activities include development, sourcing, marketing and retail. Via our online store we sell apparel, shoes and accessories from different international brands as well as private label products. The latter are managed, sourced and sold by Zalando SE's wholly-owned subsidiary, zLabels GmbH.

zLabels goods are produced in 27 countries across the world. In 2016, we sourced our products from 278 suppliers with 464 factories. We do not own any of the production facilities.

In order to sell products, Zalando has built a complex online platform, providing partners with services including IT intelligence or fulfilment. All transportation services from the countries of production to the customer as well as the return process are provided by business partners.

## Zalando's supply chain



The core of Zalando's operations is conducted in Germany with a centralized team located at our headquarters in Berlin. We also have Technology Hubs in Dortmund, Hamburg, Dublin and Helsinki. Our products are globally sourced and then dispatched from our own fulfillment centers including four in Germany and an international one in Northern Italy. Two new Zalando fulfillment centers are expected to open in 2017, one in France and one in Poland. Our German fulfillment centers are operated by Zalando, whilst international ones are operated by third-party logistics service providers. Customer service is provided by Zalando teams and external service providers.

Managing a global supply chain poses many challenges, especially regarding human rights, labor conditions, and the environment. We are constantly evaluating the impact of our business at each stage in the value chain in order to find the right solution for different challenges.

We approach the supply chain management for third-party brands and our private labels differently. For our private labels, our level of influence is evidently higher so we engage directly with our suppliers in the sourcing countries and will share our approach in more detail in this document.

When it comes to our third-party brands and other service providers, we also recognize the responsibility we share to improve the conditions in the value chain. We define minimum standards for all our partners on topics such as human rights and labor practices in our Code of Conduct for Business Partners.

## OUR POLICIES

Human trafficking and forced labor is a violation of human rights. Zalando does not tolerate modern slavery in its operations nor in its supply chain.

Our commitment to avoid human trafficking and forced labor in our supply chain is underpinned in our Code of Conduct for Business Partners. The Code was established in 2013 and is overseen by Zalando's Management Board. It applies to various business partners group-wide, including but not limited to vendors, suppliers, agents, trading companies and service providers. The Code was revised in 2016 and is publicly available on our website.

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. Supply chain job seekers shall not be compelled to work through force, deception, intimidation, or coercion. All work shall be voluntary, and workers shall be free to terminate their employment upon reasonable notice without penalty. Additionally, holding, confiscating or destroying original worker identification documents, passports, travel papers or other personal documents is prohibited.

Ensuring good working conditions in our fulfillment centers is a priority for Zalando. Since 2012 we have processes in place to closely monitor the social standards at both our own and partner fulfillment centers. The implementation and maintenance of the social standards are reviewed on a regular basis both internally and externally by the independent testing and certification company, DEKRA. DEKRA checks take place on an unannounced basis approximately twice a year. These checks cover, among other topics, that no forced labour is taking place and that working hours do not exceed the legal regulations.

At zLabels GmbH we have a robust Ethical Trading program in place. As part of our onboarding process, all new suppliers and factories must sign up to the Zalando Code of Conduct for Business Partners. In addition, all factories must provide a recent audit done by an accredited, external third-party. Based on the findings of the audit, a Corrective Action Plan (CAP) is developed and we ask our suppliers and their factories to demonstrate improvement in all identified areas. No orders can be placed without setting up a factory on our system and this is only done if it meets all our ethical requirements as laid down in our Code of Conduct.

For a new factory setup, if critical findings are observed, we do not begin the relationship without evidence that the existing findings have been remediated. If a critical non-compliance (NC) is found at an existing factory, we require evidence of improvement to continue our business relationship. We work with nominated third-party consultants who provide external support on resolving NCs at our suppliers' factories. In addition to our third party audit program, the zLabels Ethical Trade team also visits approximately 10% of all strategic factories annually to ensure our Code of Conduct is being followed.

We have an ethical database that connects various parts of our business to factory ethical information. On the database, suppliers can manage their factories, audits and CAPs. This system was put in place to increase transparency of our process with suppliers and also within other parts of the zLabels business. This new system allows us to easily track each factory's progress and provides reminders to suppliers and their factories on uploading evidence and CAP closures.

We carry out business partner due diligence for all partners of an entity of the Zalando group which are associated with a potential higher risk according to our Group Policy "Compliance Checks on Business Partners".

## RISK MANAGEMENT

All areas of our business, including logistics, HR, technology, operations and procurement, have been risk-mapped.

Zalando has a group-wide centralized Governance, Risk & Compliance (GRC) function, which comprises the Risk Management and the Compliance Management. It closely collaborates with the Internal Audit team, the Legal teams (Commercial Law and Corporate Legal) and the Corporate Responsibility team. All aforementioned teams are headed by the General Counsel. The Governance, Risk & Compliance function carries out regular risk workshops with key stakeholders in the Zalando group and Internal Audit carries out regular audits on processes in different functions. The GRC function and the Ethical Trade function are also subject to internal audits. Furthermore, the Supplier Management function was audited in 2015, and the agreed follow-up measures were reviewed by the Internal Audit function in 2016.

zLabels GmbH has a dedicated Ethical Trade team to oversee risks and countermeasures regarding the supply chain for our own private labels. The team has completed a mapping exercise of zLabels' apparel and footwear supply chain and identified high risk geographical areas. We have developed a new categorization of our high risk countries and identified programs or additional requirements for all new factories in these countries.

## TRAINING

The Code of Conduct is part of our "Compliance Basics" training. The training is offered as mandatory face-to-face-training to all managers and as mandatory eLearning to all other employees. The Compliance team monitors the results (participation as well as the results of the multiple choice test which is included in the eLearning).

All zLabels employees including those involved in supply chain management and sourcing our products attend a mandatory training on our Ethical Trading program. This training includes understanding our Code of Conduct, prevention of forced labor and human trafficking, as well as other ethical standards that must be maintained at factories within our supply chain.

We hold annual training workshops for our strategic private labels suppliers to provide an understanding of our requirements. In 2016, workshops were held in China, Thailand and Germany which included training on our Ethical Trade requirements. During these sessions, more than 140 suppliers were trained.

The information in this statement relates to the financial year ended 31 December 2016 and has been approved/signed by



**Rubin Ritter**  
Management Board ZALANDO SE



**David Schneider**  
Management Board ZALANDO SE