

Task Force on Climate-related Financial Disclosures (TCFD)

With the notable increase in frequency and severity of extreme weather events, there is growing public expectation for action around climate.

Both consumers and investors are pressing organisations to disclose how they contribute to climate change, how they will be impacted and how they address it. Sustainability and climate change has long been one of our principal risks and our commitment to tackling climate change and creating a more sustainable future for fashion spans over a decade.

This has been recently reinforced by our new 2030 vision for Fashion with Integrity (FWI), centred around four key goals to become a more diverse, net-zero business with transparency and circularity at its heart.

Read more about FWI on [pages 10-13](#).

We also understand that climate change is not just a future threat but a subject impacting the business and its strategy today. We welcome the TCFD framework and are happy to disclose our first response to these reporting recommendations this year.

This is our first response to the TCFD reporting recommendations and although we have included disclosures against all 11 recommendations, there is room for improvement. We have included climate-related financial disclosures consistent with the TCFD's Recommendations and Recommended Disclosures (detailed below) with the exception of Strategy (a) and Strategy (b).

Strategy (a)

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term:

- The physical risk assessment disclosed in this report only considered ASOS direct operations and the ASOS own-brand supply chain. Although these provide the most direct risk to ASOS, we understand that there will be physical climate risks associated with our partner brands and within the wider distribution supply chain. We will look to include these aspects of the ASOS business in future assessments in the short term (1-2 years).

Strategy (b)

Describe the impact of climate-related risks and opportunities on the Company businesses, strategy, and financial planning:

- We have described the impact of climate-related risks and opportunities on our Company's business and strategy using a qualitative approach. In future assessments in the short term (1-2 years), we will look to disclose the financial impacts of the assessed risks and opportunities and provide further detail on how they affect financial planning.
- We will also ensure that in future assessments in the short term (1-2 years), we will drive more consistency between different risk and opportunity types to ensure they are comparable with regard to their impact on the business. In this report, the individual severity of physical risk exposure (of low/medium/high within the individual risk narrative) has been disclosed in relation to each individual assessment methodology and is therefore not directly comparable with other risk types.

TCFD 2021 revised annex – 11 disclosure recommendations

GOVERNANCE

- Describe the board's oversight of climate-related risks and opportunities.
— [page 2](#)
- Describe management's role in assessing and managing climate-related risks and opportunities.
— [page 2](#)

STRATEGY

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
— [page 3-9](#)
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
— [page 3-9](#)
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
— [page 3-9](#)

RISK MANAGEMENT

- Describe the organisation's processes for identifying and assessing climate-related risks.
— [page 9](#)
- Describe the organisation's processes for managing climate-related risks.
— [page 9](#)
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
— [page 9](#)

METRICS AND TARGETS

- Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
— [page 9-13](#)
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
— [page 9-13](#)
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.
— [page 9-13](#)

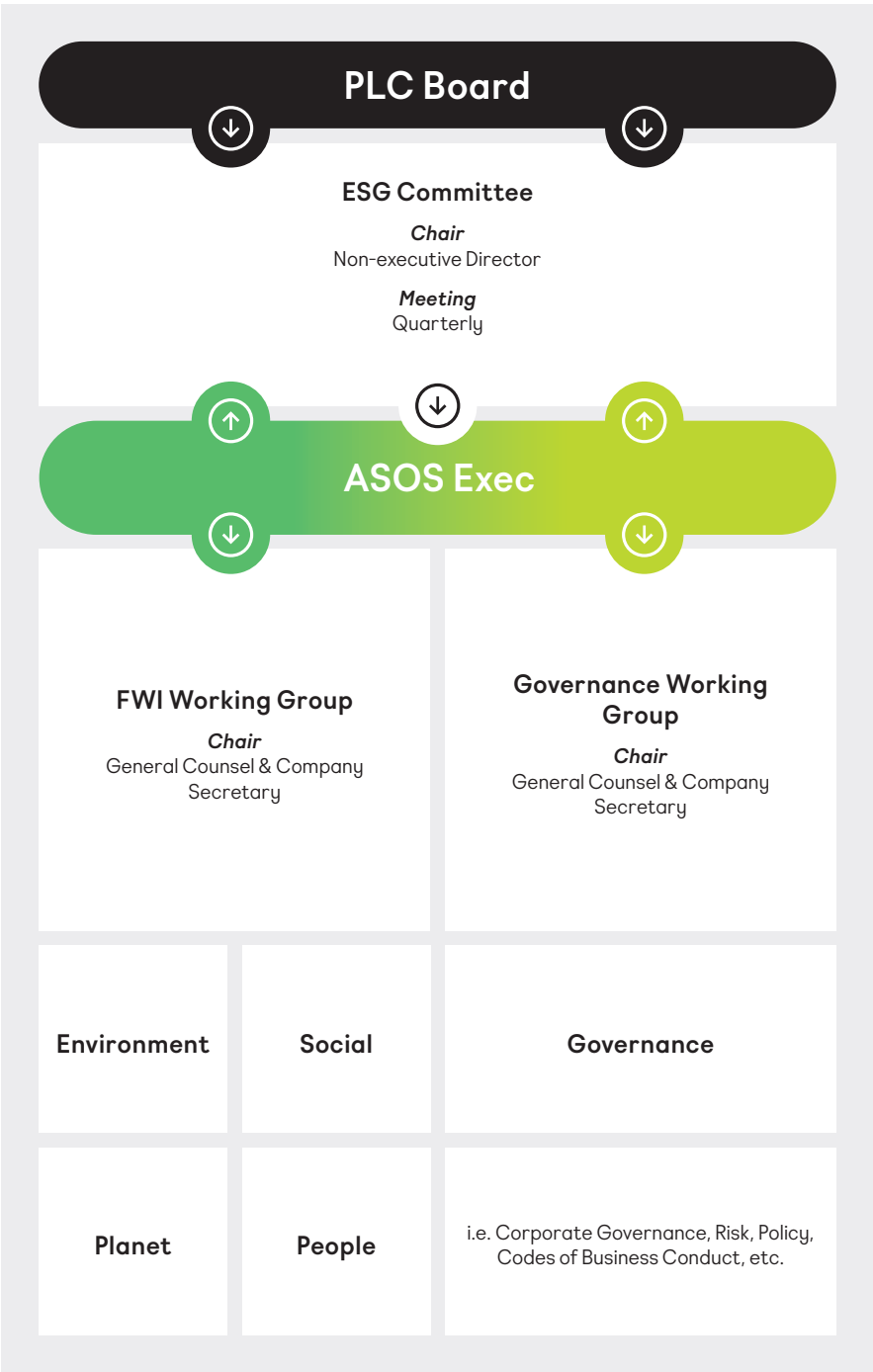
Governance

Climate-related risks and opportunities are reviewed at the highest level of our Company. We have recently evolved our corporate governance structure regarding environmental, social and governance (ESG) issues, including climate change, in recognition of the importance of these issues to the future of the business.

The highest level of governance is the Board-level ESG Committee, a delegated body of Non-executive Directors which provides oversight on behalf of and to the ASOS Plc Board in relation to the Group’s ESG strategy and activities, including around the subject of climate change. The ESG Committee meets formally four times per year and feeds back to the ASOS Plc Board after every meeting. It is led by Independent Non-executive Director Eugenia Ulasewicz and is comprised of independent Non-executive Directors Karen Geary and Mai Fyfield, as well as ASOS Founder and Non-executive Director Nick Robertson. Eugenia Ulasewicz and Karen Geary are members of Chapter Zero, the UK chapter of the Climate Governance Initiative, and have experience of sitting on ESG Committees for other companies. This year the ESG Committee has focused on increasing its detailed understanding of the FWI 2030 strategy and reviewing performance against goals, KPIs and key initiatives. It also approved the first FWI Progress Update report published in April 2022.

Reporting into this Board-level ESG Committee are our FWI Working Group and Governance Working Group, both chaired by the General Counsel & Company Secretary, Anna Suchopar, who acts as the key liaison between the ASOS Plc Board and the Executive team. These Working Groups are comprised of a cross-functional team of senior leadership, representing all key areas of the business. The FWI Working Group was responsible for the formation of the new FWI strategy announced in September 2021. The group oversaw the development of the strategy and associated commitments, including our verified science-based carbon reduction targets. The FWI Working Group meets monthly and the Governance Working Group meets bi-monthly, with both reporting updates to the ESG Committee on a quarterly basis.

In addition, as sustainability and climate change has been identified as a principal risk, it is considered as part of the six-monthly risk review conducted by the Company’s Audit Committee and reported to the ASOS Plc Board annually. The General Counsel & Company Secretary has executive responsibility for wider ASOS risk management and ensures consistency in approach between all teams managing climate-related risks and opportunities. Executive remuneration is partly weighted towards ESG metrics – for FY22, 10% was based on ESG metrics linked to progress against our Fashion with Integrity (FWI).



Strategy

To better understand our climate-related risks and opportunities and their potential impacts on the business and our strategy, this year we conducted in-depth analysis with leading consultants, Willis Towers Watson. Together, we've conducted scenario analysis to identify and understand the potential risks and opportunities for ASOS over relevant time horizons. These scenarios are not predictions or forecasts, however they provide the business with a directional understanding of how the business may be impacted in the future, depending on how trends may continue or change. The scenario analysis completed assesses two primary types of risk and opportunity: physical risks and opportunities, and transition risks and opportunities.

Physical

Methodology

Physical risks are related to the physical impacts of climate change and include both acute events and chronic shifts. Acute physical risks, such as flooding and wildfire, are happening today but are expected to worsen for given regions in severity and/or in occurrence (frequency) in the future. Chronic physical risks are longer-term in nature and include changes in climatic conditions such as heat stress, drought and sea level rise.

The methodology used to evaluate the physical risks to ASOS' business considered two plausible climate scenarios, as defined by the Intergovernmental Panel on Climate Change (IPCC): a below 2°C scenario (**1.5°C scenario**) and a **4°C scenario**, in line with IPCC representative pathways (RCP) and shared social economic pathways (SSP) **RCP 2.6** (SSP1) and **RCP 8.5** (SSP5) respectively. In a below 2°C scenario, the transition to a lower carbon economy has occurred although there will still be some significant physical risks. In a 4°C scenario, minimal transition has occurred, and the physical risks will dominate. Acute and chronic physical risks have been assessed for 2030, 2050 and beyond to 2100 under the RCP scenarios, along with the present-day outlook.

Asset by asset exposure analysis for a range of climate risks at the present day, as well as for future projections, was undertaken for ASOS' own operations (offices, fulfilment centres, returns processing centres), Tiers 1-3 of ASOS own-brand supply chain, and key raw material sourcing regions (Tier 5) for two most-used natural materials: cotton and viscose. All ASOS operational assets were analysed and for the ASOS own-brand supply chain, 45 out of the top 50 suppliers by value were assessed. This totalled 265 supply chain locations across Tier 1-3 and represented 60% of the total own-brand intake value and 62% of all materials by weight. Partner brands fell outside of scope for our first scenario analysis this year, however, we will look to include these in future assessments in the short term (1-2 years).

Data used for this analysis includes leading models and databases used within the insurance industry for pricing of risk; climate models; published research; and information from the IPCC. The climate risks are derived from several data sources including Willis Towers Watson's own tools (Global Peril Diagnostic and Climate Diagnostic), data from Munich Re's climate change hazard databases and Cotton 2040 initiative's Planning for Climate Adaptation, and research findings from UKCP18, CCRA, ABI and the IPCC. Please note, risks impacting raw materials have only been assessed under the 4°C (RCP8.5) scenario, due to the source data used for this assessment.

Findings and mitigation actions

The physical climate risk profile of ASOS is heavily skewed towards the supply chain and global sourcing regions. While our own facilities and operations carry relatively small climate risk, the own-brand supply chain covered in this assessment is exposed to a variety of changes and possible negative impacts in both the low and high emission scenarios, now and throughout the century. Each physical risk has been assessed according to its unique modelled data and criteria. We have summarised the findings of this analysis to help communicate comparability between physical risks and how they change over time by each scenario. The summary findings and risk mitigation actions can be found overleaf.

Physical Risk Type	Physical Risk Description	Low Emissions Scenario –1.5°C global warming (RCP2.6)	High Emissions Scenario –4°C global warming (RCP8.5)	Mitigation Actions
Chronic	Drought: Impacts water resources as well as cotton growing and forestry. Limited impact on own operations however there could be material impact for the supply chain, particularly for facilities which rely heavily on water for manufacturing, such as dyeing materials. Short-term drought can also affect yields particularly at key stages of the growth cycle of cotton.	Own operations: All offices and fulfilment centres have a very low or low exposure to drought. Suppliers: 43% of ASOS' suppliers covered in this analysis are currently considered to have at least a medium level of exposure to drought. Suppliers will see no significant increase to drought risk over time.	Own operations: Offices under operational control see an increase in risk, whereas fulfilment centres do not see a change in risk profile. Suppliers: By 2050, 62% of ASOS' suppliers covered in this analysis could be exposed to at least a medium level of drought, rising to 88% by the end of the century. Raw materials: By 2040, ASOS' main cotton sourcing regions are likely to have a medium to high risk of short- and long-term drought.	Own operations: No mitigation actions currently due to low levels of risk but we will continue to monitor this risk to inform our approach as needed. Suppliers: In calendar year 2021, 107 Tier 1 (manufacturing level) facilities completed the Higg Index Facility Environmental Module (FEM) representing 45% of our own-brand intake by volume. This includes an assessment from either the WWF Water Risk Filter or the WRI Aqueduct Tool. Suppliers are then able to understand their water use and their water risk in a local context. Raw materials: Increasing transparency of the supply chain will give us better visibility of our exposure to drought to manage risks. Switching to 100% more sustainable cotton will mitigate this risk. This includes sourcing recycled cotton as an alternative to virgin cotton, as well as sourcing cotton from a certified standard such as Organic, which provides farmers with support and training in climate mitigating strategies, such as managing drought and identifying drought-resistant cotton seed varieties.
Chronic	Heat stress: Can impact the working conditions within facilities and require a level of adaptation to ensure the health & safety of workers. It can also pose a significant risk to cotton and viscose sourcing if regions are exposed to prolonged heat stress (temperatures consistently over 40°C).	Own operations: Currently, our fulfilment centre in Atlanta is the only location considered to be exposed to a high level of heat stress. No significant increase is anticipated to the current risk of heat stress in operations. Suppliers: Currently, most of ASOS' suppliers covered in this analysis have a medium or higher level of exposure to heat stress. Under this scenario, higher heat stress is developed by 2030, which sustains to 2050 and beyond.	Own operations: Some of our fulfilment centres, for example Atlanta, could see increased exposure to heat stress and annual heat wave days beyond 2050. Suppliers: Currently, most of the suppliers covered in this analysis have a medium or higher level of exposure to heat stress. Under this scenario, higher heat stress is further developed by 2030, increasing in severity beyond 2050. Raw materials: Some sourcing regions for cotton are projected to have increased risk of heat stress by 2040, which would result in more days exposed to temperatures over 40°C, posing significant risk to cotton yields.	Own operations: Ensuring appropriate health & safety measures in own operations, including heat management systems and air conditioning. Suppliers: Working with suppliers closely and inspecting factories for sufficient ventilation systems and other relevant risks such as humidity, air quality and temperature. Raw materials: Reducing our reliance on virgin cotton by increasing the volume of recycled cotton in our ranges. Increased transparency of our supply chain will support identification of direct risks and impacts.
Acute	Wildfire: Impacts key infrastructure including buildings, roads and utilities. Threat to human life, agricultural crops and forests. May cause disruptions to supply chain and distribution, and costs of raw materials like viscose.	Own operations: Currently there is no significant risk or significant increase over time under this scenario. Suppliers: Currently a medium proportion of ASOS' suppliers covered in this analysis have a significant wildfire risk. By 2030, this risk is likely to increase slightly with more factories exposed to wildfire conditions.	Own operations: Currently there is no significant risk or significant increase over time under this scenario. Suppliers: By 2050s, this risk increases slightly in comparison to the low emission scenario. Raw materials: By 2040, some cotton growing regions (e.g. India, Pakistan and US) could have material exposure to wildfire risk.	Own operations: No mitigation actions currently due to low levels of risk but we will continue to monitor this risk and review our approach accordingly. Raw materials: Increased visibility of our supply chain will give us a greater understanding of our exposure to high-risk regions. Reducing our reliance on virgin cotton will reduce this risk for the business.

Physical Risk Type	Physical Risk Description	Low Emissions Scenario –1.5°C global warming (RCP2.6)	High Emissions Scenario –4°C global warming (RCP8.5)	Mitigation Actions
Acute & Chronic	Flooding: The key implications include damage to buildings and equipment, facilities access issues and possible delays in resuming operations in supply chain and distribution. It can also impact cotton crops and plantations. This includes the impacts from increased coastal and fluvial flooding and sea level rise.	Own operations: Flooding has very little contribution to the risk profile in the present-day with little change under this scenario as all locations continue to have a low exposure. Suppliers: A low number of ASOS' suppliers covered in this analysis are considered as having an existing medium to high risk of flooding with no significant change over time.	Own operations: The risk specific to ASOS operations remains low overall. Suppliers: The frequency of flood increases slightly for all exposed assets by 2030 with no further risk increase to 2050 and beyond. Raw materials: In the short term, river flood changes for cotton growing regions are not significant, although there is currently medium risk in some regions today. Coastal flood and sea level rise pose a more significant risk to certain regions by 2040.	Own operations: No mitigation actions currently due to low levels of risk but we will continue to monitor this risk and review our approach accordingly. Suppliers: ASOS requires manufacturing facilities to complete the Higg FEM annually, this includes an assessment from either the WWF Water Risk Filter or the WRI Aqueduct Tool. Suppliers are then able to understand their water use and their water risk. Raw materials: Reducing our reliance on virgin cotton by increasing the volume of recycled cotton in our ranges. Increased transparency of our supply chain will support identification of direct risks and impacts.

Using the findings from scenario analysis, ASOS has identified climate migration as a potential significant social risk directly resulting from the chronic and acute climate-related risks. A description of this risk and mitigation actions are provided below.

Risk Description	Mitigation Actions
Climate migration (supply chain) – climate change is leading to the forced displacement of people and contributing to worsening living conditions. The Institute for Economics and Peace (IEP) estimates that by 2050, 1.2 billion people could be displaced globally due to climate change and natural disasters. A working paper by Cornell NCP highlights that by 2030 it is expected there will be massive internal displacement in Bangladesh, China, and Vietnam. These three countries are key sourcing regions for ASOS. The United Nations estimates that women make up 80% of climate refugees.	During FY23 we will complete a Human Rights Saliency Assessment to inform our forthcoming Human Rights Strategy and strengthen our Human Rights Due Diligence framework to protect workers, including those impacted or displaced by climate change. Our 'critical friendship' with Anti-Slavery International (ASI) enables us to form relationships with relevant stakeholders on the ground, working to support those affected. We are also strengthening our Global Framework Agreement with IndustriALL Global Union and working towards mature industrial dialogues for just worker representation.

Summary

According to the analysis completed, we can summarise that the most material physical climate-related risks for ASOS are drought, heat stress, wildfire and flooding. In the low emission scenario, the modelling suggests that all ASOS operations maintain low levels of risk in each area, with the supply chain experiencing some increased exposure to heat stress and wildfire risks up to 2050.

In the high emission scenario, our analysis indicated that ASOS operations again experience generally low risk levels with some increase for drought and heat stress beyond 2050. For suppliers and raw materials, exposure to chronic and acute risks, in particular drought and heat stress, increases to 2050 and beyond with an increase in the severity of flooding and wildfires.

Furthermore, we identify climate migration to provide a further social risk as these chronic and acute physical risks shift over time. Our mitigation actions largely focus around implementing our FWI programme, our sourcing strategy, and our ongoing work on human rights.

Transition

Methodology

Transition risks and opportunities are affected by the pace and timing of decarbonisation of the global economy. It is affected by changes to markets, technology, policy and legislation and the behaviour of key stakeholders, including customers and investors. To understand these factors and their impact on ASOS we looked at two primary scenarios plausible with transitioning to a lower carbon economy: below ~1.5°C (achieving global net zero CO₂ emissions by 2050) and below ~2°C. The approach to building scenarios follows guidance issued by the TCFD in their Guidance on Scenario Analysis for Non-Financial Companies document. The scenarios are constructed from a variety of sources, including the Shared Socioeconomic Pathways (SSPs) which informed the Sixth Assessment Report (AR6) developed by the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA) and the NGFS (Network for Greening the Financial System).

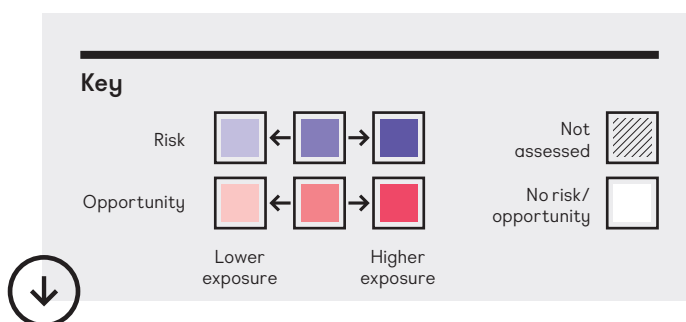
It is widely understood that risks associated with the transition to a lower carbon economy will manifest more quickly than the physical risks associated with climate change, and therefore different time horizons of 2025 (short term) and 2030 (medium term) were used for this assessment. ASOS' Be Net Zero KPIs and associated Science-based Targets are also aligned to this 2030 (medium term) time horizon. The assessment was conducted using the ASOS Enterprise Risk Management (ERM) impact and likelihood rating criteria to ensure consistency across wider ASOS risk assessments.

Risk and opportunity areas across ASOS' entire value chain were discussed and agreed with Willis Towers Watson, leveraging its experience in conducting similar studies and using public domain research. These risks and opportunities were then assessed in terms of impact and likelihood via a series of subject matter expert interviews with senior business leaders across key ASOS departments, taking into consideration the full ASOS value chain.

Following the completion of the analysis it was understood that within the timescales reviewed, the two scenarios exhibited very similar risk and opportunity profiles, so for the purpose of this report the findings have been combined.

Findings

The transition risk and opportunity areas assessed included: Policy & Legal, Technology, Market and Reputation. A breakdown of these areas and the individual topics assessed can be found below as well as a summary of the potential exposure experienced in both the short and medium term.



Risk	Risk name	Risk		Opportunity	
		2025	2030	2025	2030
01	Policy & Legal				
a	Pricing of GHG Emissions (Scope 1 and 2)				
b	Climate Change Litigation				
c	Mandates and Regulation of Products				
d	Enhanced Emissions-Reporting Obligations				
02	Technology				
a	Substitution of Existing Technologies to Lower Emission Options				
03	Market				
a	Changing Consumer Preferences				
b	Increased Cost of Raw Materials				
c	Cost of Capital				
d	Emissions Offset				
04	Reputation				
a	Investment Risk				
b	Stakeholder Risk				
c	Employee Risk				

Risk	Risk Type	Risk Description	Risk Impact	Opportunity	Mitigation/Response
01	Policy & Legal	<p>Included the possible pricing of GHG emissions and/or a direct carbon tax. This risk area also includes mandates and regulation of products, climate litigation and enhanced reporting requirements.</p> <p>Network for Greening the Financial System (NGFS) has been used as a primary source for carbon price estimates. All figures represent mid-points between the highest and lowest regional forecasts for carbon prices.</p>	<p>As the ASOS Scope 1 and 2 carbon emissions are relatively small, the impact of this risk remains moderate, using ASOS' ERM scales. It is not expected that climate change litigation poses a significant risk and enhanced emissions-reporting obligations remains a low risk with the potential to increase beyond 2025, depending on the requirements brought into place.</p> <p>The most significant category within this area is mandates and regulation of products in key ASOS markets. This is already being experienced across some parts of the ASOS value chain (for example extended producer responsibility legislation in the UK and EU) and has the potential to become a more significant area beyond 2025 for wider product categories.</p>	<p>The policy and legal category was not considered to provide any significant opportunities for our business at this stage.</p>	<ul style="list-style-type: none"> ASOS is focused on reducing carbon emissions, with the setting of science-based targets which have been approved by the Science Based Targets initiative (SBTi). ASOS reducing Scope 1 and 2 carbon emissions and targeting 87% reduction/ order by 2030 vs 2018/19 baseline year (page 11). This will reduce our exposure to any potential future GHG pricing mechanism which is mandated to a company's direct operations. Switching to more sustainable materials in both packaging and products with the goal of achieving 100% more sustainable materials in ASOS own-brand products by 2030 and 100% of own-brand packaging made from more sustainable or recycled materials by 2025 (page 12). Whilst this is currently a voluntary activity and target for us, it pre-empts and mitigates potential future regulation of products. Improving transparency across the supply chain via Be Transparent FWI goals (page 12). This reduces policy and legal risks by allowing us to identify and fix issues and ensuring external partners and audiences can track our impact.
02	Technology	<p>The substitution of existing technologies to lower emission options provides both an important risk and opportunity for the business.</p>	<p>There is a risk that ASOS may fail to implement or take full advantage of these technologies, potentially resulting in a lack of competitiveness and increased requirement for investment.</p> <p>There is also a risk of suppliers passing on the cost of their investment in such technology to ASOS.</p>	<p>Across the value chain, technology improvements towards lower-carbon alternatives will provide us the opportunity to reduce emissions, drive efficiency and improve quality.</p>	<ul style="list-style-type: none"> This year, we have started working directly with key ASOS suppliers that contribute to ASOS' Scope 3 emissions to assess carbon reduction potentials via Carbon Tech Assessments (CTAs) and identify suppliers to take part in Aii's Carbon Leadership Program¹, funded by ASOS. The programme will deliver a five-year action plan for suppliers, including key financial investments with payback periods. In calendar year 2021, 107 Tier 1 (manufacturing level) facilities completed the Higg Index Facility Environmental Module (FEM) representing 45% of our business by volume. We are continuing to roll out FEM further down our supply chain, particularly to Tier 4 suppliers, who contribute the most to our supply chain carbon emissions, so we can identify opportunities to support suppliers in reducing their energy and carbon emissions with new and existing technology and clear payback periods. Developing robust delivery plans for FWI goals to help prioritise the implementation of initiatives and the allocation of resource and investment to the right areas. Working with key suppliers to trial new technology using lower-impact processes such as digital printing.

¹ <https://apparelimpact.org/apparel-impact-institute-carbon-leadership-project>

Risk	Risk Type	Risk Description	Risk Impact	Opportunity	Mitigation/Response
03	Market	<p>Within the market in which we operate, several changes may result in risk and opportunities for ASOS. Changing consumer preferences are expected to intensify the potential increase in demand for more sustainable products and services.</p> <p>This risk area also includes the cost of raw materials, the cost of capital and voluntary emission offsets.</p>	<p>Not responding to these changing consumer preferences may result in residual risk.</p> <p>As the wider market moves to using more sustainable materials in packaging and products, it may result in an increased cost of these raw materials as demand and supply constraints interact. ASOS, like many fashion brands, aims to increase its use of more sustainable materials which may impact sourcing availability and strategy.</p> <p>ASOS also has a commitment to achieving net zero carbon emissions across its value chain by 2030. Although it is expected that a large amount of these emissions will be eliminated via carbon emission reductions in line with our Science-Based Targets, a residual amount will need to be neutralised through emissions offsets. We have a target to be carbon neutral in our direct operations (offices, fulfilment centres, deliveries and returns) from 2025. The pricing and mechanisms for securing appropriate offsets across the value chain is uncertain. As we decarbonise the business and work to deliver our FWI goals ahead of 2030, the accuracy of these forecasts will improve.</p>	<p>Capitalising on this opportunity by catering to increased consumer demand for more sustainable products could provide a positive business impact in the future.</p> <p>While wider market changes may create risk by increasing the cost of raw materials, increased demand coupled with support from governments and greater investment from the fashion industry may increase supply and reduce costs.</p> <p>There is an opportunity to scale lower-emission technologies such as fibre-to-fibre recycling, which would increase yield of recycled fabric while reducing waste.</p> <p>Building increased transparency of the supply chain and investing in sustainable materials will enable better security of supply and pricing.</p> <p>Additionally, we are seeing across industry that the cost of capital can be reduced when linking financial instruments to ESG targets and positive performance. As the ASOS FWI strategy grows in maturity the opportunity to realise these benefits will become greater.</p>	<ul style="list-style-type: none"> – Continue investing in ASOS FWI goals to reduce carbon emissions and drive greater circularity across the business (pages 11-12). – Continue building transparency of the supply chain (Tiers 1-5). – Provide effective and accurate consumer communication to help customers make more informed purchase decisions and create further opportunities for customers to recycle, resell or donate pre-loved products.
04	Reputation	<p>The perspectives of key stakeholders as the global economy transitions to a low-carbon future will provide risk and opportunity for ASOS. It is understood that investors are increasingly knowledgeable and aware of sustainability when making investment decisions.</p>	<p>There is an inherent risk that stakeholders, including customers, may perceive ASOS negatively. Conversely, effective delivery of efforts in sustainability may result in positive external perceptions of our business.</p>	<p>We can leverage this reputational shift and gain new and greater investment from investors by delivering against our FWI 2030 strategy and understanding and managing our wider ESG risk.</p> <p>Prospective employees are increasingly making decisions on where to work based on these factors.</p> <p>Additionally, other key stakeholders such as NGOs and brand partners are increasingly interested in ASOS' ESG performance and strategy. Meeting the requirements and expectations of those stakeholders will be important to maintain positive relationships into the future.</p>	<ul style="list-style-type: none"> – Understanding the requirements and opinions of our stakeholders and ensuring we are reflecting these in our FWI strategy. – Delivering against our new 2030 FWI commitments and effectively communicating this progress to key stakeholders, externally and internally. – Continue to improve transparency in ESG reporting including further external assurance on data.

Summary

It is understood that ASOS will be exposed to both transition risk and opportunity between today and 2030, across all primary areas: policy and legal, market, technology, and reputation. The mandates and regulation of products are an existing risk which is likely to evolve between now and 2025 and beyond to 2030. Technology will continue to transform, potentially creating risks but also unlocking opportunities for efficiency. The market in which ASOS operates is likely to change, with consumer preferences and the cost of materials shifting to present both risk and opportunity. Finally, the reputation of the Company will continue to be affected by the issue of climate change and managing our relationship with key stakeholders will be key to our future success.

Risk management

Sustainability and climate change is named as one of our principal risks and it is assessed and managed as part of our wider risk management approach. The analysis of climate change and sustainability risk has focused on both physical risks and transition risks.

Our assessment of physical climate-related risks has used leading models and databases within the insurance industry to ensure outputs are robust and comparable to Willis Towers Watson studies. The analysis conducted to understand our climate-related risks and opportunities associated with the transition to a lower-carbon economy has used the ASOS Enterprise Risk Management approach to ensure outputs are comparable across our wider risk landscape. The project team included representatives from the ASOS risk team, who fed into the process and reviewed its findings.

ASOS has an ESG risk register which is formally reviewed every six months. This encapsulates multiple risks across the ESG landscape and feeds directly into our principal risks. The findings from the climate-related physical and transition risk and opportunity assessments will be fed into this ESG risk register to ensure alignment and a consistent management approach.

Metrics and targets

The metrics used to assess climate-related risks and opportunities are Scope 1, 2 and 3 emissions, which are calculated and reported on an annual basis. You can find our latest full Scope 1-2 footprint for FY22 in the table below. Our Scope 3 footprint for our most recent full-year reporting cycle (FY21) is 1,506,834 tCO₂e (See page 13). Due to the detail involved in calculating our Scope 3 emissions, we will be sharing our entire footprint for FY22 in our next FWI Progress Update report, which will be published in April 2023 on our website asosplc.com/fashion-with-integrity/reports-and-policies/.

ASOS has published its carbon emissions since 2012 and has recently launched a new set of carbon reduction targets, verified by the SBTi in 2021. We have also recently committed to report our full Scope 1, 2 and 3 carbon emissions on an annual basis, you can find these for the most recently completed reporting year (FY21) on our website asosplc.com/fashion-with-integrity/reports-and-policies/.

We also publish our up-to-date Scope 1 and 2 emissions in line with the Streamlined Energy and Carbon Reporting (SECR) requirements. For FY22, these can be found on page 108 of our latest Annual Report https://asos-12954-s3.s3.eu-west-2.amazonaws.com/files/7416/6800/7730/ASOS_AR2022_Interactive_3November.pdf.

For FY22, we have also enhanced our reporting by seeking external assurance for our Scope 1 and 2 emissions for the first time. PricewaterhouseCoopers LLP (PwC) conducted an independent limited assurance engagement on selected GHG emissions data (shown with the symbol [Ⓐ]) for the year ended 31 August 2022 in accordance with International Standard on Assurance Engagements 3000 (revised), and the International Standard on Assurance Engagements 3410, issued by the International Auditing and Assurance Standards Board. A copy of PwC's report and our methodology to which it relates is available on our website asosplc.com/fashion-with-integrity/limited-assurance/. This will add further robustness to our data and transparency, and we will be working with PwC in the coming months to develop an assurance plan for wider FWI and ESG metrics.

Location based emissions	Unit of measurement	FY22	FY21	% change
Total global Scope 1 emissions from combustion of gas	tCO ₂ e	3,351 [Ⓐ]	3,602	-7%
Total global Scope 2 emissions from purchased electricity – location based	tCO ₂ e	11,497 [Ⓐ]	11,338	1%
Total global gross location based emissions	tCO ₂ e	14,848	14,940	-1%

Market based emissions	Unit of measurement	FY22	FY21	% change
Total global Scope 2 emissions from purchased electricity – market based	tCO ₂ e	2,860 [Ⓐ]	3,150	-9%
Total global gross market based emissions	tCO ₂ e	6,211	6,752	-8%

In September 2021, we launched our new 2030 Programme for Fashion with Integrity, reaffirming our commitment to doing business responsibly by minimising our impact on the planet and delivering positive benefits for people.

This programme has four key goals: Be Net Zero, Be More Circular, Be Transparent and Be Diverse. Underpinning each is a series of metrics and key performance indicators (KPIs) so we can measure and communicate our progress.

Through this financial year we have focused both on embedding these KPIs within the business and beginning to deliver against our targets. We published our first ever Fashion with Integrity (FWI) Progress Update report in April 2022, reporting back on our results in FY21 and giving a glimpse into our key activities for FY22.

— Read our FY21 FWI Progress Update report on asosplc.com/fashion-with-integrity

This report provides a further update on our FY22 progress towards these goals. More details on these, and performance against our KPIs for FY22, will be published in our next Progress Update report in April 2023.



Fashion with Integrity



For a full definition of our goals and KPIs and our latest full-year performance data for FY21, head to asosplc.com/fashion-with-integrity

Be Net Zero

KPI 01

Reduce Scope 1 and 2 emissions/order by 87% by 2030 vs 2018/19 baseline

FY22 update

We've rolled out an energy management system across all key operational sites with our partners, Amber Energy. This helps us to regularly track energy consumption as well as identify and deliver energy-efficiency projects.

KPI 02

Reduce own-brand product emissions/£profit by 58% by 2030 vs 2018/19 baseline (Scope 3)

FY22 update

We've continued to engage our suppliers on sustainability. Over 70% of Tier 1 and 22% of Tier 4 factories by volume have now completed the Higg FEM (Facility Environmental Module), offering a view into their environmental performance. We also held a supplier webinar series and directly engaged with a proportion of our Tier 1 & 4 factories on reducing carbon and energy use.

KPI 03

Reduce transportation emissions/£profit by 58% by 2030 vs 2018/19 baseline

FY22 update

We've explored ways of engaging customers on less carbon-intensive delivery methods and are looking at more ways to do this across key territories. We have set up a new partnership with Maersk for the inbound movement of goods and, to support this, together we are developing a sustainability roadmap.

KPI 04

Two-thirds of partner brands (by emissions) signed up to setting targets in line with Science Based Targets initiative requirements by 2025 (Scope 3)

FY22 update

We've engaged over 300 partner brands through a new self-assessment questionnaire which has been updated to include information on their environmental impact and carbon emission reduction targets. We've also started to create open resources to guide and educate brands towards reducing emissions and setting verified Science-based Targets.



For a full definition of our goals and KPIs and our latest full-year performance data for FY21, head to asosplc.com/fashion-with-integrity/

Be More Circular

KPI 01

100% of own-brand products made from recycled or more sustainable materials by 2030

FY22 update

We've developed and rolled out a new sustainable material certification database, onboarding our largest sustainable material suppliers. We've also expanded our list of approved more sustainable materials to include materials such as ECONYL® regenerated nylon and TENCEL™ x REFIBRA™.

KPI 02

We commit to defining our public-facing circularity strategy by 2023 so we can embed circular design principles by 2030

FY22 update

In November, we co-published an external version of our circular design guidebook with the Centre for Sustainable Fashion, UAL. In June, we launched our second circular design collection, building on what we learnt from our first collection at the start of FY21.

KPI 03

100% of own-brand packaging will be made from recycled materials and be widely recyclable by 2025

FY22 update

As part of our commitment to reduce the amount of packaging we use, we removed unnecessary product packaging from Topshop and Topman ranges.

KPI 04

Facilitate programmes for recycling and reuse in key markets by 2030

FY22 update

As part of the launch of our second Circular Design Collection in June, we launched a partnership with pre-loved clothing resale platform Thrift+, making it easier for our customers to extend their clothes' life.

Be Transparent

KPI 01

100% of ASOS own-brand products will have supply chains mapped to raw material level by 2030, extending our existing supply chain mapping

FY22 update

We've completed 536 audits since September 2021, covering 73% of our supply chain. All suppliers inherited from the acquisition of Topshop, Topman, Miss Selfridge and H&M have now been audited. As part of our work on mapping our raw material supply chain, we've mapped 75% of our viscose supply chain (Tiers 1-5).

KPI 02

100% of partner brands on ASOS will have committed to the Transparency Pledge and ASOS Ethical Trading policy by 2025

FY22 update

Our self-assessment questionnaire for partner brands has been updated to include, as a minimum requirement, their commitment to sign the Transparency pledge. A new third-party brands Ethical Trade Policy was published on the ASOS Plc website with communications sent to all third-party brands in May.

KPI 03

From 2023, we will publish annual human rights strategy and implementation reports for independent monitoring by existing partners and external campaign groups

FY22 update

We've started a Human Rights saliency assessment which will help us to prioritise our activities in this area.

KPI 04

Customers will easily be able to view and interact with information on the sustainability credentials of 100% of ASOS brand products by 2030

FY22 update

This remains really important to us, so we are actively working on trialling solutions, including using QR codes on product labels to give more transparency.

Be Diverse

KPI 01

At least 50% female and over 15% ethnic minority representation across our combined leadership team by 2023 and at every leadership level by 2030

FY22 update

Female representation across combined leadership team has increased to 45% with ethnic minority representation increasing to 10%. We'll report more on these figures in April 2023.

KPI 02

Over 40% female representation in Technology, Product Management and Data Science roles by 2030

FY22 update

Female representation across these roles has increased to 31%.

KPI 03

Zero statistically significant differences in engagement scores and functional attrition rates across all demographics from 2030, with all ASOSers able to be their authentic selves at work

FY22 update

This year, we've taken a number of steps to ensure everyone at ASOS has the confidence to be whoever they want to be. While there remains a 3pt difference between our highest and lowest engaged demographics, we are closing the gap.

KPI 04

We'll publish a Diversity, Equity and Inclusion strategy and roadmap for the ASOS platform, our customers and our people by 2023

FY22 update

We are working to develop this strategy, which includes a range of external programmes. We successfully partnered with the British Paralympic Association, kitting out ParalympicsGB teams at the Tokyo and Beijing Games for formal and ceremonies wear. We also launched our second South Asian wedding collection and developed a new partnership with the Safe Space Alliance for Pride 2022.

GHG Scope and Category	Total Emissions (t CO ₂ e)	% of total
Scope 1	3,596	0.2%
Scope 2 – market based	3,150	0.2%
Scope 3: 1a: Purchased goods and services (product)	849,659	56.1%
Own brands	290,812	19.2%
Partner brands	558,847	36.9%
Scope 3: 1b: Purchased goods and services (non-product)	58,718	3.9%
Scope 3: 2: Capital goods	41,007	2.7%
Scope 3: 3: Fuel and energy related activities	3,156	0.2%
Scope 3: 4: Upstream transportation and distribution	215,192	14.2%
Scope 3: 5: Waste generated in operations	485	0%
Scope 3: 6: Business travel	99	0%
Scope 3: 7: Employee commuting	9,195	0.6%
Scope 3: 11: Use of sold products	303,963	20.1%
Scope 3: 12: End-of-life treatment of sold products	25,359	1.7%
Total Scope 1 and 2 emissions – market based (t CO ₂ e)	6,747	
Total Scope 3 emissions (t CO ₂ e)	1,506,834	
Total Scope 1, 2, and 3 emissions – market based (t CO ₂ e)	1,513,581	