



Modern Slavery Statement 2023

This is our seventh Zalando Modern Slavery Statement and relates to our progress throughout 2022. Our former versions can be found on our [website](#).



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Modern Slavery Statement 2023



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 has been our sustainability strategy setting out our bold vision to be a sustainable fashion platform with a net-positive impact for people and the planet. As part of this, we worked towards our ambition to continuously increase ethical standards and only work with partners who align with them by 2023¹.

In 2022, we 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. 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 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](#).

An important aspect of our sustainability challenge is to ensure we maintain the highest possible ethical standards, both in our own operations and those of our partners around the world. We want to guide positive action on issues such as inequality, low pay, long working hours, and working conditions. To move toward solutions, we need an effective due diligence process. We have aligned our efforts with the German Supply Chain Due Diligence Act², from now on referred

¹ At the time of publication of this report, the post-2023 sustainability strategy is under development.

² The German Supply Chain Due Diligence Act (SCA; "Lieferkettensorgfaltspflichtengesetz") obliges companies to respect human rights by implementing defined due diligence obligations. It applies to an enterprise's own business



to as SCA, which defines a range of requirements for responsible supply chain management. 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.

Our business

Our vision at Zalando is to be the Starting Point for Fashion. What started as a Berlin-based online shoe store in 2008 has transformed into a leading European online platform for fashion and lifestyle in just a few years. We connect customers and brand partners, offering our customers a one-stop shopping experience with a comprehensive range of current fashion trends. At the same time, we want to inspire through high levels of personalization creating a suitable choice for every customer. Finally, we invest in logistics, payments and customer service for a seamless experience.

As a result, we have a strong reach and engagement, crossing the 50-million active customers mark in 2022 and offering more than 7,000 global and local fashion and lifestyle brands. We offer our customers multiple propositions to address their shopping needs, spanning from Fashion to Beauty, Pre-owned, Designer, Lounge by Zalando or our membership program Zalando Plus.

Our localized offering addresses the distinct preferences of the customers in each of the 25 European markets served: Austria, Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary (new in 2022), Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania (new in 2022), Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. Our pan-European logistics network with 12 fulfillment centers allows us to serve our customers throughout Europe in a fast and seamless manner.

Facts and figures 2022

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 50m active customers
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area, to the actions of a contractual partner (direct supplier) and – to a limited extent – to the actions of other (indirect) suppliers



more than 7,000 third-party brands	more than 260m orders	6 active private label brands	5-10% of our revenue comes from our private labels
14 sourcing countries of our private labels	118 private label suppliers	203 Tier 1 factories of private labels suppliers	around 93,000 workers in Tier 1 factories of our private labels' sourcing partners

Progress against our 2022 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 2022, we worked to strengthen our procedures in line with the next steps established in our [Modern Slavery Statement 2022](#).

Steps planned for 2022

Our progress

Create a matrix which outlines the criticality of Code of Conduct violations at group level to ensure we formalize and have consistency in our partner reviews.

We developed an internal prioritization matrix on human rights violations for our business partners, which provides consistency when analyzing each case. After becoming aware of Code of Conduct violations or other ethical standards violations, we investigate and remediate as appropriate. If the partner fails to engage, we pause and eventually end the relationship.

In 2022, eleven cases were satisfactorily remediated³, two cases led to offboarding (compared with one in 2021). Two investigations were closed because they were out of scope or no violation was confirmed (compared with four in 2021⁴). By the end of 2022, twelve investigations were ongoing.

In total, we opened 26 new investigations into allegations of violations of our ethical standards in our supply chain (compared with six in 2021).

³ In 2021, we counted one case as remediated that was in fact at the time still ongoing. The case was subsequently remediated in 2022 and is reflected accordingly in the data.

⁴ In 2022, we included zero-tolerance audit findings from fulfillment centers, premium last mile logistics providers and customer care for the first time. As we continue to expand and improve our due diligence processes, we expect to investigate and manage an increasing number of allegations in our supply chain.



Align our existing do.MORE strategy roadmap with legal requirements from the German Supply Chain Due Diligence Act to capture synergies.

In 2022, we validated our human rights due diligence practices against the requirements of the German Supply Chain Due Diligence Act and prepared for a more holistic risk management approach.

The governance of our due diligence program is grounded in our Code of Conduct and our Policy Statement on Zalando's Human Rights Strategy, which together set out the principles we aspire to. These include regular human rights due diligence reviews and expectations that our partners will do the same.

In 2023 we will define a process to evaluate the human rights due diligence program.

Summarize our standards and expectations in a Human Rights Policy Statement and appoint a Human Rights Officer.

We published a new Human Rights Policy Statement, setting out principles for human rights due diligence, which we will embed into our operating standards and management practices in 2023.


In line with the requirements of the SCA, we created the role of Human Rights Officer that oversees implementation and reports directly to the Management Board.

Governance & policies

Governance

As informed in our 2022 statement, several teams collaborate closely in the Human Rights and Modern Slavery, including representatives from Legal, Compliance & Business Ethics, and Sustainability 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, mentioned in the previous Modern Slavery Statement, has now merged into the Sustainability team, and continues to work 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 People & Organisation (P&O) business partners of the respective areas (especially Logistics) to ensure that the Social Standards are fulfilled by Zalando's business partners.
- In line with the requirements of the SCA, we created the role of Human Rights Officer. Our new Human Rights Officer oversees implementation of human rights risk management measures and reports directly to the Management Board.

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

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 & Business Ethics 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's 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. This year we launched a Code of Conduct tracking mechanism and plan to integrate control mechanisms into our annual risk assessments.

- Complementary to our Code of Conduct, we have 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 avoid the 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.
- We published a new [Human Rights Policy Statement](#), setting out principles for human rights due diligence, which we will embed into our operating standards and management practices in 2023.

Risk assessment & management

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. We have aligned our efforts with the SCA, which defines a range of requirements for responsible supply chain management.

We set ourselves the goal to continuously increase our ethical standards and only work with partners who align with them. Our human rights due diligence program supports our efforts, helping us identify and act on risks in our operations, supply chains, and business partnerships. In 2022, we validated our human rights due diligence practices against the requirements of the German Supply Chain Due Diligence Act and prepared for a more holistic risk management approach in 2023.



The governance of our due diligence program is grounded in our [Code of Conduct](#) and our [Human Rights Policy Statement](#), which together set out the principles we aspire to. These include regular human rights due diligence reviews and expectations that our partners will do the same. Our new Human Rights Officer oversees implementation and reports directly to the Management Board. The program is founded on four cyclical steps.

- **Analyze:** Based on the learnings from human rights risk assessments that we performed in 2021, we updated our partner risk analysis process and methodology. From 2023, all our direct suppliers will be assessed annually on human rights risks⁵, based on country, industry, and our spend with them. The output will be a standardized risk profile (very high, high, medium, or low).
- **Prioritize:** Based on the risk profiles, we will prioritize prevention and remediation actions, as well as define risk management plans.
- **Manage:** Our risk management approach is focused on two dimensions: sector risk mitigation through industry-wide collaboration, and supplier-specific risk management through prevention and remediation
 - **Mitigate:** To address sector-level risks, Zalando collaborates with retailers and business partners, and participates in industry-wide initiatives. This includes, but is not limited to, our participation in the International Accord for Health and Safety in the Textile and Garment Industry, and our membership of ACT (Action, Collaboration, Transformation) to advocate for a living wage. To combat child labor, we launched a program with Save the Children and joined the Child's Rights in Business (CRIB) Working Group.
 - **Prevent and remediate:** We implement our prevention and remediation strategy and processes through the following levers: business partner checks, brand self-assessment, grievance mechanism and auditing. After becoming aware of violations of our Code of Conduct or other ethical standards, we implement an appropriate Corrective Action Plan with the affected partner. If the partner fails to engage, we will pause and eventually end the relationship.

⁵ Data from Maplecroft's Global Risk Dashboard (Grid) in the categories of: Child Labour, Decent Wages, Decent Working Time, Discrimination in the Workplace, Freedom of Association and Collective Bargaining, Healthcare Capacity, Indigenous People's Rights, Land, Property and Housing Rights, Modern Slavery, Occupational Health and Safety, Poverty, Security Forces and Human Rights, Migrant Workers, Informal Workforce, Young Workers, Women's and Girls' Rights, Right to Privacy, Minority Rights, Food Security, Water Security, Environmental Regulatory Framework, Water Pollution, Air Quality, Waste Generation, Rule of Law.

- **Report:** We will report on our human rights due diligence in accordance with the SCA.



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

In 2022, we asked our strategic brand partners⁶ to complete a self-assessment using the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (Higg BRM). The assessment covers both social and environmental practices. In 2022, we received 154 assessments from 377 brands, covering 67% of our net merchandise volume.

In the coming year, we will roll out a standardized self-assessment questionnaire for our higher risk direct suppliers. The questionnaire will provide insights into their due diligence processes.

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 14 different countries, and currently work with 118 private label suppliers partners and 203 tier 1 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 private label suppliers.

Our tier 1 factories provide us with social audits annually or within a specific timeframe. Audits are evaluated against an internal non-compliance matrix, which is 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, leading to a rating and potential Corrective Action Plan. In 2022, we evaluated 302 audit reports (175 in 2021) from private label suppliers and declined to onboard four factories or suppliers (five in 2021) for not meeting audit requirements.

Increasing transparency continues to remain a focus for us. In 2022, we disclosed 100% of our Tier 1 factories and private labels suppliers on our website. To further enhance transparency, we also shared this data with the Open Apparel Registry (OAR). In addition, we disclosed Tier 2 factories, relating

⁶ We define strategic brand partners based on their contribution to the total Net Merchandise Volume (NMV).



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.

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. In addition, we launched a training program on living wages, as well as a Child Labour Prevention and Remediation Program with Save the Children in our private label business.

Managing risks in our logistics network

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


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 compliance⁷. Our Social Standards align with provisions of our 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.

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 predefined service providers⁸, a comprehensive partner check is conducted, which includes a pre-screening for evidence of sanctions, political exposure, adverse media, or geo-political risks, 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 & Business Ethics team to decide where further due

⁷ For more information about social audits, please see page 9.

⁸ As defined in the Group Policy Compliance Check for Business Partners: 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.



diligence is needed. Depending on the compliance risk for Zalando, 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 work with certain suppliers.

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. 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.

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 email 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 & Business Ethics team.

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 of our ethical and compliance policies, such as bribery, child labor, discrimination and all other human rights and environmental related infringements as defined in [here](#).

These tools are externally hosted and available 24/7, 365 days per year and available in several languages, providing the possibility of remaining anonymous.

In addition, our Compliance & Business Ethics team can be directly contacted through various channels (email, chat, in person, telephone).

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.

Our next steps

Together with many teams across Zalando and in line with our target to increase our ethical standards and only work with partners who align with them and the SCA, we are committed to taking the following steps in 2023:

- We will conduct our first company-wide human rights risk assessment for all direct suppliers.
- We will implement additional preventive and remedial measures, with a focus on (very) high risk suppliers.
- We plan to review our audit processes for effectiveness, and align them with a risk-based approach.
- We will implement an updated, formalized management process for potential human rights violations in our supply chain.
- We will communicate our updated grievance mechanism to suppliers.
- We intend to publish updated information on our progress in line with SCA requirements.
- The Human Rights Officer will regularly report developments to the Management Board.

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 2022. It was prepared by the Sustainability team. The statement has been approved and signed on, 30 June 2023, by



David Schneider
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