

ZALORA

Annual Sustainability Report





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Shaping a Sustainable Fashion Ecosystem

#makeadifference!



Introduction

ZALORA's sustainability journey.

About the report

In 2020, ZALORA published its first comprehensive Sustainability Strategy and made a public commitment towards shaping a sustainable fashion ecosystem. The Strategy sets ambitious targets covering all areas of ZALORA's business, centered around four key pillars: Ethical Sourcing (Our Supply Chain), Environmental Footprint (Our Operations), Sustainable Consumption (Our Brands and Customers), Responsible Workplace & Community Engagement (People). Over the past year we have worked consistently and deliberately to embed Sustainability as a value across our entire business and into all of our most important decisions. In doing this, we have been guided by five core principles:

“First things first,
set the base,
be audacious, learn,
test and revise, and
honest reporting”

First Things First: Focus on ZALORA's direct impacts before looking at the wider sphere in which we operate. Prioritize the issues directly related to our immediate business activities.

Set the Base: Seek to understand ZALORA's own impact to know where we can make the greatest difference. Start by assessing how far we have come in our own journey.

Be Audacious: Face ZALORA's biggest challenges head on and set high targets. Focus on making the biggest and most immediate impact.

Learn, Test, and Revise: Strive to learn more about Sustainability, regularly test progress against the Strategy, and revise the plan where necessary.

Honest Reporting: Commit to transparency and regularly reporting progress.



Ultimately, our Sustainability Strategy is aimed at driving us to achieve more and to hold us accountable to our commitments. So, in this inaugural Sustainability Report, we set out the progress ZALORA has made against its Sustainability Targets, while also honestly reporting on the challenges we have faced along the way.

We will also try to provide you with a window into how we have approached our sustainability journey with case studies from across the ZALORA region led by some of our Sustainability Champions.

This report covers the year 2020 and results as at 31st of December 2020.





About ZALORA

ZALORA is Southeast Asia's leading online fashion, beauty and lifestyle destination, and is part of Global Fashion Group. As one of the region's pioneer large scale e-commerce platforms, ZALORA has established a strong presence throughout the region, particularly in Singapore, Indonesia, Malaysia, the Philippines, Hong Kong, and in Taiwan, enjoying over 50 million visits per month.

With an extensive collection of top international and local brands, ZALORA is a curated platform, where shoppers can find all the things they love in one place. Customers can discover authentic products from over 3000 brands across a variety of categories, from apparel, shoes, accessories, beauty, Pre-Loved, and lifestyle, which includes essentials and home and living products.

Editorial from the CEO

2020 has been a time of extreme uncertainty because of the spread of the COVID-19 pandemic. It has affected so many people around the world and it has changed the way we live. More importantly, COVID-19 showed that people, communities, and our planet are inextricably connected. We know we live in a world shaped by immense changes, and sustainability has therefore become increasingly important.

Sustainability has been an industry buzzword in recent years. With increasing awareness of fashion's pollutive impact on the environment, more consumers are becoming more conscious when it comes to their purchases. In fact, according to a recent survey done with ZALORA's customers, about 90 percent of participants presented some level of interest in shopping sustainable products.

This inspired us to take more concrete steps in releasing our Sustainability Strategy to take accountability for our environmental impact, while inspiring customers to shop more consciously, and encouraging partners to do more for the environment and our communities.

At ZALORA, we examined the entire fashion ecosystem—from customers, brands, and vendors, to our own employees. By pursuing commitments and concrete targets, we hope to achieve a lasting systemic shift in Southeast Asia towards sustainable fashion. And with the industry showing no signs of stopping, e-commerce is well-placed to shape consumer behaviour in unprecedented ways!



As the leading fashion and lifestyle e-commerce player in the region, working with over 3,000 brands, serving millions of customers, and an extensive supply chain network, we believe we have the responsibility to take the lead.

We want to educate and encourage more of our fashion-loving consumers to choose sustainable products or participate in a circular economy. Customers are now looking for sustainable options from brands that care about human rights, fair wages, minimizing waste and many other sustainability-related concerns. We are also in a good position to influence our suppliers and supply chain partners to operate in a more responsible way. Our inaugural Sustainability Report will show you the actions, results, and developments of our ongoing sustainability journey. As we move forward, we will adapt our approaches accordingly, and commit to honest and transparent reporting so that we can truly make a difference.

It will undoubtedly take time, but the potential wave of change that our collective action can create is phenomenal. It is a challenge that energises our team, because it requires us to keep coming up with creative, innovative ways to inspire Zalora customers and partners to make sustainable choices. I can't think of a more purposeful challenge to take on!

We are aware that there is still a lot of work to be done and a long road ahead. But we look forward to sharing our progress through this report and bring you along in our journey towards creating a more sustainable fashion ecosystem in Southeast Asia.



Gunjan Soni

Chief Executive Officer of ZALORA

A woman with voluminous, curly, reddish-brown hair is the central figure. She is wearing a light blue button-down shirt under a dark blue denim jacket. She is looking slightly to the right of the camera with a soft expression. The background is a plain, light-colored wall.

Ethical Sourcing

Drive social & environmental
improvement in our supply chain.

ZALORA accepts its ethical responsibility for our private label supply chain and we are committed to continuously driving a positive change through our social audit program and implementing learning opportunities with our private label suppliers. Additionally, we will continue to seek opportunities to increase the use of sustainable materials in our private label products and to reduce our raw materials impact.



Targets reporting



Transparency

2022

Tier 1 private label factory list is published on our website

Results

100%

Targets

Factory list published



Factory Training Program

2022

100% of tier 1 private label factories engaged in training programs

100%

100%

2025

100% of workers in private label factories engaged in training programs

No progress planned this year

100%



Sustainable Materials

2022

1 capsule made of sustainable materials every year

100%

1

2025

40% of Private Label units made of a more sustainable material

0.5%

40%

< Zoom on PRIVATE LABELS >

ZALORA owns and designs seven private label apparel brands (ZALORA, LUBNA, ZALIA, Origin By ZALORA, Earth by ZALIA, ZUMARA, TOLLIVER) producing over 20,000 SKUs per year. ZALORA's Private Labels offer apparel at an affordable price point for both men and women, as well as modest wear and a Raya festive collection. ZALORA's Private Labels are manufactured by a relatively small supply chain of 19 factories across China, Indonesia, Bangladesh, and India.



Main workstreams and achievements

Factory Social Compliance audits, remediation support and upgrade

Our social compliance audit program is designed to verify that the Ethical and Social standards outlined in our Suppliers Code of Conduct and Ethical Trade Manual, are applied in all factories producing our private labels. Comprehensive compliance audits are systematically performed for each new vendor and factory, and repeated on a regular basis for each factory. Checks are performed on factory management systems related to health and safety, working hours and overtime, wages and benefits, and environmental protection, just to name a few.

The results of the audit determine the next steps. For example, a factory presenting any high safety risk, human rights violation, or transparency breach suspicion is not approved

for production (D grade). A factory presenting serious safety, wages or working hour non-compliances (C grade) is provided with a 30 days of remediation timeframe, following which the orders are stopped if identified issues are not resolved. A factory where more minor issues are identified (A or B grade) are provided with a longer remediation timeframe, and and re-audited at least annually.

“A factory presenting any high safety risk, human rights violation, or transparency breach suspicion is not approved for production,”

The purpose of our compliance program is to achieve long term improvements in our supply chain and to build long term partnerships with our vendors. Most of the factories we are working with today have helped develop ZALORA's private labels over several years, and we believe we have a big responsibility to influence and support them in continuously

improving their social standards. We actively support remediation efforts by providing on the ground assistance and tailored remediation action plans rather than distancing ourselves from them. We believe this is the best way to make a real positive difference in the lives of the workers making our products, and this has resulted in a clear improvement of our factory base over the year (see figures). However, if critical issues are identified and the factory does not show the required commitment to a quick remediation plan, we do not hesitate to end business relationships when necessary.

< Zoom on TRANSPARENCY >

We understand the challenge with transparency in some factories, especially in China, and acknowledge that in some situations, audits do not properly reflect the situation related to working hours, wages, or subcontracting. Zalora's social compliance function is especially watchful of these issues by being in direct contact with all our factories, without relying on intermediaries such as vendors or agents to manage their compliance. In 2020, three situations of transparency failure were identified, and two of them led to the phase out of the concerned factories, the remaining factory remediated the issue with our guidance.

To emphasize our complete commitment to transparency, we also made our detailed factory list public for the first time in December 2020 ([see list here](#)), and will update it on a quarterly basis to constantly provide our stakeholders and customers with an up-to-date view of our supply chain.

Supporting our vendors and factories learning and improvement

ZALORA develops steady relationships with its vendors and goes beyond audits to maintain high social and ethical standards in our supply chain. We actively contribute to building factory management systems by providing vendors with the knowledge and tools to support long term improvement through dedicated training.

Though we haven't been able to offer on-the-ground sessions in 2020 due to the COVID-19 pandemic, we have internally developed a tailored digital training program for 2020/2021. Launched in June 2020, we have delivered five training sessions in English and Mandarin to our Private Label factories and vendors. These trainings focus on our ethical trade requirements, working hours management systems and wage management systems. 100% of our factories and 100% of our vendors attended those sessions.



Creating sustainable Private Labels

In 2020, ZALORA's Private Label Team initiated a new focus: improving the environmental profile of its apparel by designing products made from more sustainable materials. It is widely recognized that the highest environmental impact of fashion lies in the raw material extraction and fabric manufacturing stage. The most efficient way to address our overall Private Label impact is to introduce fabrics with lower environmental impacts, such as responsibly sourced natural fibers or recycled fibers.

To guide our team in the sourcing of more sustainable fabrics, we have adopted a detailed standard for preferred sustainable materials. Building our Private Label supply chain capacity to provide these preferred materials through onboarding new suppliers or

finding new fabric sources was a primary focus during 2020 (learn more in the case study). Our first test Private Label capsules were fairly conservative, and in the last quarter of 2020, 1.5% of ZALORA's Private Label units were manufactured using sustainable materials (or 0.5% for the entire year). However, we are very conscious that we have a long way to go to achieve our 2025 target of 40% and have increased the focus on achieving our Private Label targets in 2021 following the success of our initial test capsules.



CASE STUDY

Rethinking our products and brands

In June 2020 ZALORA launched its first sustainable capsule incorporating 44 styles under the ZALORA Basics label, in collaboration with TENCEL™. TENCEL™ branded lyocell fibers are recognized for their responsible sourcing of raw material from sustainably managed forests, and their closed-loop production process which transforms wood pulp into cellulosic fibres with high resource efficiency and low environmental impact.

“As part of our Sustainability Strategy, we strive to offer our customers a large choice of sustainable fashion, beginning with our ZALORA Basics label. This collection made with TENCEL™ fibers is the first step for our own in-house labels to make sustainable fashion accessible to our customers, in the hope of educating and inspiring more conscious fashion consumption.” said Giulio Xiloyannis, ZALORA’s Chief Commercial Officer.





Origin

by ZALORA

ZALORA has been rethinking its product and brand design to propose a wider range of sustainable alternatives to its customers, and has launched two new dedicated private labels. The first one, 'Origin by ZALORA' is a womenswear brand launched in October 2020 which offers stylish collections in TENCEL™ fabrics, organic cotton and recycled polyester. ZALORA has also pioneered the sustainable modest wear market by launching our 'Earth by Zalia Basics' at the end of 2020 and will offer a menswear line in 2021.



“The sustainability of our materials and the compliance of our supply chain are two key pillars of our 2021 private labels business strategy, in line with our company goals and mission. To support this, we have recently launched our new 100% sustainable brands which offer products both desirable and affordable to our customers in the region. Moving forward, sustainable fabrics will become an integral part of our standard private label collections, expanding the reach and usage to a broader product base and progressively substituting other non-sustainable materials. At the same time, compliance with our group’s social responsibility standards and transparency on our products manufacturing will remain non-negotiable.”

Testimony from Ettore Strapazzon,
Private Label Associate Director



Environmental Footprint

Reducing ZALORA's environmental impact.

We are prioritising the environmental impact of our own operations, starting with reducing the impact of our packaging, warehouses, and transportation across our supply chain. We also committed to understanding our global

impact on climate change by measuring our carbon footprint and defining long term carbon emission reduction goals using Science Based Targets.

Targets reporting



Packaging

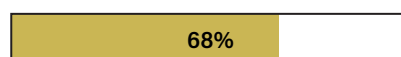
2022

100% of our packaging incorporates sustainable materials

2025

Reduce the volume of plastic packaging by 40% compared to 2020

Results



Targets

100%

No progress planned in 2020

40%



Waste & Energy Warehouses

2022

Zero waste to landfill from our Warehouses

2025

80% of renewable energy in our Warehouses

14%¹

0%

0%

80%



Transport

2022

Reduce carbon emissions from our transport by 20% compared to 2020

2025

100% offset of carbon emissions from our Operations and transport

Baseline newly set-up

20%

No progress planned in 2020

100%

¹This is an inverted target, therefore we seek it to reach 0%. We have reached 86% of waste diverted from landfill, mainly through recycling.

Main workstreams and achievements

< Zoom on OUR OPERATIONS >

As one of Southeast Asia's pioneer large scale ecommerce platforms, ZALORA has established a strong presence throughout the region, delivering to Singapore, Indonesia, Malaysia, Brunei, the Philippines, Hong Kong and Taiwan, from our 3 main Fulfilment Centers located in Malaysia, Indonesia and the Philippines. With an extensive collection of top international and local brands, ZALORA is a curated platform where shoppers can shop authentic products from over 3000 brands across a variety of categories, from apparel, shoes, accessories, beauty, Pre-Loved, and lifestyle, and are delivered to the most remote islands in Indonesia and the Philippines.



Setting our baseline and measuring our impact

In accordance with our core principles, during 2020 we prioritised measuring the main impacts of our Operations, namely our waste, energy, packaging and transportation impacts. We also put in place regular environmental tracking and reporting protocols as a key component to driving long-term sustainability progress.

All our operating countries are now reporting on at least a quarterly basis their waste generation, energy consumption, volume of packaging purchases, and carbon emissions from inbound transportation (transport from our suppliers to our warehouses) and outbound transportation (from our warehouses to our customers).

The baseline measurements and reporting protocols were instrumental in enabling us to identify our sustainability priorities, develop action plans, and we are now using these measurements as a tool to drive performance and track progress across our locations.





Waste in our warehouses

In order to remain true to our own sustainability values, it's very important to us that the execution of our Sustainability Strategy makes a measurable positive difference in relation to ZALORA's own direct impact before we focus on the wider ecosystem in which we operate. So in 2020 we prioritized the issues that we can directly manage and influence, starting with tackling the environmental impact of our warehouses.

Waste in our facilities is broken down into four main categories: cardboard, plastics, food waste, and general waste. During 2020, we focused on moving towards our Zero Waste to Landfill target by increasing the recycling rate, improving waste segregation on-site, and seeking landfill alternatives for each category of waste. In all our operating countries, cardboard waste is recycled into new cardboard fibers, while the other categories of waste generally end up in landfill. While it remains a challenge in some of our operating

countries where the recycling sector is not well developed, ZALORA remains committed to finding innovative solutions, such as the partnership with Plaf, a plastic recycling NGO collecting all our plastic waste in the Philippines (see case study below). Our waste initiatives have enabled us to achieve a total recycling rate of 83% across all of our waste. 3% of the remaining waste is incinerated, and only 14% ends up in landfill.

CASE STUDY

Partnering with The PLAF for plastic recycling in The Philippines

In the Philippines, a country identified as one of the top three polluters of plastic waste going to our oceans², ZALORA has partnered with a social enterprise, The Plaf, which aims to provide a solution to this massive environmental issue, while also having a positive social impact. We began this initiative with our ZALORA Philippines office in 2019 and included our Philippines warehouse in June 2020. All plastic waste is collected by The Plaf and recycled into protection shelters. These shelters are provided to underprivileged communities affected by natural disasters, in a country where typhoons are unfortunately common and destructive. It is by choosing to support local organizations fostering both environmental and social benefits, such as The Plaf, that ZALORA aims to promote the development of long term alternatives to build a more sustainable ecosystem. Since November 2019, the ZALORA Philippines team has collected and sent to The Plaf 5595 kg of plastic waste. This is equivalent to 3.7 finished shelters, with a shelter being able to house a family of 5 for up to 5 years.



The PLAF

The team in charge of the plastic recycling project in The Philippines

² Greenpeace report - 22/09/2017

Energy consumption in our warehouses

The other main direct impact in our warehouses we are targeting is our energy consumption. As our warehouses are mainly storage facilities, our operations are lighter on energy consumption. In total, our five warehouse facilities consumed around 2,5 millions of KWh in 2020, with most of our warehouse spaces equipped with efficient LED lighting. However, we believe that there is still room for optimization and reduction, so we have started an energy efficiency program in our Malaysian warehouse that we plan to export to our other warehouses in Philippines and Indonesia. Our key challenge is operating in the Southeast Asia market where the green electricity market is not yet mature. But, transitioning at least one of our main warehouses to renewable electricity will remain a top priority for 2021.

Addressing ZALORA's packaging impact

We are very conscious that ZALORA's e-commerce activity contributes to a long stream of packaging impacts across the supply chain. These impacts are exacerbated in Southeast Asia where waste recycling is still not readily available or accessible. So, prioritising the reduction of our packaging impact is a top concern for ZALORA and for our customer base³.

In 2020, ZALORA replaced the material used to manufacture its delivery flyers (the plastic sleeves containing goods shipped to customers) with 80% recycled plastic rather than virgin plastic, which is a more sustainable



alternative (learn more in the case study below).

We also began our journey to address ZALORA's impact across the wider supply chain, by working collaboratively with our Private Label vendors to replace the transparent polybags used to package each item to 100% pre-consumer recycled plastic. As of now, 65% of our Private Label vendors have transitioned to recycled plastic packaging.

In 2021 we will continue our efforts to reduce our packaging impacts by reviewing our use of cardboard and for shipping boxes and hand tags.

³ Based on a ZALORA customer survey conducted in August 2020 across all ZALORA's locations.

CASE STUDY

Toward a more sustainable delivery packaging!

Our Operations Team undertook a project to develop a more sustainable alternative to the plastic flyer packaging used across all countries to deliver items to our customers. The Team identified a local Malaysian-based packaging vendor able to provide pre-consumer waste recycled plastic, without compromising on quality, cost and logistics requirements, enabling us to transition all plastic delivery flyers used for customers in Malaysia, Singapore, Hong Kong and Taiwan to 80% recycled plastic content. Our other markets, Indonesia and Philippines, will also roll-out this solution early 2021. This initiative reduces the overall environmental impact of our delivery flyers, avoiding the use of around 600 tons of virgin plastic in the region, while nurturing a demand for such alternative materials in countries where the waste recycling industry and use of recycled material is at an early stage.

We also collaborated with our packaging vendor to engage them in a certification process through the Recycled Content Standard (www.scsglobalservices.com), a third-party certification provider that checks the traceability of the material in the manufacturing chain. This provides ZALORA and its customers with added assurance of the material traceability in the manufacturing chain. We are grateful to our packaging vendor for joining us in this sustainability journey, and proud of their certification achievement. This also illustrates the power of partnerships in the supply chain towards shaping a sustainable ecosystem.





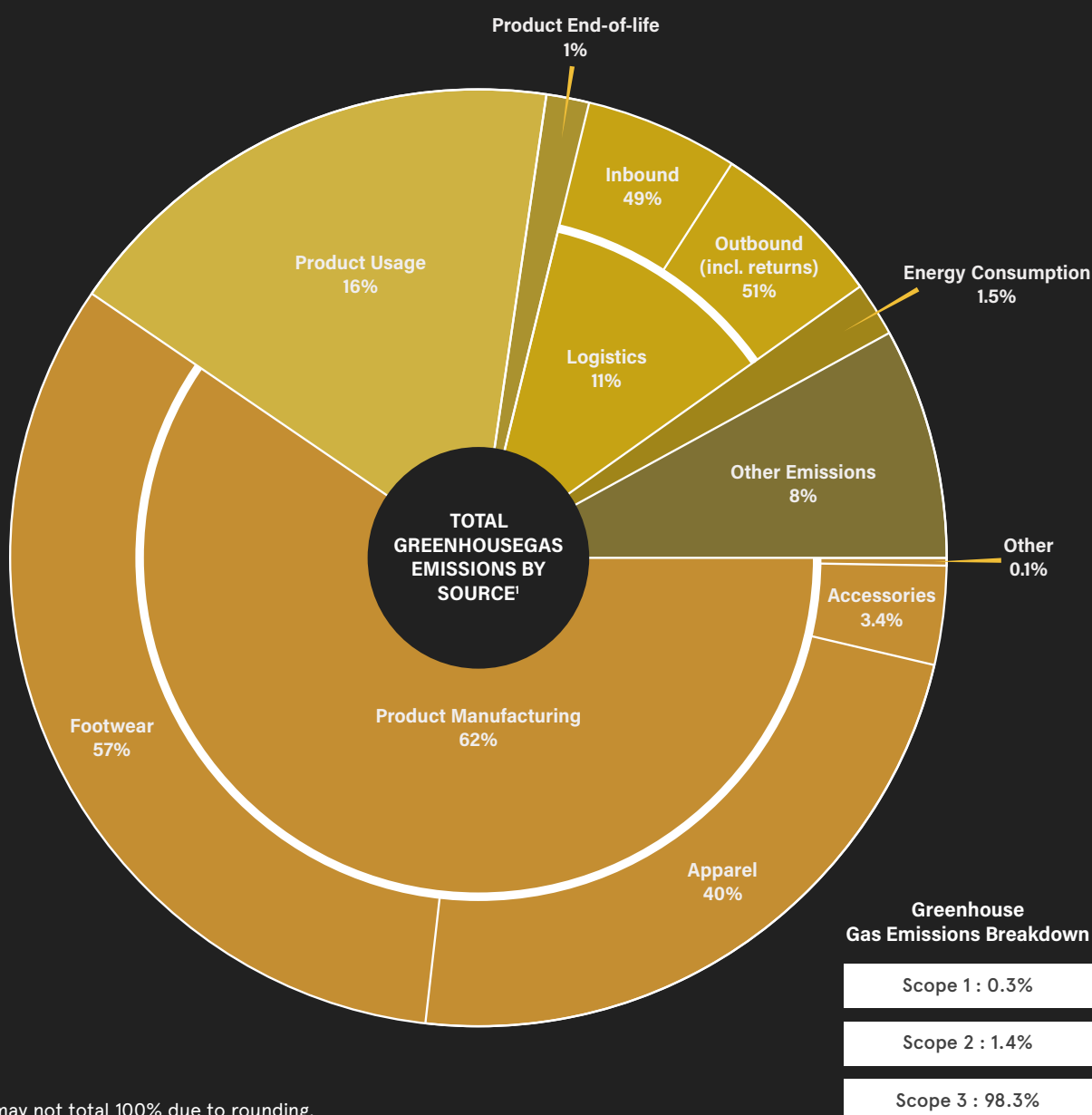
Transport

When we started our sustainability journey in early 2020, we identified transportation as one of ZALORA's major environmental impacts. ZALORA's transport impact is more indirect than in other areas of our operations, as we rely heavily on logistics providers. However, we still have the capacity to reduce these impacts through our supply and delivery decisions. As a starting point, we have mapped our inbound (from vendors to ZALORA warehouses) and outbound (from ZALORA warehouse to customers) transportation routes and collected the necessary data points to measure our carbon emissions, including distance travelled, weight transported, and type of transport mode used. By implementing regular monitoring and reporting on these metrics, we can now understand where our impacts are coming from – mainly air freight – and identify the main reduction levers we can use to start reducing these impacts during 2021.

Measuring our carbon footprint

ZALORA is firmly committed to playing its role in fighting climate change by reducing the overall carbon impact of its business. We recognized that the first step towards achieving our carbon strategy is to obtain a comprehensive assessment of our impact across all our activities. So, in 2020 we assessed ZALORA's global carbon footprint for 2019 according to the GHG protocol methodology covering Scope 1, 2, and 3. In 2019, ZALORA was responsible for emitting

211,886 tons of CO₂ equivalent, with 62% of our total emissions related to the manufacturing of the products sold on ZALORA (both Private Labels and third-party brands). Product usage is the second largest source making up 16% of our total emissions. Having measured its carbon footprint, ZALORA is now in a good position to define a comprehensive carbon strategy: prioritizing mitigations activities and defining long term carbon emissions goals in line with Science Based targets in 2021.





“Our sustainability journey so far has been eye-opening - we are far more aware of our environmental impact. That helps us to ask the right questions, challenge ourselves and direct creative energy towards solving the biggest problems. My personal learning where I had to confront my own belief is that sustainability does not cost more. In some cases, it is actually quite the opposite - business, operational excellence and sustainability goals more often than not go together.”

Testimony from Vykientas Mineikis,
Cluster Operations Director



A woman with dark, curly hair tied back, wearing a white, short-sleeved button-down shirt. She is holding a brown, woven, basket-style bag. The background is a soft-focus outdoor scene with greenery and a cloudy sky.

Sustainable Consumption

Inspiring our customers to make sustainable fashion choices and to participate in the circular fashion movement.

We believe that our unique position in the market allows us to drive meaningful positive change by influencing how people think about fashion consumption. It involves reframing the way we position fashion and raising awareness among our customers to inspire more sustainable shopping choices.



Targets reporting

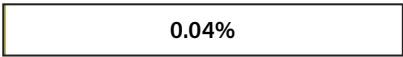


Circular Fashion

2022

15% of active customers participating in Circular Fashion initiatives

Results



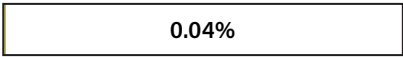
Targets

15%

2025

30% of active customers participating in Circular Fashion initiatives

0.04%



30%

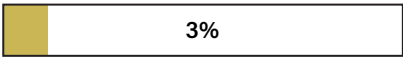


Sustainability Criteria

2022

20% of ZALORA's product assortment meets our sustainability criteria
Fashion and beauty products only

3%

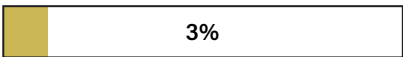


20%

2025

50% of ZALORA's product assortment meets our sustainability criteria
Fashion and beauty products only

3%



50%

Main workstreams and achievements

Circular Fashion starts with Pre-Loved

We aim to kick-start a circular fashion movement in Southeast Asia by providing our customers with options to extend the life-cycle of fashion items and diverting fashion from landfill.

As a first step into its circular fashion journey, ZALORA launched its Pre-Loved category of second-hand luxury fashion products in December 2019 in Singapore and Malaysia. Focusing on its women's assortment first, the

category was launched in partnership with Style Tribute, (see case study below) and ZALORA has progressively expanded the category during 2020 to new markets (Hong Kong and Taiwan, specifically), and new segments (Pre-Loved for Men). The initial sales results of the Pre-Loved business model have been positive, indicating the desire of our customers to shop second-hand and pledge towards a more circular fashion economy. With a relatively discrete assortment of 4,000 unique Pre-Loved products available to our customers at the end of 2020, the new business attracted around 1200 customers over the year and generated encouraging sales during its first year. However, the number of customers who have purchased Pre-Loved items remains low compared to our entire active customer base, at less than 1%. In order to inspire our customers to participate in circular fashion, we need to provide them with additional options. So, we will continue to grow our Pre-Loved assortment in 2021, but also aim to encourage other initiatives to extend the life cycle of fashion items purchased on ZALORA, such as resale, donation, or recycling.





The partnership between ZALORA and StyleTribute represents a big step towards ZALORA's commitment to driving a Circular Fashion Movement. "Consumers are looking at ways to optimise their wallets," said Stephanie Crespín, founder of Style Tribute.

“Because once you resell, you capture residual value. It combines sustainability with fashion at an affordable price.”

CASE STUDY

A partnership with Style Tribute

Traditionally, the Southeast Asian market has not been considered open to second-hand fashion, preferring new luxury labels or fast on-trend fashion. Second-hand items were connected to cultural stigmas and a lower social status. However, an increased awareness around sustainable fashion and savvy customers seeking luxury goods at a good price are enticing Southeast Asian shoppers into the Pre-Loved market. ZALORA has partnered with Style Tribute, a Singapore-based second-hand luxury fashion boutique that has pioneered this market. The partnership allows ZALORA to provide Pre-Loved luxury items for fashion consumers in Singapore, Malaysia, Hong Kong and Taiwan, listed on ZALORA's website and mobile app platforms.



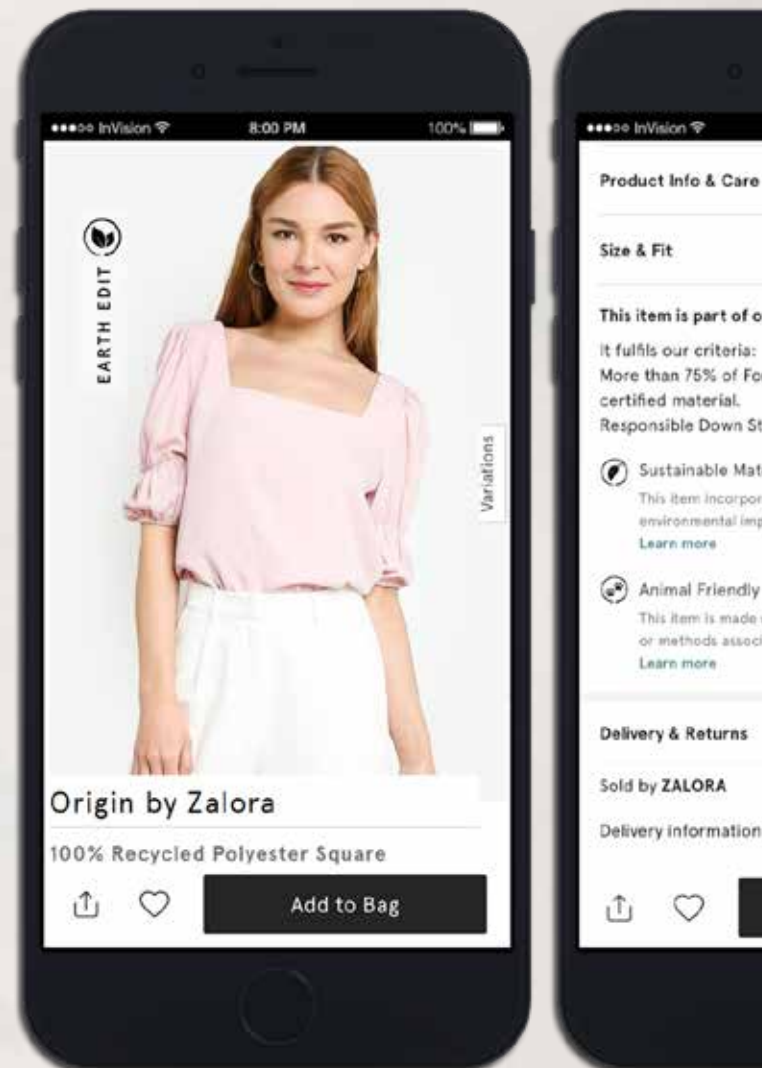
Inspire conscious shopping choices

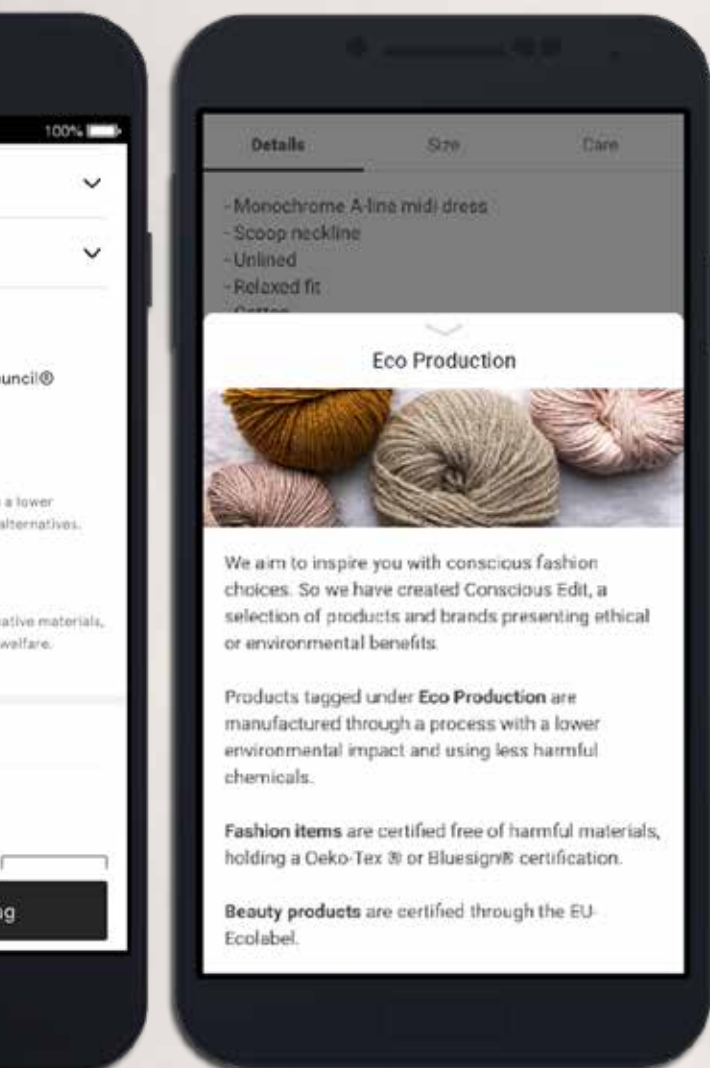
To further inspire a shift towards more conscious shopping, in 2020 ZALORA also launched Earth Edit, our curated selection of products and brands meeting a set of carefully defined sustainability and ethical criteria. The Earth Edit range includes the following categories: Pre-Loved, Sustainable Materials, Eco-Production, Fair Production, Animal Friendly, and Community Engagement.

Earth Edit aims to make conscious shopping easier, accessible, and more transparent. Our set of Earth Edit sustainability criteria allow us to provide transparency and verification of every sustainability product claim made on our platform. These criteria also provide a common framework and a consistent way to communicate on sustainable attributes across all products, brands, and markets.

To give greater visibility of this range, we have created a specific onsite category page and a shopping filter allowing customers to identify and shop the Earth Edit selection across all categories. This is a major milestone in our sustainability journey which we hope will create an ever increasing demand for sustainable fashion and beauty.

The results of the first marketing campaigns conducted in 2020 are encouraging, with customers showing a high interest in this range. This has translated into more than 300,000 unique customers in 2020 choosing to make more conscious decisions when shopping on ZALORA.





Today, 3% of our overall assortment (fashion & beauty) meet at least one of our sustainability criteria, with more than 40,000 of these products meeting our Earth Edit standards in 2020. To keep increasing our sustainable fashion assortment, we will continue engaging with our current and future brand partners: engagements that we started this year with three dedicated Earth Edit brand webinars.

Key 2020 figures

15% of our brand portfolio qualified for Earth Edit in 2020

More than 40,000 skus equivalent to 3% of our portfolio meeting our sustainability criteria

Products selected into Earth Edit represented 4% of our sales in 2020

10% of active customers have purchased at least 1 product from the Earth Edit range in 2020



"We are very proud to inspire and facilitate more sustainable shopping choices to our customers. The launch of the Earth Edit range in 2020 was a big step in the right direction of our sustainable consumption commitment, done in collaboration with our brand partners. In less than one year 10% of our active customer base has already purchased at least one more ethically or environmentally conscious product at ZALORA. In 2021 we will continue to work closely with our existing and new brand partners to multiply the number of sustainable products offered, and we will keep evolving our customers' educational journey on what shopping sustainably means."

Testimony from Livia Leal,
Head of Commercial Projects

Understanding our customers' expectations

As we embarked on our sustainability journey, it was important for us to understand our customers' expectations. While there are several studies related to sustainable shopping behaviors in other parts of the World, there was very little reliable information for Southeast Asian markets. So, in 2020 we conducted a survey of ZALORA customers in all our markets to understand how important sustainability is to them and what they expect from us. Some key call outs from this study:

- **41%** of respondents said they would 'Definitely' shop from our Earth Edit selection.
- **35%** of respondents said they are keen to shop Pre-Loved on Zalora and 55% said they would be keen to resell fashion items on Zalora.
- **Packaging** is the number 1 concern for respondents across all social, ethical and environmental issues identified.
- **60%** of respondents said they would pay at least 5% more for sustainable fashion purchases.

These results defy some of the sustainability stereotypes associated with Southeast Asia and reflect our experience of a growing demand for more sustainable fashion choices and a more environmentally and ethically conscious shopping destination. With an audacious Sustainability Strategy in place and an ambitious roadmap ahead of us, ZALORA stands ready to answer the rising demand of our South-East-Asian customers.



Responsible Workplace & Community Engagement

Creating a positive force for good in our
workplace and community.

ZALORA uses its regional presence in Southeast Asia to support local causes we care about and to create a positive impact on our People, Community, and the Environment. We are also committed to building internal awareness and we encourage every employee to be part of a Force for Good.



Our targets



Sustainability Awareness

2022

All ZALORIAN's engaged in Sustainability awareness initiatives

Results

No progress planned this year

Targets

100%



Community Engagement

2022

Each key ZALORA location supports at least one local charity per year

100%

1 charity per location

2025

20.000 hours of volunteering by ZALORIAN's per year

No progress planned this year

100%

Main workstreams and achievements

Labour agencies audit program

In most of the countries where ZALORA operates, we rely on a range of labor agencies to provide specialised workers for specific tasks, such as packers in our warehouses, security guards, cleaners, etc. We endeavour to treat these workers in the same way as our own employees, particularly in relation to ensuring that their fundamental human and working rights are respected by the agencies in the same way that we respect the rights of our employees. We are especially vigilant in relation to any foreign and migrant workers engaged through agencies, who are more vulnerable than others, and we have adopted a Responsible Recruitment Policy to set a transparent standard and help monitor and enforce agency practices

The only ZALORA country relying on foreign migrant agency workers during 2020 was Malaysia. The two labor agencies engaging foreign migrant labour in Malaysia have gone through an annual audit to verify recruitment practices, conditions of employment including wages, benefits and working hours, and also conditions of accommodation. Our aim is to make a positive difference in the lives of workers, and we worked closely with the agencies to resolve any issues within a short timeframe. However, should a critical finding be identified and an agency is not willing to cooperate, we reserve the right to cease our business relationship.

In 2020, we placed a high degree of focus on workers' safety and protection against

COVID-19. ZALORA implemented specific procedures and monitoring processes to ensure that every worker was properly protected, including foreign and migrant workers hosted by labor agencies in shared accommodation.

Community Engagement

ZALORA is committed to creating a positive impact through supporting the local causes we care about. In 2020, we acted quickly in response to the rising COVID-19 crisis through specific charity partnerships (see case study below). However, to create longer term community engagement and partnerships with community and charitable organizations, we also reflected on the causes that mean the most to us and the capacity ZALORA has to contribute meaningfully.

We started by asking our employees to identify the charitable causes they wanted us to support to better frame our future community program. Environmental protection has come up as their number one concern and we are now in the midst of creating a community engagement strategy which includes a focus on the environment.

CASE STUDY

Charitable partnerships supporting communities during the COVID-19 crisis

When the COVID-19 crisis hit in 2020, ZALORA responded to support the communities that have supported us over so many years. ZALORA leveraged its platforms and partnered with 14 charities across all our main operating countries (Singapore, Malaysia, Philippines and Indonesia) supporting frontliners and communities in need. Our online donation campaigns empowered customers to donate more than 50,000EUR to organisations such as the Singapore Red Cross, Mercy Malaysia, and Caritas Manila.



Sustainability awareness initiatives

We believe that our company culture and ability to engage all our employees in our culture of sustainability is key to the long-term success of ZALORA's Sustainability Strategy. To be successful, we need to create an inclusive spirit behind our Strategy which empowers our people to actively contribute to achieving our targets. So, we have established local sustainability committees in each country with responsibility for bringing our sustainability culture to life, while adapting our Strategy initiatives to each local environment.

These committees suffered a setback in 2020 due to the COVID-19 pandemic due to all our employees working from home. However, they will remain a priority for 2021 as we find new and imaginative ways to raise awareness and energy around the delivery of our Sustainability Strategy.



ZALORA