

Non-Financial Report

At zooplus, a successful business does not stop with the achievement of financial performance targets but also encompasses a firm commitment to society and the environment. Our understanding of sustainability is based on the conviction that we can best achieve our economic goals and consistently grow profitably by doing our part to be environmentally and socially responsible. The company therefore welcomes the European Directive 2014/95/EU regarding "Disclosure of non-financial and diversity information by certain large undertakings and groups" as an important step toward the greater integration of sustainability and Corporate Social Responsibility (CSR) issues in group reporting and management across Europe.

In the following, we provide information on sustainability issues that will help better understand our business performance and the future development of our company. The combined separate non-financial report published here meets the requirements of the German CSR Directive Implementation Act (CSR-RLUG) in accordance with Sections 289b (3) and 315b (3) of the German Commercial Code (HGB). The report explains the issues in the 2020 financial year in the areas of the environment, society, diversity, responsible corporate action and animal welfare that are important not only to our external target groups but also from a corporate perspective.

Corona-pandemic

The spread of the novel coronavirus that emerged at the turn of 2019 / 2020 developed into a pandemic with global impact during the financial year. To contain the spread of the virus, protective measures in the form of restrictions were implemented by governments worldwide. In European countries, a distinction was made between so-called "essential" and "non-essential" categories in the retail, public and service sectors, among others. zooplus AG operates in the pet supplies category, which has been classified as systemically relevant as an overarching category of consumer staples. As a result, the Group was able to maintain its operations throughout Europe largely without disruptions during the 2020 financial year. The Group reacted at an early stage by setting up an internal crisis team. The Group pursued the following key objectives: ensuring safety for employees and business partners, giving preference to loyal existing customers, ensuring availability of products and services, and, last but not least, safeguarding the financial stability of the company.

Key facts and reporting limits

The CSR Directive Implementation Act principally requires the presentation of the implications, management concepts, results, key performance indicators and significant risks concerning at least five aspects: environmental issues, employee concerns, social concerns, respect for human rights and the fight against bribery and corruption. In the "Animal Welfare" section, zooplus AG reports on a sixth aspect, as the protection of animal rights is a major concern of zooplus customers and, at the same time, a decisive non-financial factor influencing the company's success.

Within the scope of a materiality analysis conducted during the 2020 financial year, an update of the 2018 independent evaluation was carried out describing all of the relevant non-financial aspects for zooplus AG that are essential for a sustainable business development from both a Group perspective and the perspective of the respective external target groups (customers, business partners, employees, shareholders, suppliers and the general public). The Management Board and the responsible departments took part in this evaluation. The impact of our business activities and the impact on our business performance are presented in the diagram below:



The materiality analysis and the corresponding risk assessment were prepared in compliance with the requirements of the CSR Directive Implementation Act (CSR-RLUG).

The standards of the Global Reporting Initiative (GRI) served as a guideline in selecting the key figures but were not used in providing further details. This pertains to the information on working conditions, diversity and equal opportunity, among others.

The concepts presented pertaining to the handling of the non-financial issues labeled as key issues apply to the Group and zooplus AG equally. Any divergent information is indicated. The Group includes the parent company zooplus AG, as well as all domestic and foreign companies included in zooplus AG's scope of consolidation in accordance with IFRS 10. References to information outside of the group management report are made to provide additional information and are not part of the non-financial report.

The non-financial report for the 2020 financial year was reviewed by the zooplus AG Supervisory Board. On behalf of the Supervisory Board, the auditing company PricewaterhouseCoopers GmbH WPG audited the non-financial report in accordance with the ISAE 3000 (revised) audit standard with limited assurance. For more information, please refer to the assurance report, which follows directly after the non-financial report within the annual report.

Corporate social responsibility risks are also being taken into account in zooplus' risk management in the 2020 financial year, where they will be evaluated as potential risks, particularly in the compliance risk category, in aggregated risks such as antitrust, bribery and corruption, and sustainability and ethics, but also in operational risks. In the materiality/probability matrix, only risks from the Compliance risk category exceed the materiality threshold. The Group counters risks with appropriate, targeted measures as part of its risk strategy. The Group's major risks can be found in the risk report in the "Risk and opportunities report" section of the Annual Report 2020.

Business model

zooplus AG is Europe's largest specialized online retailer of pet supplies in terms of sales, and by far the market leader in its segment. The company's product range of approximately 8,000 items specializes in pet food and accessories in all of the major pet segments.

For a more detailed description of the business model, please refer to section entitled "Fundamentals of the Group" of combined management report within the Annual Report 2020.

Environmental issues

Environmental standards in the supply chain

The cultivation and further processing of raw materials for animal feed and pet accessories can be linked, in some cases, to major environmental burdens. Soil degradation, climate damage and loss of biodiversity can all result from a lack of environmental standards in the production or extraction of raw materials for products sold by zooplus.

The raw material palm oil is used as a high-quality fat source for the production of animal feed. The share of palm oil from sustainable cultivation in the animal feed sector has increased from 15% in 2015 to 26% in 2017.¹ The excessive catching of fish – a common ingredient in pet food – has also been connected with a long-term adverse effect on ecosystems. The same applies to the raw material wood, which is processed primarily for pet accessories. In light of this, we have made it our goal to contribute to the conservation of resources by procuring our materials responsibly.

As an online retailer, zooplus itself does not manufacture any pet food or accessories but, instead, purchases them directly from local and international brand manufacturers. zooplus AG's private label brands and those of its subsidiaries are also manufactured by contract manufacturers. To ensure that all suppliers minimize the potentially negative environmental impact of the commercial products they manufacture as much as possible, the Group requires suppliers to commit to the zooplus Supplier Code of Conduct, which applies to suppliers, manufacturers and their approved subcontractors. The Code of Conduct requires that suppliers and service providers adhere to the high ethical, moral and social values of zooplus; otherwise, zooplus reserves the right to end the business relationship. In the interest of protecting the environment and ecosystems, the Code of Conduct requires suppliers to comply with all applicable regional and national environmental protection laws without exception and to strive for the fulfillment of international environmental standards. The Purchasing and Legal departments, which report directly to the Management Board of zooplus AG, are responsible for the integration of the Supplier Code of Conduct into the supplier contracts. The compliance with the Supplier Code of Conduct of suppliers is regularly reviewed by zooplus AG.

To ensure that the timber products marketed by zooplus on the European Single Market for the first time have been legally sourced, the company complies with the due diligence requirements defined by the EU Timber Regulation by requiring clear evidence from suppliers of the entire procurement path. zooplus AG works together with external experts for the implementation.

In the 2020 financial year, the Supplier Code of Conduct was a component of all supplier contracts concluded with direct domestic and international suppliers. About 96% of the procurement volume stems from Europe. Other sourcing countries include mainly Canada, China and Thailand.

¹ https://www.forumpalmoel.org/imglib/Palmoelstudie%202017_Meo_FONAP_ho.pdf

Low emission logistics

zooplus generally assumes that online retailing with a low return rate has ecological advantages compared to purchases made in bricks-and-mortar stores.² These advantages stem from concentrating the stock of goods in central warehouses and pooling the transportation of goods to the end-user, which avoids much of the traffic in cities and municipalities. The majority of greenhouse gas emissions directly generated by online retailing arise in the logistics processes – in other words, during the transportation from the manufacturer to the logistics centers and the shipping to the customer. The transportation sector as a whole accounts for about a quarter of the world's energy-related CO₂ emissions.³ In view of the expected growth rates in online retailing, our goal is the environmentally friendly design of logistics processes as our contribution to the global fight against climate change.

For this reason – and for reasons of cost efficiency – zooplus employs its own team exclusively for the coordination and further development of the logistics and distribution structure. To minimize procurement channels and reduce the associated CO₂ emissions, zooplus has launched a pilot project to develop direct procurement methods together with a few selected suppliers. In the 2020 financial year, about one-third of the goods were procured from the suppliers participating in this pilot project. Since being launched in 2018, the project was expanded and additional suppliers were integrated. Together with zooplus, the suppliers involved in the project will continue to commit to the project goal in the coming financial year in order to significantly transport routes further significantly and consequently reduce CO₂ emissions.

The optimal flow of goods and speed of delivery are decisive in improving process efficiency and increasing customer satisfaction, which also makes them critical drivers of business success. Merchandise management and inventory management are both handled by the company's own proprietary systems. The European-wide dispatch to the customer takes place via domestic and international parcel services. zooplus does not utilize its own infrastructure to deliver packages to customers but instead works together with relevant service providers. Together with these services providers, zooplus works to continually maximize the efficiency of its logistics centers and improve the flow of goods.

zooplus delivers to customers in 30 European countries. Roughly 29% of the deliveries to customers take place in German-speaking countries. In addition, through the establishment of logistics centers in the most important international markets (including the Netherlands, Belgium, France, Spain, Poland, Italy and Great Britain), we have optimized the transportation routes to the end customer in various European countries. zooplus has been using so-called "parcel routing" since 2012. It is an algorithm-based concept that ensures that logistical routes within the zooplus logistics network are optimized and customer orders are sent, for example, using a method that avoids unnecessarily dividing the shipment into several packages to avoid additional transportation. In order to maximize the capacity utilization of the individual parcels and, in turn, the delivery vehicles, zooplus has also developed a system called "parcel builder". This system is a proprietary system for selecting suitable packaging sizes and formats and ensures that parcel service providers can take as many parcels as possible in one trip. This also reduces packaging waste and empty volume in packages is avoided as much as possible.

A major driver of the CO₂ intensity in the mail-order business tends to be the high proportion of returned goods that need to be transported from the customer back to the retailers' logistics centers. Unlike online retailers in other segments, zooplus AG is hardly affected by returns due to its product mix. Size and the individual tastes of customers play a minor role in the purchase of pet food and pet supplies. In the 2020 financial year, as in previous years, the return rate at zooplus was at a very low level of 1%.

² <https://www.sciencedirect.com/science/article/abs/pii/S0959652614006489>

³ International Energy Agency 2020 at: <https://www.iea.org/reports/co2-emissions-from-fuel-combustion-overview>

Ecological footprint

As an innovative and disruptive company, zooplus strives to reduce its CO2 emissions and to help customers do the same by purchasing the goods at zooplus rather than purchasing through traditional procurement channels. For this purpose, an internal Carbon Footprint Action Plan that was formed in 2018 and includes short-, medium- and long-term measures for recognizing and reducing CO2 emissions is pursued. As part of this project, it was determined that the internationally recognized Greenhouse Gas Protocol would be the method used to record the carbon footprint along the zooplus value chain. Following an initial internal measurement of greenhouse gas emissions with a focus on logistics in the 2019 financial year, CO2 emissions last year were measured along our entire value chain across all areas of the company in collaboration with the Center for Sustainable Corporate Management at the University of Witten/Herdecke – from outgoing merchandise at our suppliers to parcel delivery to our customers ("Scope 1, 2 and 3"). This project identified those areas in the supply chain that offer excessive potential for reducing our environmental footprint. The focus for future improvements lies in particular in inbound logistics, which are carried out by sea, and in parcel delivery. In addition to optimizing our own influencing factors in both areas, we also actively engage in dialog with existing service providers and explicitly consider their approaches to climate-friendly logistics when selecting new service providers. For example, in some regions zooplus already has parcel service providers in its portfolio that guarantee climate-neutral shipping by offsetting CO2 emissions through initiatives by the corresponding parcel service provider. Since the 2020 financial year, zooplus decided to rely on 100% recycled materials for any filling materials in the parcels. By using fillers made from recycled materials, zooplus could significantly reduce the CO2 footprint of its packaging materials.

In addition, measures are continuously being taken in other areas of the company to reduce the CO2 footprint. For example, some warehouse and administrative locations within the zooplus network are already being operated using 100% renewable energy. Correspondence with customers has been digitized as much as possible, and invoicing to customers has been switched from paper invoices to the resource-saving alternative of sending digital invoices. In addition, greater emphasis is being placed on sustainability, particularly with regard to product packaging in the own brand portfolio. To meet growing consumer demand for environmentally friendly packaging, zooplus is using fully recyclable product packaging for the first time for its latest products from the "Wolf of Wilderness" product line, the flagship brand in its own brand portfolio.

Animal welfare

For zooplus, animal welfare includes supporting selected animal charities and animal welfare organizations. In the same spirit, zooplus provides customers the opportunity to donate to selected animal charities using the bonus points they earn when shopping at zooplus. In 2020, around 570,000 customers took advantage of this offer and donated a total of over 100 million bonus points to a variety of different organizations. zooplus also sells a special in-house label called "zoolove," and donates 10% of the sales from this label to selected animal organizations. As part of the 2020 Christmas campaign, this donation campaign was expanded to include other selected zooplus own brands. zooplus regularly presents various animal welfare organizations, in different countries, and allows zooplus customers to select organizations by vote. In 2020, around EUR 330,000 were donated to various animal organizations via the zooplus charity brand.

In the coming years, zooplus will continue to expand its own brand "zoolove" and, based on the overall growth of zooplus, will continue to provide substantial donations to selected animal welfare organizations to further promote general animal welfare.

Product safety and transparency

Product safety

Alongside the growing "humanization" of pets, one issue gaining in importance is the quality and safety of pet food and accessories. Pets are often given the same status as other family members, and similarly, their health depends on a balanced diet free from residues and contaminants. It is our aim to ensure our products undergo quality assurance checks to confirm that pet food is not contaminated as a result of unsuitable preservatives, heavy metals, microorganisms or toxins. The same applies to accessories lacking product safety standards, which can have serious implications for animal welfare. In order to prevent this, manufacturers carry out their own corresponding product safety tests as part of their respective nationally applicable due diligence obligations, or they commission specialized laboratories. Corresponding certificates or proof must be provided by the zooplus suppliers. We comply with legal obligations by making the safety data sheets available. For our private label brands and direct purchases, we routinely request to see the audits and certificates of our suppliers. zooplus is also currently working together with a variety of institutes to further ensure product safety. Pet food testing is carried out primarily by Intertek. Specifically, when importing goods from China, Intertek China is commissioned to conduct pre-shipment tests in cooperation with Intertek Germany. Even in the pandemic environment, the Group endeavored to meet its own high quality standards and carried out more test series. On-site audits could not take place in 2020 due to travel restrictions. In the 2020 financial year, the company also commissioned Intertek to carry out standardized audits for the Group. In the non-food own brand area, the company cooperates with the TÜV-Süd institute to ensure that the products comply with all European Union safety and chemical regulations.

zooplus mitigates product safety risks that may arise from improper storage, packaging or shipping by dispatching its own employees to fulfillment centers operated by service providers to ensure compliance with all quality assurance standards there. The latter are documented in the contractual relationships with our logistics partners. As a result of the pandemic shaped environment in the 2020 financial year, some of these fulfillment center inspections were conducted in digital form where possible. zooplus has also clearly defined recall processes for products recalled due to safety risks that have already been placed in circulation. There were no recall campaigns for own brand products in the 2020 financial year. Supplier-initiated recalls for products from well-known brand manufacturers are managed in accordance with processes defined by zooplus.

Product transparency

Next to product safety aspects, the manufacturing conditions, origin and transparency of product ingredients play an increasingly important role for zooplus customers. Increasingly, product-specific information, such as the effect of ingredients on animal welfare or environmental production conditions, is a part of the purchasing decision. The technological possibilities to provide extensive product information in online retailing can make a particularly important contribution to promoting sustainable and responsible consumption.

This is why zooplus attaches significant importance to providing its customers with the most complete product information possible. Providing this information occurs to a far greater extent with an online shop than is possible in bricks-and-mortar retail, where only product packaging serves this purpose. In order to offer the clearest possible product visualization options in the online store, a virtual 360° product display is also available for selected non-food items in addition to a diverse selection of product images. Interested customers can find information on any type of organic certification and an indication of source for each product including a complete list of ingredients on the zooplus website. The scope and specific content of this information are prescribed not only by law but are also a requirement in our contracts with suppliers. In addition to this information, zooplus also shares nutritional tips for pets with its customers, including responsible consumption and facilitates a transparent exchange of customer ratings for individual products.

In addition to product information, zooplus offers an information service for pet owners throughout Europe through the zooplus magazine. In connection with the veterinarian and animal shelter search offered by zooplus AG, the Group did not receive any reportable grievances in 2020.

zooplus believes that customer satisfaction and retention in the future will be even more dependent on the preparation and provision of product-related information, including information on sustainability issues and animal welfare, and other topics. Over and above the legal requirements, customer satisfaction surveys are conducted at least once per year and are increasingly asking customers for their opinions on these issues in order to be able to provide customers even more guidance and product information in the future. Recent zooplus customer surveys have shown that the majority of customers pay particular attention to environmentally friendly product manufacturing and packaging

Employee welfare

Working conditions

The number of employees has risen steadily in the past several years. In the 2020 financial year, an average of 768 employees worked directly for zooplus. The number of employees has increased on average by around 19% since 2015. zooplus' business success largely depends on the commitment, knowledge and performance of its employees. zooplus invests in a work environment that promotes innovation, team spirit, commitment and motivation so that it is able to attract and retain qualified employees. This also benefits the employees themselves in that they can personally develop their skills at zooplus through individual advanced training courses and participate in the company's success through variable salary components.

The employees of zooplus' logistics partners, who are sometimes exposed to greater physical strain, also make an important contribution to the business success. These include, for example, packaging and the lifting of heavy goods. The fulfillment centers operated by zooplus' partners employed on average roughly 3,000 employees in the 2020 financial year. In contrast to the employees directly employed by zooplus, these employees are typically in the low-wage segment. The same applies to the employees of logistics service providers. In order to ensure the best possible working conditions for the employees of logistics partners within the scope of zooplus' power, the company works with these service providers on the basis of long-term contracts with minimum employment-related requirements. In addition to occupational health and safety regulations, these requirements also include the payment of the country's respective minimum wage. The quality managers in the fulfillment centers employed by zooplus are also asked to pay particular attention to the occupational health and safety of the local employees. To make heavy physical work easier, zooplus and its partners in the fulfillment centers regularly test the introduction of digital and mechanical work facilitation for lifting heavy goods, among others.

In the 2020 financial year, which was dominated by the pandemic, zooplus had a special duty of precautionary care and safety towards its employees. In addition to flexible home office solutions with modern equipment, a hygiene and safety concept for the workplace, and together with the logistics partners in the fulfillment centers, was also developed and implemented at the beginning of the pandemic. Following the outbreak of the pandemic and the introduction of restrictions, the Group decided to offer home office to all employees where possible. A pilot phase for the return to the offices was launched in mid-May with a maximum workforce of 20%. However, in the fall months of 2020, starting in September, it became clear that the majority (around 90% of the workforce) preferred the home office.

Even before the pandemic, regular employee meetings – known as townhall meetings – were also held in a virtual and interactive form, so that the continuous exchange with the managers could continue to take place.

The Human Resource department at zooplus supports the company's organizational strategies with specially designed personnel tools and measures. In an environment for excellent employees that is highly competitive in all areas, zooplus AG always pays market salaries. Employee compensation consists of fixed and variable salary components, as well as intangible benefits, which may vary according to country-specific standards. To show special appreciation for the outstanding work performed in the challenging 2020 financial year, zooplus management decided to pay a special bonus to all direct employees at the end of the year.

In order to create an equally employee-friendly and performance-oriented working environment, zooplus invested not only in expanding and modernizing its business premises, but also in equipping its employees with the necessary home office hardware. Even prior to the pandemic outbreak, the company had been committed to offering flexible teleworking. To promote the health of employees, zooplus offers preventative measures that include offers such as flu vaccinations, eye examinations, ergonomic workstation equipment and visits to fitness centers. These offers for the employees are largely subsidized by the company.

The management tools at zooplus combine the general performance evaluation with the personal target assessment and include the employee's progress in his/her current position. These individual discussions between the manager and the employee take place at least once or twice a year. These evaluations are intended to support the company's claim to having a performance-oriented corporate culture while at the same time supporting the employee individually and optimally with regard to personal challenges. In addition, the company is increasingly using instruments to facilitate continuous exchange and feedback during the year so that it can quickly identify areas for action and respond appropriately.

As part of the zooplus DNA and the company's pet policy, employees are given certain opportunities to bring their dogs to work. Employees also benefit from in-house discounts when purchasing zooplus products.

The employee fluctuation rate at zooplus was 11.1% in the past financial year, and substantially below of the previous year's rate of 16.4%.

zooplus also welcomes employee initiatives and provides the room necessary for employee development, including meet-ups for networking across sectors within the IT community and the internal "Go Green" initiative that promotes an environmentally

friendly design in everyday settings. Integrating voluntary activities during team events, for example, is also important at zooplus.

Diversity and equal opportunity

With an average age of 35 years at the end of financial year 2020, zooplus employees tend to be younger than employees of other traditional retailers. zooplus saw the importance of diversity within the scope of human resources as a key success factor very early and, consequently, defined strong company diversity as one of its objectives. The interaction of people with different ideas, strengths, skills and cultural backgrounds leads to the best possible solutions to future challenges. As of the December 31, 2020 reporting date, zooplus had 59 different nationalities across all locations (including working students and interns).

Diversity is an integral part of zooplus' corporate culture and has been incorporated into all personnel development and recruitment measures as a priority of the company's personnel strategy. The fair balance of female and male employees has thus far made the formulation of definite quota targets seem unnecessary. Despite this, the company has stated in its Code of Conduct that any form of employee or occupational discrimination will not be accepted. Instead, recruitment and promotion decisions are based solely on an individual's abilities and not on personal characteristics such as gender, race, religion or belief. zooplus employees also address a variety of diversity areas within the scope of their own initiatives. As part of the company's "Culture Days", intercultural exchange is promoted to encourage cooperation. In the IT community, zooplus employees also work to increase the share of female IT specialists in the industry by getting involved in campaigns related to the topic of women in IT. The PANDA event, which was part of the cooperation with the Panda | Women Leadership Network on the topic of "Women in E-Commerce," also gave the go-ahead for the establishment of a working group to address the issues of diversity, inclusion and gender equality within the zooplus Group and the industry.

The proportion of female employees at the company was 50% as of December 31, 2020. Under the guiding principle of diversity, the company will continue to focus on ensuring that women are represented as equally as possible in management positions in the future. As of December 31, 2020, the proportion of female employees in management positions (before the level of 'Management Board') at zooplus AG and across all zooplus companies was 44%.

Respect for human rights

Social standards

The cultivation and further processing of raw materials for pet food and pet accessories may not only be accompanied by ecological burdens but also inadequate labor and social standards. For example, the production of intermediate meat and fish products in Southeast Asia, as well as accessories with textile components may be associated with human rights violations. Specific forms of forced labor and child labor in the countries of origin of the intermediate products of the goods sold by zooplus have been repeatedly discussed in the media. Although zooplus has not been linked to these types of human rights violations, the company is aware of its responsibility to respect human rights along its entire value chain.

The most important tool for preventing human rights abuses is the Supplier Code of Conduct. It obliges zooplus, its suppliers and their contractors to unconditionally comply with international human and labor law requirements. Compliance with the Supplier Code of Conduct is ensured through social audits as part of the due diligence and the clearance of business partners.

In the years ahead, the company plans to increase its attention on the issue of social audits and involve external partners in the process.

Combating bribery and corruption

Corruption and price fixing

The extensive network of supply chains and the global sales markets give rise to the risk of unfair agreements in retailing. Corruption and antitrust incidents can distort market conditions and thereby hinder fair competition, which impacts the individual consumer as well as economic performance as a whole. The detection of such incidents can sometimes lead to high fines and a significant loss of reputation.

A clear definition of what is and is not permitted provides for a transparent framework. Therefore, zooplus has formulated binding guidelines for dealing with matters relating to antitrust and corruption law in its company-wide Code of Conduct. The antitrust requirements, particularly with regard to the structuring of sales prices, are specified in a topic-specific guideline. This is supplemented by annual training courses for the relevant employee groups, which are intended to ensure sufficient awareness of the risk of corruption and price fixing. The plan is to expand the training program in 2021 as part of a general revision of the compliance curriculum and make it even more target group-specific.

To provide practical support to employees in their regular dealings with suppliers, particularly in connection with contract and price negotiations, the compliance department provides working aids and supports other departments in preparing their own compliance-related working material for the topics of corruption and antitrust law. Control mechanisms are also integrated into the relevant business processes to minimize the risk of antitrust violations and corruption (specifically the internal departmental four-eye control principle, the involvement of the Legal department in the contract process, and separation of functions).

zooplus takes a clear stance towards its suppliers and business partners with regard to responsible conduct and compliance with the applicable laws and regulations at all times. As part of the Supplier Code of Conduct, which is an integral part of all supplier contracts, zooplus formulates its own ethical, moral and social position, as well as its expectations regarding the business conduct of contractual partners. A compliance slide is also a mandatory part of every annual meeting presentation with suppliers where price fixing, or the exchange of advantages or benefits are clearly rejected.

No legal proceedings were brought against zooplus for unfair conduct in the financial year 2020, and no suspicious activity reports were submitted via the whistleblower system.

Compliance management system

Compliance and ethical behavior by companies has been gaining in importance for many years. Not only do violations of applicable law carry the threat of penalties and fines but the associated official investigations can result in considerable effort and high costs. Particularly the long-term effects of compliance violations on a company's reputation have come to light in recent years in the context of various national and international compliance scandals. Increasingly, decisions made by customers, on the labor market or in securities trading are influenced by or made dependent upon a company's integrity.

To address this, zooplus has established a compliance management system (CMS) based on the structure of the IDW PS 980 auditing standard, which is continuously expanded and developed. The CMS comprises three levels of action: prevention, detection and response. The aim of the CMS is to ensure that employees comply with the law and internal company regulations in their business activities by taking preventive measures, detecting violations and punishing misconduct. This is intended to protect zooplus and its employees from major damage resulting from breaches of regulations such as criminal and administrative fine proceedings, claims for damages, and negative media coverage. Although the establishment of a functioning CMS cannot completely eliminate the risk of rule violations, it can reduce it. The Compliance department is responsible for CMS at zooplus. The department's staff was increased in 2020. The compliance function is integrated into the Legal department, which reports directly to the chief financial officer.

As part of risk management, the risk areas relevant to compliance are identified, regularly reassessed and analyzed. Due to their importance for the company and its business activities and/or due to the generally high potential risk, the CMS at zooplus focuses on the risk areas of data protection, antitrust law and anti-corruption. In addition, however, the CMS also includes dealing with other issues relevant to regulatory or criminal law, such as fraud and breach of trust, theft and embezzlement, insider trading, money laundering and sanctions, as well as violations of environmental, labor and consumer protection law that are subject to fines or penalties.

Risks in the individual risk areas are systematically minimized through the implementation of principles, measures and/or controls. The type and scope of compliance activities are based on the respective risk assessment. Components of the compliance program in the risk areas include guidelines, standardized processes, separation of functions and dual control principle (where relevant), job aids and target group-oriented training measures. In the future, these preventive compliance activities will also be supplemented by increased internal auditing activities on compliance-related topics in order to identify further need for action at an early stage and to effectively expand and improve the compliance program. In addition, zooplus offers an internal

whistleblower system or an external reporting office to provide anonymous and non-retaliatory information about compliance violations or serious misconduct by employees.

The zooplus compliance program is embedded in a corporate culture that is characterized by moral values and faithful cooperation and as such promotes lawful and ethical behavior. The Code of Conduct, which applies to all zooplus Group employees worldwide, is an expression of this corporate culture and serves as a guiding principle for the Management Board, executives and employees alike. It sets minimum standards that provide guidance on lawful and ethical conduct in day-to-day work and in conflict situations. In addition, internal and external communication on compliance at zooplus is continuously expanded in order to provide guidance and support to employees at all times as well as regular transparency to the various stakeholder groups.

Data protection

As an online retailer, zooplus receives vast customer data as part of the business process. Insecure data storage and processing may violate the right to informational autonomy and the protection of personal rights and privacy. The numerous data scandals of well-known companies in the past have increasingly directed public attention on how companies handle their data. The publication of incidents can lead to huge losses in sales and sustainably harm consumer confidence. Protecting personal data is therefore a top priority at zooplus.

For this reason, the zooplus data protection team was further expanded in 2020. Compliance with data protection regulations, guidelines and procedural instructions is ensured by the internal data protection team and by an external data protection officer. Training courses for employees ensure that they are familiar with data protection regulations.

Should an incident occur, it is emphatically followed. zooplus is also supported by external service providers who manage payment data securely and have the appropriate PCI ('Payment Card Industry') compliance certifications.

In 2020, no formal proceedings were initiated by the data protection authorities against zooplus, and any inquiries by the data protection authorities were answered by means of statements and modifications.

zooplus continues to work on further expanding its data protection processes so that it can continue to meet all relevant requirements for a best possible data protection in the future.

Independent Practitioner's Report on a Limited Assurance Engagement on non-financial Reporting⁴

To zooplus AG, München

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of zooplus AG, München, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

⁴ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's management and personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 18 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
German public auditor

ppa. Nico Irrgang