

asos

**Carbon 2020**  
**Progress report**  
**2018 - 2019**

# About ASOS

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ASOS is an online retailer for fashion-loving 20-somethings around the world, with a purpose to give its customers the confidence to be whoever they want to be. Through its market-leading app and mobile/desktop web experience, available in ten languages and in over 200 markets, ASOS customers can shop a curated edit of 85,000 products, sourced from 850 of the best global and local third-party brands and its mix of fashion-led in-house labels. ASOS serves its 20 million active customers from fulfilment centres in the UK, US and Europe, delivering ASOS packages to almost every country in the world.

## ASOS' Fashion With Integrity Programme

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We are committed to reducing our greenhouse gas emissions as part of our core Fashion With Integrity (FWI) programme.

FWI epitomises how we approach our work. It's about managing our business transparently, minimising the negative effects of the fashion industry and using our influence to make socially responsible choices every day.

FWI has four pillars: our products, our business, our customers, and our community.

- Our products: Respecting people and the planet with products that our customers can trust;
  - **Our business: Achieving growth in a way that adds social value and prevents or minimises environmental impacts now, and in the future;**
  - Our customers: Giving young people the confidence to be whoever they want to be;
  - Our community: Investing time and resource to make a real difference in our communities.
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# Foreword - Nick Beighton

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It has never been more important for businesses to step up and take account of the environmental impact associated with their operations. The climate crisis has crystallised the challenges that industry must face if we all are to continue to thrive. Customers – particularly those fashion-conscious 20-somethings that ASOS serves globally – are more engaged, interested and discerning than ever before.

For ASOS, the environment and our impact upon it has been a critical focus area for a number of years. Our Fashion With Integrity strategy runs throughout our company, informing every decision we make across four main pillars: our products, our business, our customers, and our community.

This report focusses specifically on the 'our business' pillar and the work we have completed over the past few years to reduce our carbon emissions and decouple our growth from our impact on the environment.

In 2015, I signed off a new carbon strategy, 'Carbon 2020,' which defined how ASOS, through the delivery of six big ambitions, planned to meet its goal to reduce carbon intensity – grams of carbon dioxide per customer order – every year until 2020.

Those ambitions focussed on reducing emissions relating to our customer deliveries and returns, order packaging, energy efficiency, reducing energy consumption, and switching to renewable energy sources.

They were broad aims that helped us to define and focus our work on short-term goals. Four years on from the launch of Carbon 2020, we're incredibly proud to have achieved everything we set out to – with a landmark reduction in carbon intensity per customer order of a staggering 30% since 2015, with consecutive reductions delivered every year since the strategy launched.

In the same period, we've grown significantly as a business - from £1.44bn of revenues and 12.4m customers to £2.73bn of revenues and more than 20.3m customers across the world. That we were able to reach that growth while reducing our emissions on a per order basis is a testament to the hard work of our teams here at ASOS.

Of course, our Carbon 2020 strategy comes to a close this calendar year. As such, in the next few months we'll be setting out our ambition for the next ten years in line with what the science tells us is required, helping set us on a course for a sustainable, environmentally responsible future. I look forward to sharing more information on those commitments shortly and bringing all of our customers and stakeholders on that journey with us.



Nick Beighton  
CEO, ASOS PLC

# Performance Highlights

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**3 years**

of consecutive  
reductions in  
carbon emissions  
per order

**30%**

Reduction in  
carbon emissions  
per order since  
2015/2016

**18%**

Reduction in  
customer delivery  
emissions in  
2018/2019

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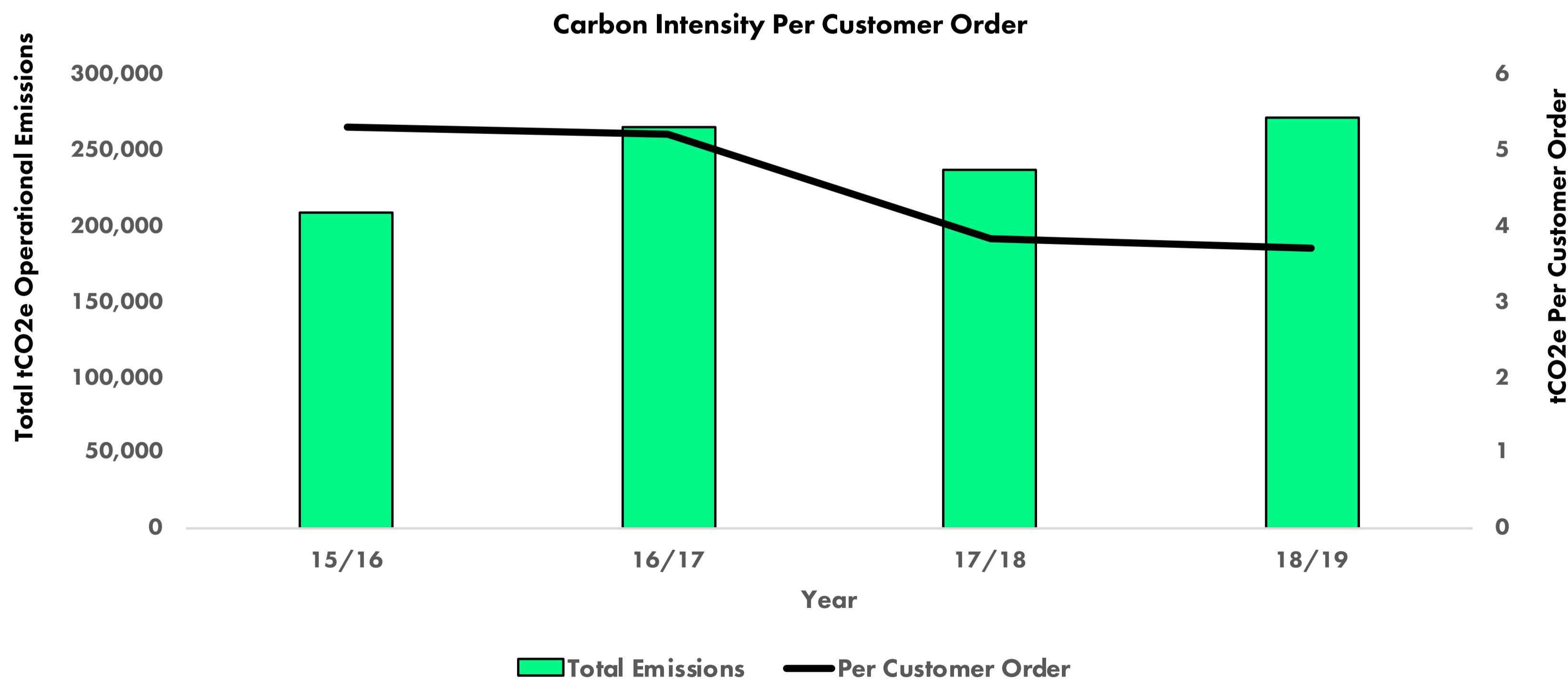
# Carbon 2020 Summary

In 2015, we launched our Carbon 2020 strategy with a target to reduce operational carbon emissions per customer order every year until 2020. The strategy defined key ambitions for ASOS, which have driven forward action on three main fronts: increasing energy efficiency, reducing delivery and packaging emissions, and increasing our use of renewable energy. Since its launch, Carbon 2020 has delivered significant progress in each of these areas throughout our business, and four years on we can report a dramatic reduction in carbon emissions per order as a result.

Since 2015/16, we have achieved a 30% reduction in carbon emissions per order, with reductions noted in each consecutive reporting year. During

this period, ASOS has grown significantly, from a £1.44bn-revenue business with 12.4m customers to a £2.73bn revenue business with 20.3m customers. As a result, we have seen total emissions over this period rise, however through our Carbon 2020 strategy we have delivered an improved performance on a per-order basis.

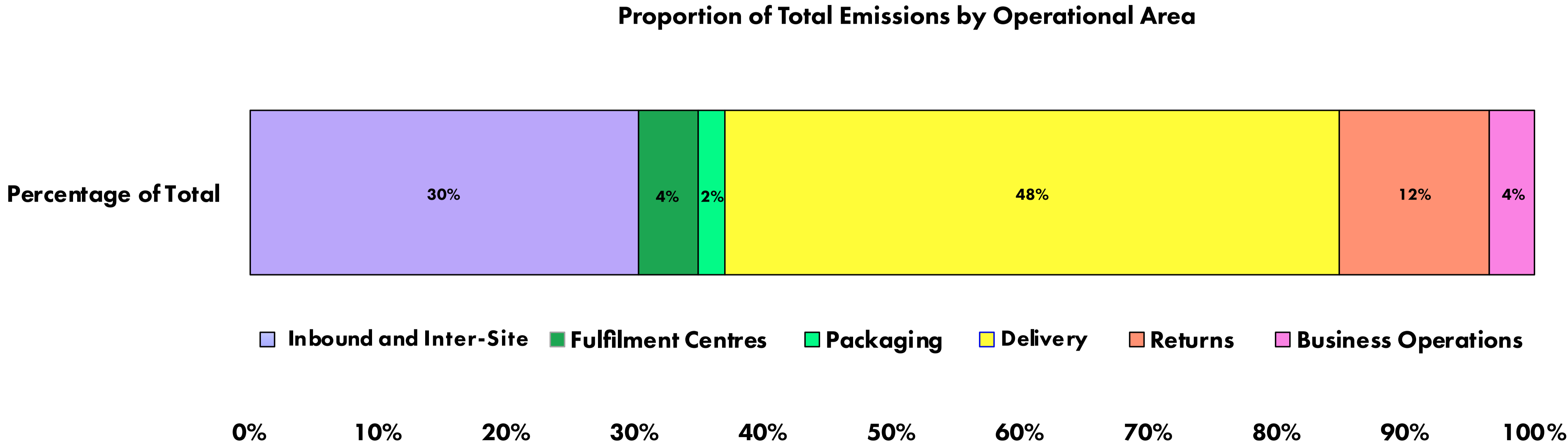
In 2018/19, total emissions were 271,016 tonnes CO<sub>2</sub>e, growing by 14% when compared to the previous year (2017/18: 237,001 tCO<sub>2</sub>e). However, the number of orders we fulfilled also increased, while emission intensity (tCO<sub>2</sub>e/order) decreased by 3% year-on-year, making it the third year in a row where our intensity per order fell.



# 2018/19 Performance Breakdown

We can break down the carbon emissions associated with how ASOS operates into six areas: inbound and inter-site deliveries, the operation of our fulfilment centres, packaging, delivery to customers, customer returns, and our general business operations. These areas encompass the complete end-to-end journey of fulfilling a customer order and include things like the energy used in our offices and business travel. The emissions associated with the manufacture and use of products we sell is not included within this report or the Carbon 2020 strategy but remains an area we continue to work on. For more information on how we're improving the sustainability of our products please click [here](#).

The below graphic demonstrates how each operational area contributes to ASOS's total carbon emissions. The most significant area is the delivery of orders to our customers, accounting for 48% of our total emissions. Although we have reduced emissions within this area by 18% this year, it remains the most material part of our footprint and is a continued focus. The transportation of goods to and between our fulfilment centres accounts for 30% of emissions, and the emissions associated with goods returned to us by customers make up 12% of our total. The running of our fulfilment centres, general business operations and packaging comprise the final 10%. The following sections will provide more detail on the performance of each area and how emissions are being managed throughout the journey of a product sold on ASOS.



# Inbound and Inter-Site Deliveries

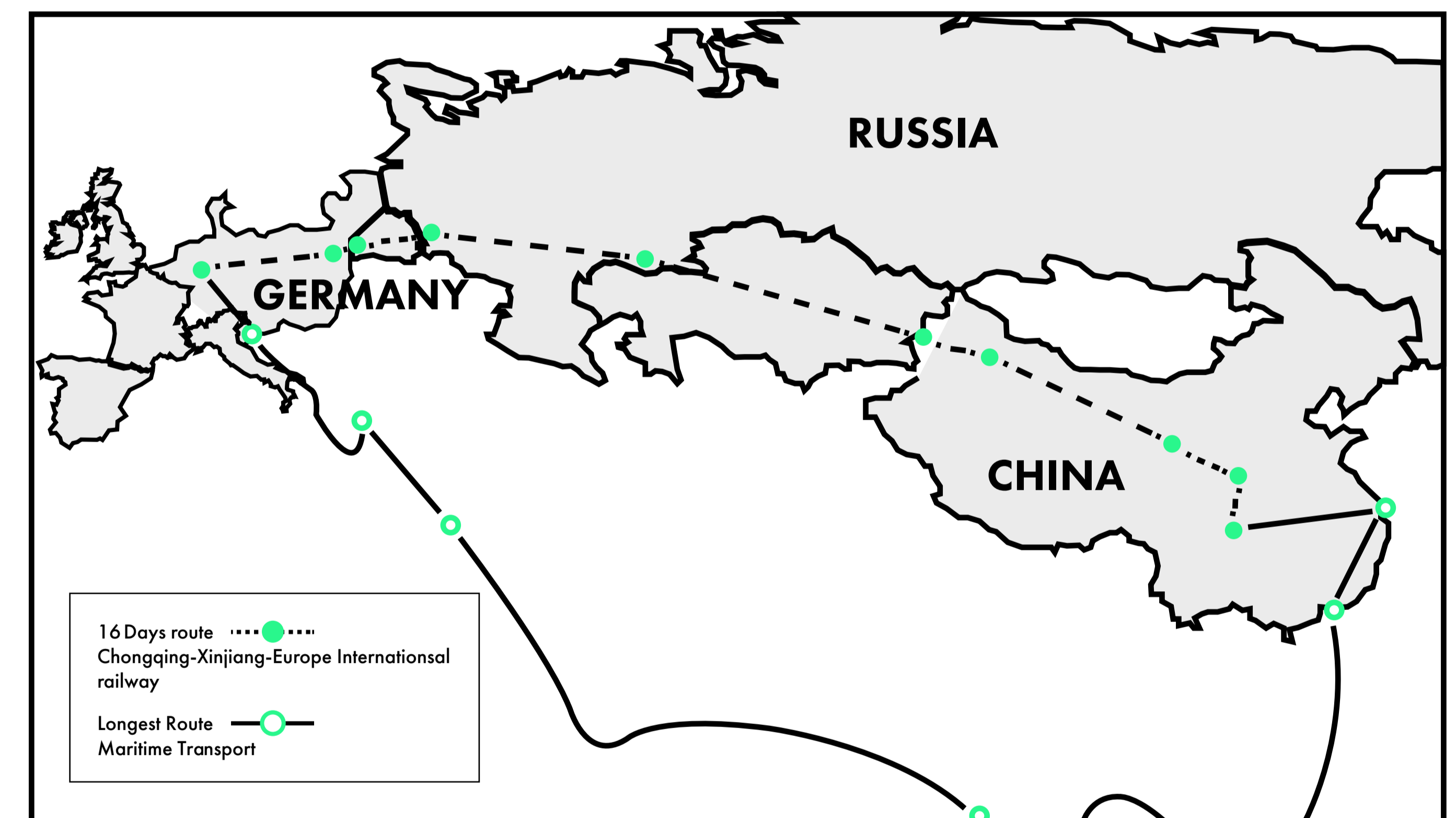


The first key operational area is the delivery of stock to and between our fulfilment centres for it to be processed and delivered to customers. This accounted for 81,896 tCO<sub>2</sub>e emissions in 2018/19, 30% of total emissions. Over the past year these emissions increased by 55,781 tCO<sub>2</sub>e, primarily due to the opening of our new fulfilment centre in Atlanta in 2018.

Following the opening of the Atlanta fulfilment centre it was important to ensure we had the right stock levels to match the demand of our local customers in the USA. This led to a significant increase in the amount of stock transported between our sites, which increased associated emissions. The opening of the Atlanta site had a positive impact on other operational emissions however, particularly for customer deliveries. US orders can now be served from Atlanta rather than from the UK, significantly improving delivery times and environmental impact. The details of this are discussed in greater detail within the “customer deliveries” section on page 10.

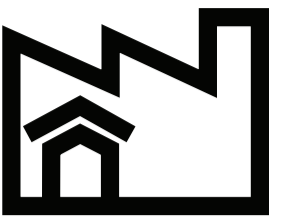
Further to this rise in inter-site emissions we also saw a 72% increase in the emissions resulting from the inbound transportation of goods from factories to our fulfilment centres. This can be explained in part by a 9% growth in the tonnage of goods freighted but was mainly caused by an increase in the amount of goods transported by air freight as opposed to sea, road or rail (14% of total tonnage air freighted in 2018/19 vs 8% in 2017/18). We understand the impact that air freighting has on our transportation emissions and are working with our logistics partners to trial new and more efficient solutions for moving goods. One trial we conducted this year was transporting stock from China to Europe via rail as opposed to air. We calculate that this could reduce emissions by 94% when compared to air freighting and provides a quicker alternative to shipping.

The increase in total inbound emissions was also affected by the need to transport goods to our new Atlanta site from our factories. Although impactful to both inbound and inter-site emissions this year, this new facility will support further long-term reductions in customer delivery and returns emissions, as we take advantage of regional fulfilment from a US base and begin to ship directly from factories to our new fulfilment centre.



*“Trial representing transportation of inbound goods from China to Germany via rail as opposed to air, presenting emissions-saving opportunities of 94%.”*

# Fulfilment Centres



Once goods are received into our fulfilment centres they are then processed to be sold and delivered to customers. The primary cause of emissions from fulfilment centres is the use of energy to heat, cool, and operate the facilities. These emissions made up 4% of our total operational footprint in 2018/19.

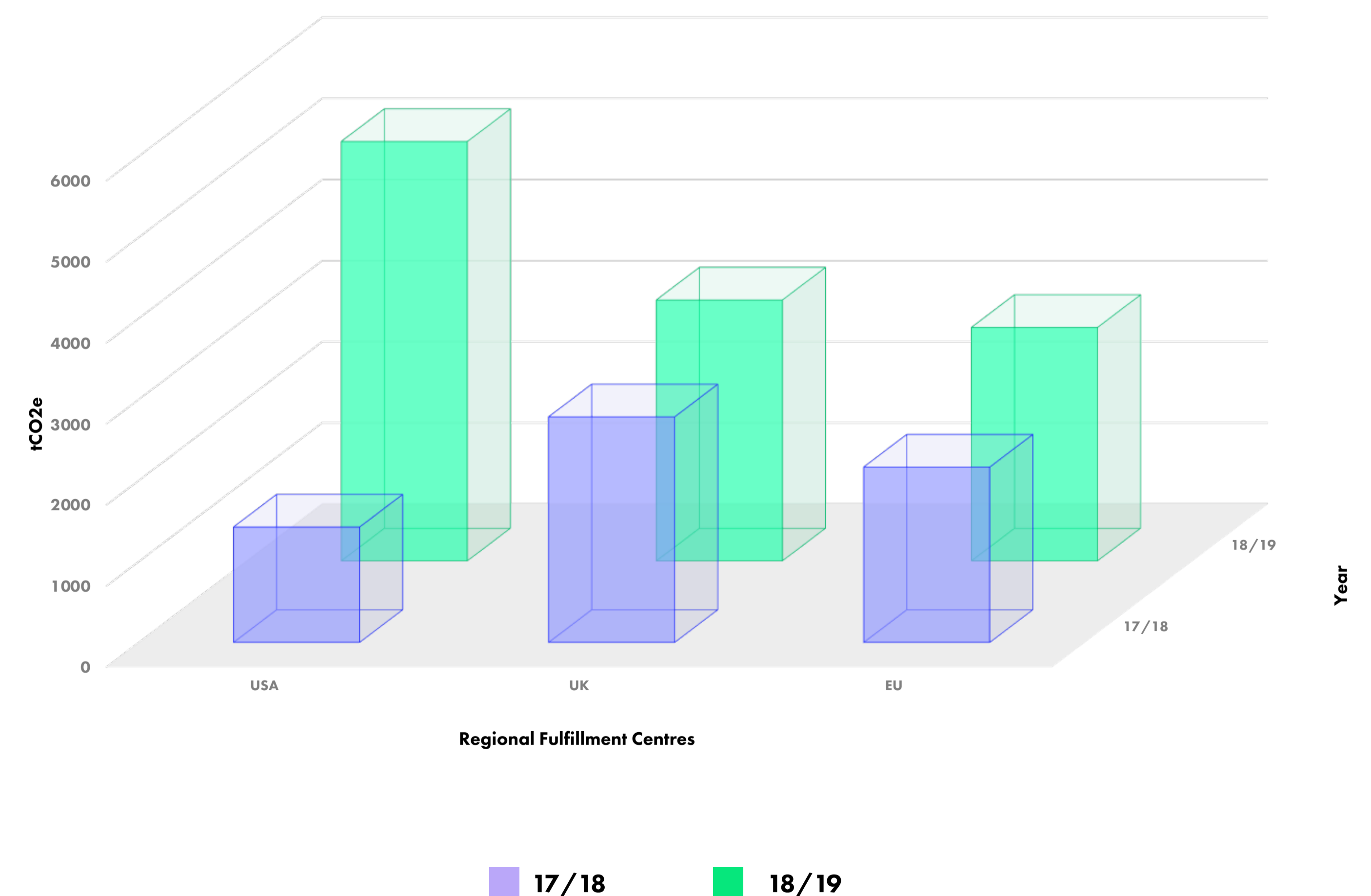
Overall, emissions associated with our fulfilment centres have increased by 77% when compared to the previous year. Again, this was primarily driven by the opening of the new fulfilment centre in Atlanta, which became fully operational during the course of the year. We also recorded very small increases in emissions associated with our fulfilment centres in Barnsley and Berlin. This was caused by increasing the levels of automation equipment at both sites which increased energy demand. Although total energy consumption and linked emissions have increased across our fulfilment centres, the increased coverage and automation capabilities we now have will enable us to reduce overall operational emissions per order in the long-term.

We can cut the emissions associated with our fulfilment centres in two primary ways: reducing energy consumption and increasing the amount of renewable electricity we purchase. During the reporting year we made good progress on both.

Ahead of the ESOS<sup>1</sup> phase 2 deadline we completed energy efficiency audits across our buildings in the UK and identified opportunities for energy reduction, including in our sites at Barnsley and Doncaster. We also developed our first ever global energy management and procurement framework with Amber Energy. Working with Amber we are now improving the energy consumption data we receive for all our fulfilment centres and

have launched an online system to track and analyse energy performance. We have also agreed an energy purchasing framework to procure more renewable electricity globally to further reduce emissions.

In addition to purchasing more renewable electricity we are also investigating opportunities to install our own renewable power systems. Following the successful installation of a solar PV system at our offices in London we have developed the business case for a large PV system at our fulfilment centre in Berlin with a view to begin installation in early 2020.



<sup>1</sup>ESOS stands for Energy Savings Opportunity Scheme- A programme implemented in UK legislation for businesses to better understand opportunities for energy savings and increased efficiency.

When compared to the previous year, total emissions associated with packaging increased by 10%, however this was caused by a 17% rise in the total number of mailbags and boxes we needed to fulfil customer orders. On a carbon emission intensity basis, emissions related to our cardboard boxes were unchanged, while our plastic mailbags saw a 4% reduction in associated emissions per bag. This reduction in carbon intensity was delivered by decreasing the number of microns (bag thickness) across all bag sizes.

As recent signatories of the Ellen MacArthur Foundation's New Plastic Economy Commitment we have agreed to new 2025 targets for plastic packaging aimed at ensuring 100% of our packaging is reusable, recyclable or compostable; achieving 100% recycled content within our mailbags; reducing any unnecessary packaging; and trialling innovations such as reusable packaging. Our plastic mailbags are already made from 25% recycled content and are 100% recyclable and we have plans to improve this even further in line with our new commitments. This will have a direct impact on packaging emissions. For example, in early 2020 the amount of recycled content in our bags will increase to 65%, leading to a significant 27% reduction in carbon emissions per bag. We are committed to this positive change and are looking for other ways of making our packaging more sustainable.

## Packaging 9

***"In early 2020 the amount of recycled content in our bags will increase to 65%, leading to a significant 27% reduction in carbon emissions per bag"***

**HEY, GUESS WHAT?  
I'M MADE FROM  
65% RECYCLED MATERIALS  
AND, BETTER STILL,  
I'M 100% RECYCLABLE.**





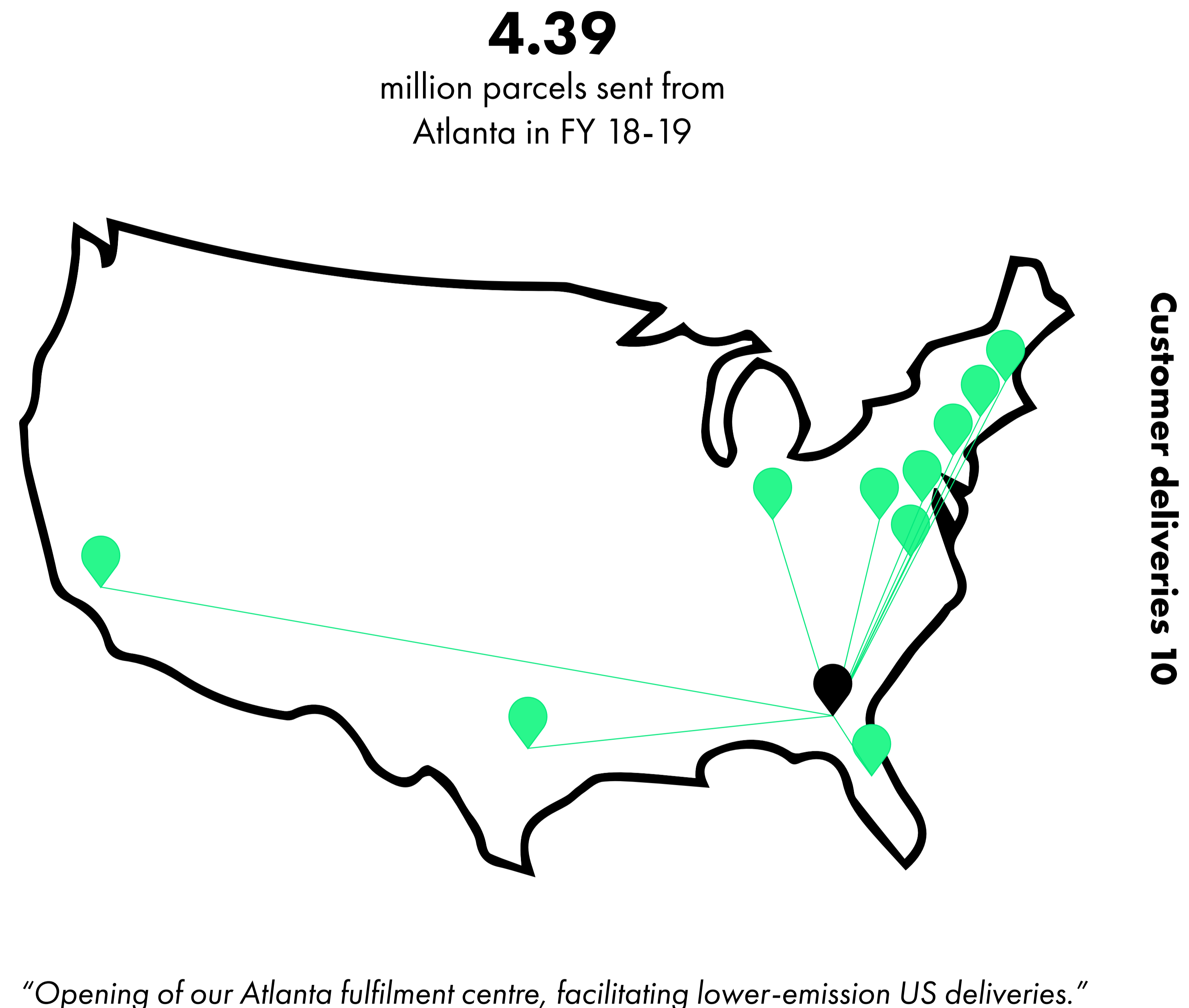
# Customer Deliveries



The bulk of our emissions are associated with delivering orders to customers. As a global business we're trying to ensure we can deliver to all customers as conveniently and efficiently as possible and in 2018/19 we made great strides in reducing the environmental impacts of our deliveries as well. Total emissions from customer deliveries were 129,765 tonnes (CO<sub>2</sub>e) in 2018/19, which was 18% lower than the previous year despite a 17% increase in parcels delivered. On a per order basis, emissions were reduced by 30% between 2017/18 and 2018/19.

A large proportion of this reduction was made possible by the opening of our fulfilment centre in Atlanta in 2018/19, allowing us to start serving US customers via road transport and shorter-distance air deliveries instead of fulfilling all orders from the UK via long-distance air freighting. In the year of its opening, the number of US orders fulfilled from the UK reduced by 48%, with the majority of orders delivered via Atlanta. This resulted in a 59% reduction in associated carbon emissions per order for US customers. As the fulfilment centre in Atlanta continues to mature in operation we will see this shift increase further in the 2019/20 year with emissions expected to continue to fall.

We also continue to work with European delivery partners to reduce carbon emissions and increase the number of deliveries made in low or zero-emission vehicles. This not only helps to reduce our impact on the climate but also contributes to improving air quality in urban areas where many of our customers are based.

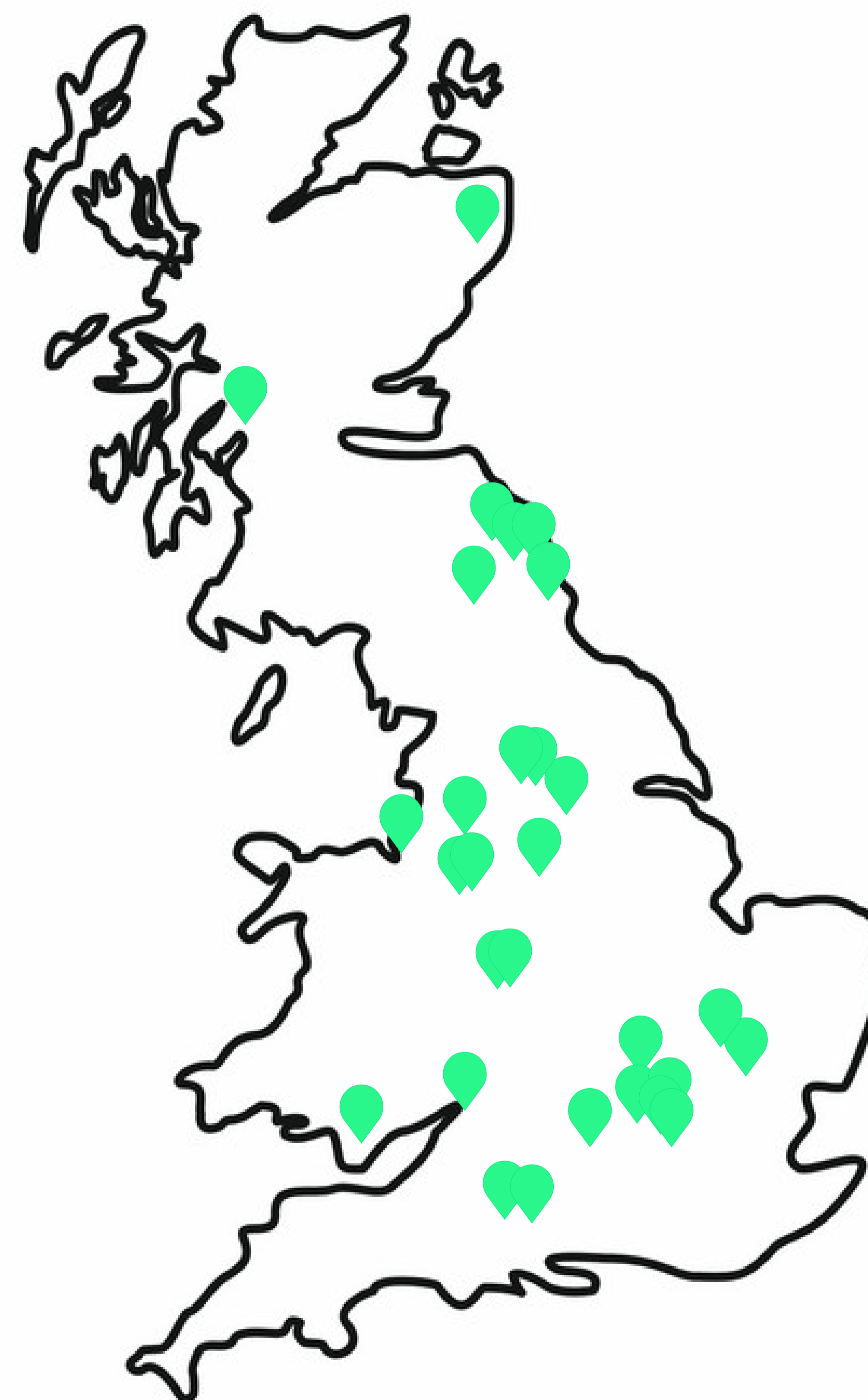
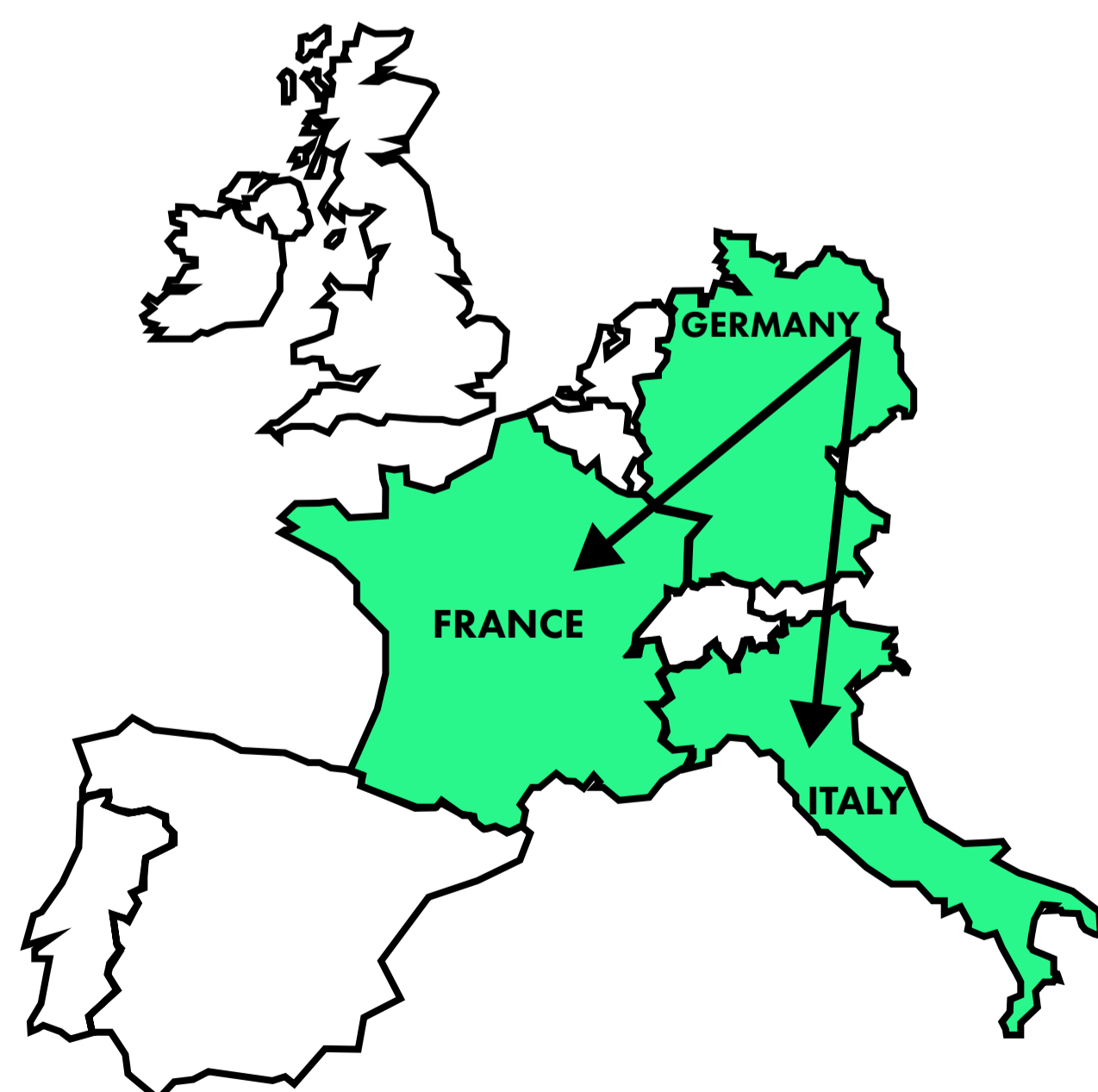




In 2018, we began to work closely with delivery partners to increase the number of deliveries made in London via electric vehicles (EVs) and in 2019 we successfully made over 1 million deliveries to London customers with zero delivery emissions and zero contribution to air pollution. Following the great success of transitioning to an electric fleet in London we are now working with partners to expand the coverage of EV deliveries across the rest of the UK. We currently serve 50 non-London postcodes where at least 75% of deliveries are made via EVs and we're working to increase this coverage even further in 2020.

In France and Italy, we've also been able to maintain customer delivery expectations while significantly reducing outbound emissions, by switching all Next-Day Delivery routes to road rather than air freight.

In Europe, total carbon emissions per order fell by 15% in 2018/19, in part helped by the increased efficiency of our logistics partners' fleets and our move away from air freighting. We will continue to work with our partners on reducing the environmental impact of our customer deliveries and support them in their transition to more sustainable transport fleets and delivery methods.

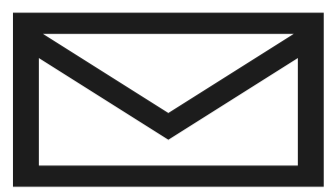


## Customer deliveries 17

*"Non-London UK postcodes where at least 75% of deliveries are made with EVs."*



# Customer Returns

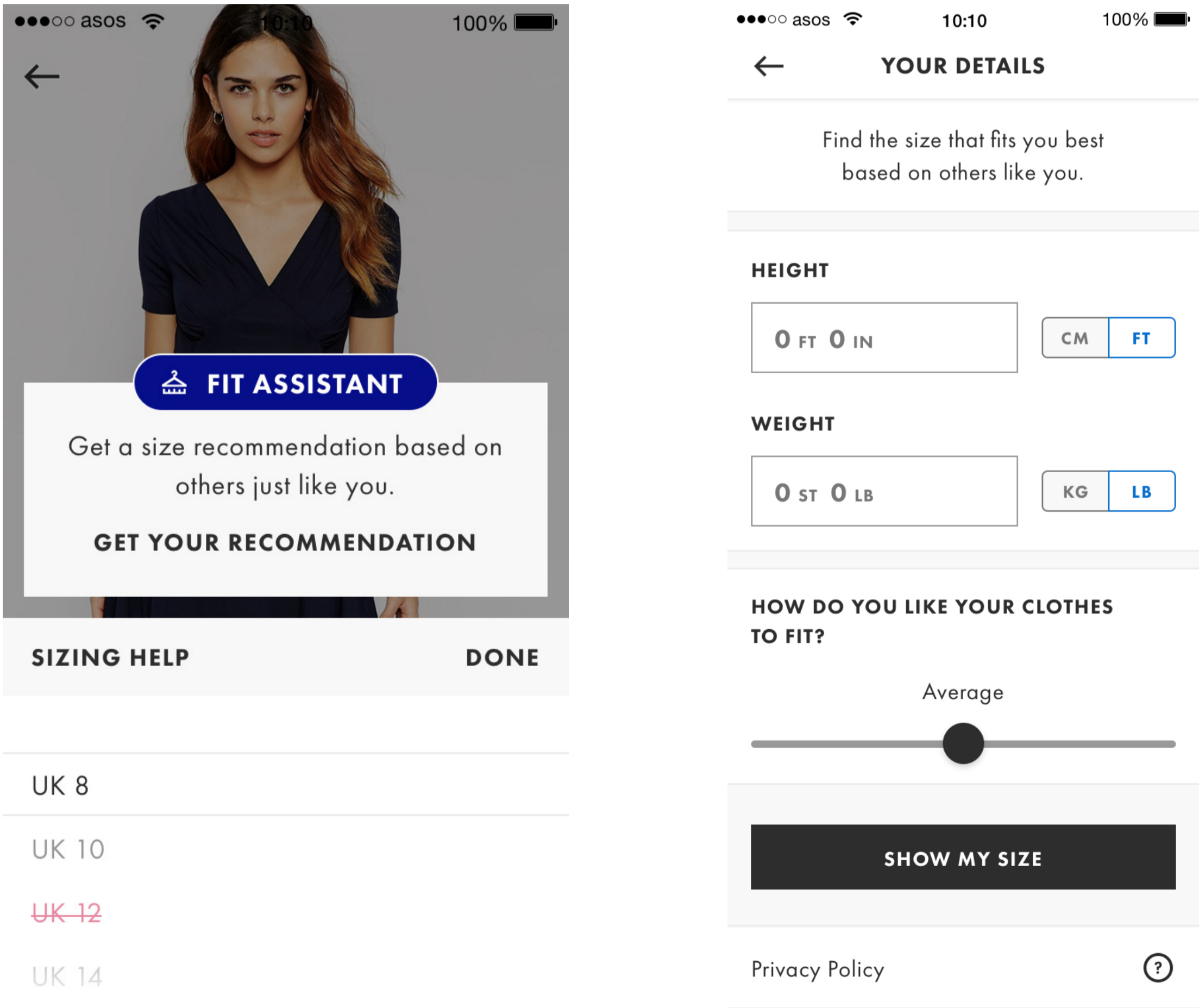


For the first year we are splitting out the emissions directly caused by customer returns. As an online-only retailer we understand that returns are a part of our business model, but we need to ensure we’re tracking their environmental impact and managing it appropriately. During the performance year, emissions generated by customer returns made up 12% of our total footprint at 31,586 tonnes CO2e. This was a slight increase (4%) on the previous year.

Total emissions caused by customer returns increased due to a larger volume of returned orders received during the year, however, this was offset by the emissions per returned parcel decreasing by 24%.

To help reduce the environmental impact of the returns process, we have improved the location and coverage of returns processing centres that receive returned items before they are transferred to a fulfilment centre for redistribution. In the USA we have improved the efficiency of the returns process so all returns are sent directly to our new Atlanta fulfilment centre where they can be reprocessed on site ready to be fulfilled again. In Europe we have also increased returns processing efficiency by launching a new returns site in the Czech Republic, where product received is processed and then transferred to our fulfilment centre in Berlin for redistribution. This has been further optimised by the opening of an additional returns processing centre in the UK which supports our new capacity requirements.

The most effective method of reducing the emissions associated with returns is reducing the volume of returns we receive in the first place. We are working on this in many ways. We recently launched Fit Assistant, a tool designed to help customers get the right size, first time, and we’re exploring other ways we can use technology to make ordering online easier for customers and reduce the volume of returns we receive.



Over the past year, ASOS has introduced more robust travel policies to help reduce the number of flights and hotel stays employees take abroad. This has led to a significant reduction in flight emissions (-24%) and hotel emissions (-44%) across the business. In addition, we have seen a decrease in travel in business and first-class flights which generate higher carbon footprints. Where business travel was required, employees have moved to less carbon-intensive means of travel, including trains and car hires.

The donut chart illustrates the distribution of CO2 emissions across three categories: Business Travel (red), Data Centre (blue), and Staff Offices (grey). The bar chart shows the total CO2 emissions for the years 17/18 and 18/19.

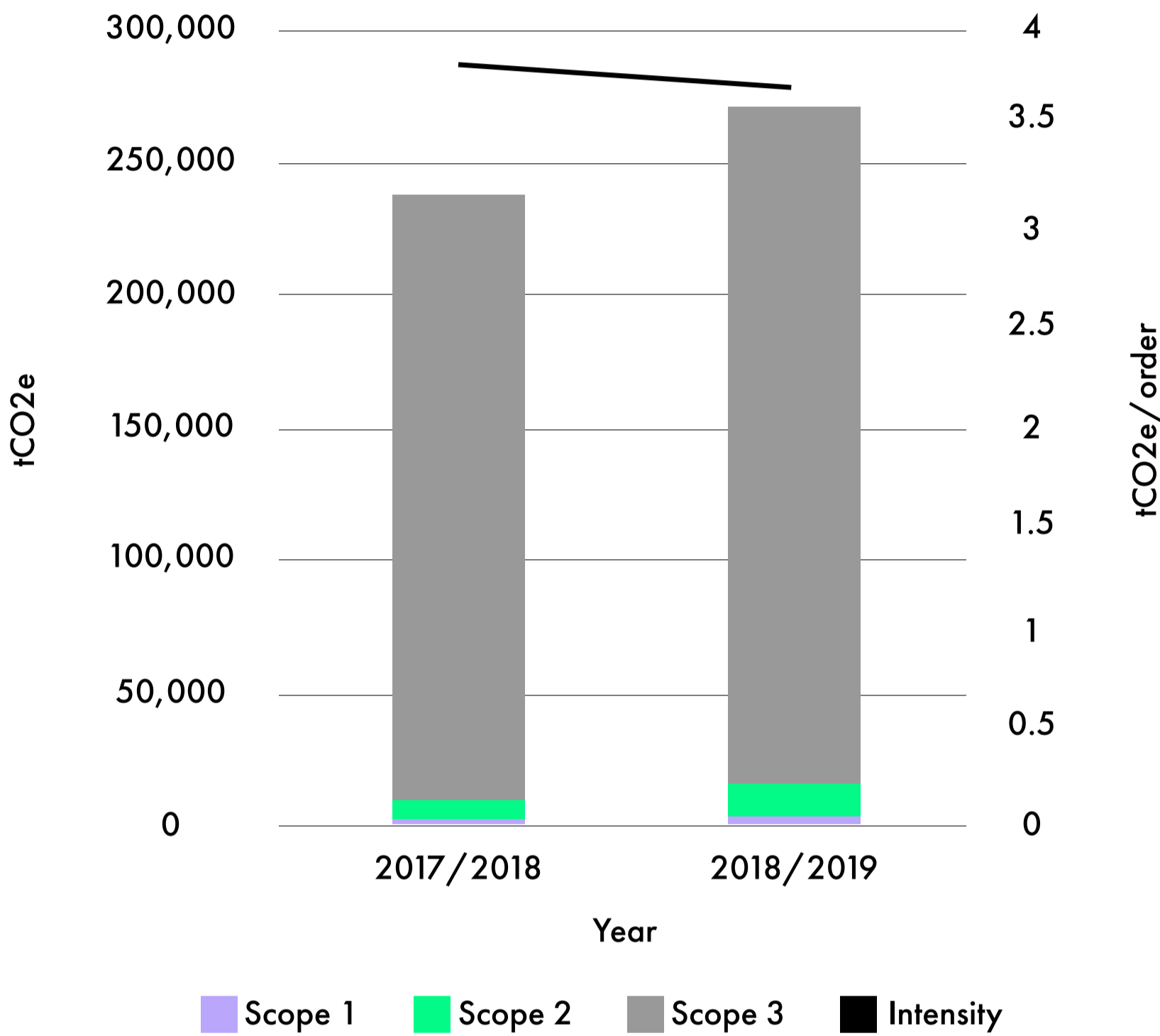
Category	17/18	18/19
Business Travel	7356	5318
Data Centre	-	-
Staff Offices	-	-
<b>Total</b>	<b>7356</b>	<b>5318</b>

We are also making progress in the amount of renewable electricity we purchase to power our operations. During the last reporting year, 25% of all UK electricity usage was supplied via certified renewable energy contracts including our customer care centre, our site in Doncaster and our data centre. As part of our new energy management and procurement framework we are committed to increasing the amount of renewable electricity we purchase across all our operations and will develop a new energy procurement strategy which reflects this ambition.

# Carbon Emissions By Scope

Tonnes CO2e	2017/2018	2018/2019	% Change
Scope 1	1,885	3,279	74%
Scope 2 (Location) <sup>2</sup>	6,920	11,979	73%
Scope 2 (Market)	4,808	9,202	91%
Scope 3	228,196	255,758	12%
Total (Location)	237,001	271,016	14%
Total (Market)	234,889	268,239	14%
Total orders	62,079,321	72,826,805	17%
Intensity (Location) kgCO2e/order	3.82	3.72	-3%
Intensity (Market) kgCO2e/order	3.78	3.68	-3%

ASOS scope 1,2 & 3 emissions and intensity



Further to these key operational areas, we also split out carbon emissions by scope in line with the principles of the Greenhouse Gas Protocol:

- Scope 1 emissions come from sources that are owned or controlled by the company, such as natural gas consumption
- Scope 2 emissions account for greenhouse gas emissions from electricity and heat that is purchased from and generated by a third party
- Scope 3 includes all other indirect emissions such as those from customer deliveries, business travel and commuting

## ASOS scope 1, 2, 3 emissions and intensity

Overall emissions have grown 14% for both location- and market-based factors with the largest increases recorded in scopes 1 and 2. The increase recorded in total scope 3 emissions was less than that for scope 1 and 2, due to emissions reductions in scope 3 categories such as customer deliveries. Between the two performance years, total orders increased by 17%, resulting in a 14% increase in overall location- and market-based emissions, but a 3% reduction in emission intensity on a per-order basis for both location and market factors.

<sup>2</sup> Location-based emissions are calculated using national electricity grid averages whereas Market-based emissions are calculated using supply-specific factors.

# Carbon Smart Opinion Statement

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This statement provides ASOS plc and its stakeholders with a third-party assessment of the quality and reliability of the company's carbon footprint data for the reporting period 1 September 2018 to 30 August 2019.

Carbon Smart has been commissioned by ASOS to calculate the company's greenhouse gas (GHG) emissions. Through this engagement Carbon Smart can confirm that the reported GHG emissions are representative of the organisation and that the data presented is credible, coherent and compliant with appropriate standards and industry practices. Data have been collected, reviewed and calculated following the ISO 14064 – part 1 standard and verified against the WRI GHG Protocol principles of relevance, completeness, consistency, transparency and accuracy along with Defra's environmental reporting guidelines and using international conversion factors. Where there are omissions or limitations, these have been clearly identified and justified.

Our work has included consultations with key personnel responsible for data collection, a review of documentation provided for emissions, interrogation of source data and data collection systems across international operations. We have concluded the following:

## **Relevance**

We have ensured the GHG inventory appropriately reflects the material GHG emissions of the company in line with the mandatory reporting requirements for quoted companies and serves the decision-making needs of users, both internal and external. ASOS use an operational control approach and calculate total direct scope 1 and 2 emissions, as well as selected scope 3 upstream emissions (business travel, waste generated in operations, transportation and distribution of goods, outer packaging as

part of purchased goods and services).

## **Completeness**

Reported environmental data covers all entities that meet the criteria of being subject to operational control of the reporting organisation.

## **Consistency**

In order to ensure comparability, we have used the same calculation methodologies for performing assumptions and estimations throughout the review of the environmental data (i.e. where data was not available, previous year data was used as a benchmark).

## **Transparency**

Where relevant, we have included appropriate references to the accounting and calculation methodologies, assumptions and estimations performed.

## **Accuracy**

To our knowledge, the total GHG emissions calculated are considered accurate within the limits of the quality and completeness of the data provided. Where opportunities for improving data quality were identified, these were communicated to ASOS. As far as is practical the GHG assessment has been produced without bias.



## **Ben Murray**

Chief Executive Officer  
Carbon Smart Limited

**For more information on the findings  
of this report, please contact:**

Tom Byrne, Senior Sustainability Manager  
[tom.byrne@asos.com](mailto:tom.byrne@asos.com)

Michaela Neto, Sustainability Advisor  
[michaela.neto@asos.com](mailto:michaela.neto@asos.com)