

Subject: Invitation to respond - Zalando in our COVID-19 tracker

Thanks for reaching out to us with the below questions.

We are happy to submit the following answers.

In the 12-month period directly before the COVID-19 outbreak:

1. **What are the maximum number of days from invoice date within which you pay your suppliers (e.g. 30, 60, 90, 180 days)?**
On average we are paying within 60 days. The maximum period is 90 days after shipment.
2. **When is payment for orders typically made (i.e. after shipping, upon receipt of goods, partial payment in advance of production, etc.)?**
Depending on each supplier agreement, we can pay between 0 and 90 days after shipment. In Asia we agree on shorter payment days since we know that financing options, especially in India, are more difficult than in Europe.

3. In this period, have you asked suppliers for a discount after placing an order? Y/N

- a. **If yes, what percentage of FOB was the discount (if varying, please list all percentages)?**
NO, as a general rule we always pay the price initially agreed.

4. Do your contracts have clauses for financial penalties:

- a. **For suppliers for contract non-compliance (e.g. for late delivery, wrong specs etc.)? Y/N**

YES, as a standard business practice we have on our general terms penalties for late delivery or quality issues. Nevertheless we always discuss case by case and make commercial decisions in order to 1) leverage financial losses to our suppliers 2) Keep strong and long term partnerships with our suppliers.

- b. **For you (the buyer) to be held financially liable (in the form of a payment premium or otherwise) for changes in orders after a PO has been raised (order volume, order specs, order deadline etc.)? Y/N**

The PO is a legally binding contract and we consider it as such. Based on this, we do not have an extra specific clause.

In the period since the COVID-19 outbreak:

1. Have you committed to pay in full for:

- a. **All completed orders? YES**
- b. **All in-production orders? YES**

As we are one of the signatory brands of [ACT](#), we are following their Purchasing Practices commitments in times of COVID-19, which includes that we are not canceling any finished or in-process orders, and we continue to pay our suppliers following our general terms. Any actions we take related to the current situation are always aligned with our respective suppliers.

Zalando also has endorsed the International Labor Organization's (ILO) [Call to Action](#) in support of developing a global garment industry response towards the COVID-19 supply chain impacts. A key piece of this commitment is to fully pay our suppliers for any finished goods and goods in production.

2. Have you extended your usual payment times? Y/N

- c. **If yes, what are current payment terms (in days, e.g. 90, 180, 230 etc.)?**
- a. **Are you supporting suppliers with access to local finance with a letter of credit or through other means? Y/N**

NO, we have not extended any payment terms to our suppliers. In specific cases we have offered the possibility to quicker payment for the suppliers that were in a strong need of it. We also offer: 1) letters of credit to the suppliers that would prefer this payment option 2) Pre-mature settlement for the suppliers with longer payment days (60 or 90 days) meaning that the supplier can get the money at sight based on European interest rates from our bank.

The endorsed International Labor Organization's (ILO) [Call to Action](#) also contemplates the commitment of the organizations on a joint effort to engage with financial institutions, governments and donors, to support rapid and innovative fund-mobilization through emergency relief funds, credit and short-term loans to provide quick income-support to workers and individuals.

3. Have you requested a discount for any orders? Y/N

a. If yes what, percentage of FOB (if varying, please list all percentages)?

NO, we have followed our general rule and we always paid the price initially agreed.

In addition, during COVID-19 outbreak we have remained very flexible lifting production delay penalties to suppliers that 1) close down factories due to country regulations 2) were not able to get materials for production from other countries affected by COVID-19 restrictions.

4. Have you taken any other steps (outside of order payment) to ensure workers in your supply chain have been paid wages for March and April, or will be paid wages or otherwise provided for during periods of lockdown? Y/N

YES, in addition to paying for all orders through March and April, we have endorsed International Labor Organization's (ILO) [Call to Action](#) also contemplates the support needed to enhance social protection schemes and support action to preserve jobs through different means, tax packages or social security charges and temporary unemployment programs. We will strongly support on a joint effort access to these funds so that suppliers can preserve their activities.

5. Where production is ongoing, have you taken steps to ensure suppliers are implementing measures to protect garment workers from infection (i.e. social distancing, sanitising practices, providing adequate protective equipment)? Y/N

Yes, we are a member of the International Labor Organization Better Work program which has just implemented COVID-19 Management guidelines for factories in Bangladesh which provides recommendations as well as descriptions of mandatory safety and health standards. For factories that remain open, in-person advisory visits have been replaced by tailored virtual advisory through video conferencing. Virtual visits include working with management and worker representatives, primarily focusing on practical guidance on COVID-19 response and addressing unforeseen compliance issues.

6. Are you paying shareholder dividends? Y/N or N/A for companies without public shareholders

NO