

## 1.4 Corporate Governance Report

Corporate governance, as practised by Zalando, involves responsible management and control of the company geared towards long-term goals. ZALANDO SE's Management Board and Supervisory Board value good corporate governance very highly and align their approach to the recommendations set out in the German Corporate Governance Code. In the following, the Management Board and Supervisory Board submit the corporate governance report together with the statement on corporate governance pursuant to Sections 289f and 315d HGB (German Commercial Code), as the content of the two is closely linked. In accordance with Sections 289f and 315d HGB, the statement on corporate governance forms part of the management report.<sup>13</sup>

### 1.4.1 Declaration of Conformity

**Declaration by the Management Board and the Supervisory Board of ZALANDO SE regarding the recommendations of the Government Commission German Corporate Governance Code pursuant to Section 161 AktG (German Stock Corporation Act).**

The Management Board and the Supervisory Board of ZALANDO SE declare that ZALANDO SE has acted in conformity with the recommendations of the Government Commission German Corporate Governance Code in its version of February 7, 2017, published by the Federal Ministry of Justice and Consumer Protection on April 24, 2017, in the official section of the Federal Gazette (Bundesanzeiger) (hereinafter the "Code")

(a) since the publication of the last annual declaration of conformity in December 2018 until the updated declaration of conformity in February 2019 except for the deviations stated and explained below under sec. 1., 2. and 4.,

(b) since the updated declaration of conformity in February 2019 the updated declaration of conformity in October 2019 except for the deviations stated and explained below under sec. 1. to 4.; and

(c) since the updated declaration of conformity in October 2019 and will in the future act in conformity with the recommendations of the Code except for the deviations stated and explained below under sec. 1. to 3:

- **1. No. 3.8 Paragraph 3:** according to the Code's recommendations, a deductible shall be agreed upon for the members of the Supervisory Board when taking out D&O policies. The company takes the view that such a deductible is not in itself suitable to increase the performance and sense of responsibility of the Supervisory Board members. Furthermore, it reduces the attractiveness of Supervisory Board positions and thus the company's opportunities when competing for qualified Supervisory Board candidates.

<sup>13)</sup> The statements on corporate governance in accordance with Sections 289f and 315d HGB are an unaudited part of the combined management report.

- **2. No. 4.2.1 Sentence 1:** according to the Code's recommendations, the Management Board shall have a chairman or spokesman. Previously, the three long-standing members of the Management Board of ZALANDO SE (the Co-CEOs) have worked together on an equal footing without any member performing the function of chairman or spokesman. Also after the enlargement of the Management Board to five members, the Supervisory Board does not see any reason why it should change this established and successful cooperation on an equal footing.
- **3. No. 4.2.3 Paragraph 2 Sentences 6 and 7:** according to the Code's recommendation, the amount of remuneration shall be subject to a numerical cap, both as regards variable components and in the aggregate, and the variable compensation components shall be related to demanding, relevant comparison parameters.

The amount of remuneration of the three Co-CEOs is subject to a numerical cap, both as regards variable components and in the aggregate. Likewise, the remuneration components granted to the two new members of the Management Board is subject to a numerical cap, both as regards variable components and in the aggregate. However, the two new members of the Management Board, who both were employed with the company as Senior Vice President until their appointment as members of the Management Board with effect as of 1 April 2019 (the new members of the Management Board), continue to hold options under previous stock option or virtual stock option programs of the company granted to them as part of their remuneration in relation to their prior employment. However, these existing programs, which partly continue to vest during their term of appointment and, insofar, are considered part of their remuneration as Management Board members going forward, are not subject to a numerical cap. As such existing entitlements under previous programs will represent, in terms of present fair value, only a small part of the overall remuneration over the contract term of each of the new Management Board members and, under each of such programs, the company is already entitled to adjust the payout in order to eliminate effects of extraordinary developments, the Supervisory Board does not deem it necessary to retroactively introduce a numerical cap also for such existing entitlements. Consequently, the numerical cap for the overall amount of the compensation of the two new members of the Management Board does not apply to their existing entitlements under previous programs resulting in a respective deviation from No. 4.2.3 paragraph 2 Sentence 6 of the Code.

The Code's recommendation of applying demanding, relevant comparison parameters is complied with, in form of a performance criterion, as regards the options granted to the Co-CEOs as variable remuneration for their new term appointment commencing on 1 December 2018. It will also be complied with as regards the options granted to one of the two new members of the Management Board as new variable remuneration. However, while 50% of the options granted to the other new member of the Management Board as new variable remuneration will be subject to a similar performance criterion, the remaining 50% of such options will become exercisable (subject to their prior vesting and the expiration of the relevant waiting period) regardless of the extent to which such performance criterion is met. Consequently, a deviation from No. 4.2.3 paragraph 2 Sentence 7 of the Code is declared with regard to such last portion of options granted to this new Management Board member. Taking into account that also the last portion still reflects (positive and negative) developments of the share price of the company, the Supervisory Board deems the overall mix of risks of such options still adequate.

- **4. No. 5.1.2 Sentence 2:** according to the Code's recommendation, the Supervisory Board shall take diversity into account when appointing Management Board members. The Supervisory Board acknowledges and appreciates the importance of diversity. With regard to the Management Board's composition, qualification and the specific needs of the company shall be the decisive criterion. The Supervisory Board strives to adequately consider the various fields of core competencies of the business model. So far, the Supervisory Board has not applied a specific diversity concept with respect to the Management Board, as it has been founder-led and lean. Going forward, it will continuously reconsider this decision based on a long-term diversity concept in succession planning and balancing it with the company's specific needs. Besides, the Supervisory Board acknowledges that the Management Board for its part appreciates and promotes the importance of inclusion and diversity in the company overall and in the management of the company in particular. The Management Board aims to further increase the diversity in the management levels below itself, paying attention particularly to a variety of professional experience and expertise and aiming for an appropriate consideration of gender, internationality and background.

#### 1.4.2 Corporate Governance

Zalando's corporate governance is determined by applicable law, the recommendations set out in the German Corporate Governance Code, and internal policies, rules of procedure and guidelines. Zalando's sustainability efforts form an integral part of its corporate governance. More information on Zalando's corporate responsibility strategy and activities can be found in section 1.2 Corporate Responsibility.

Our Code of Ethics, which is available on the corporate website and has been communicated to the employees in various languages, sets expectations and provides guidance on how Zalando wants to do business and is the basis of all group policies. Under the Code of Ethics, all employees are required inter alia to comply with the law and our policies, including, but not limited to, anti-corruption practices, antitrust regulations, data protection and insider compliance, and tax provisions. The details are set out in internal guidelines and policies. The Code of Ethics is structured around three sections: winning together, act like an owner and speak-up. Fostering a speak-up culture so that employees actively participate and raise concerns or report compliance breaches is an essential part of Zalando's culture. This expectation is complemented by the promise to protect all those who report an incident in good faith from negative consequences.

GRI 103-1/-2/-3 MA  
Anti-Corruption

Our Code of Conduct for business partners, which is published on the corporate website, sets the minimum standards by which business partners who produce or supply goods and services for us must abide. Every business partner must acknowledge these standards to assure a safe and fair working environment and to commit to compliance with applicable laws and regulations regarding the protection and preservation of the environment. The Code of Conduct clearly states that Zalando does not accept any form of corrupt practices including, but not limited to, extortion, fraud, or bribery. Business partners are expected to comply with applicable national and international regulations and must establish appropriate anti-bribery and anti-corruption policies and communicate them to all business areas. Zalando carries out business partner due diligence for defined groups of business partners and in cases where potential compliance risks are apparent.

Zalando maintains a group-wide Compliance & Business Ethics Team to monitor, manage, document and report on compliance risks deriving from breaches of the law, group policies and ethical standards in business. Zalando's compliance management system encompasses policy management, a help desk function, whistleblowing management (including internal investigations where required), business partner due diligence, compliance-related trainings, and monitoring of certain types of expenses. In the reporting period, the compliance management system of ZALANDO SE was audited by an external auditing company with regard to anti-corruption and antitrust law, and the auditors confirmed that appropriate measures were implemented as of 15 March 2019, and the compliance management system was effective for the auditing period from March 16, 2019 to September 15, 2019 according to IDW AsS 980.

Further Information  
Risk and Opportunity Report

All employees in scope are trained on compliance at Zalando, our Code of Ethics, Code of Conduct and group policies, including anti-corruption related policies, e.g. our Group Policy Benefits, Gifts, Events & Expenses. Mandatory compliance training courses are conducted as face-to-face training courses for leads, and generally as e-learning courses for employees without leadership responsibility. The e-learning courses are mandatory for all employees who have a Zalando email address (except for defined roles with low compliance risks in logistics and stores). Employees at sites outside Berlin receive classroom training instead of e-learning courses to allow facilitate personal contact with the central Compliance & Business Ethics Team.

In the reporting period, 41 compliance basics face-to-face training courses were carried out (2018: 50), among them 7 outside Berlin, and 4,263 employees completed the compliance basics e-learning courses (2018: 5,113), among them 2,164 employees of ZALANDO SE (2018: 2,321). Each mandatory training course is followed by mandatory refresher courses every other year. Employees receive an automatic reminder to fulfill their training obligations. If an employee does not fulfil his or her obligations, the lead will be informed and reminded repeatedly until the training is completed.

GRI 205-2

The Code of Ethics also stipulates the obligation for all employees to comply with our data protection standards, as set out in internal policies, principles and guidelines. Protecting personal data and collecting, processing, and using the data in accordance with the law are very important concerns to Zalando as a tech company. Specialized teams focus on requirements for data privacy to be complied with in all business divisions. Zalando is regulated under European and national data protection regulations and we closely monitor the changing legal requirements.

GRI 103-1/-2/-3 MA  
Customer Privacy

Various communication channels are available to facilitate the reporting of presumed compliance infringements to the Compliance & Business Ethics Team. They can inter alia be reported in various languages via a whistleblowing tool from a third-party provider, on an anonymous basis if preferred. The anonymous and protected reporting channel is available to employees as well as third parties. All reported cases are managed by the Compliance & Business Ethics Team; serious cases of (potential) compliance violations are additionally managed by a compliance panel. Information on detected compliance infringements, important updates of processes or policies, as well as training attendance quotas are reported to the Management Board and the audit committee of the Supervisory Board at least on a quarterly basis.

The Risk Management Team creates transparency on risks and opportunities for decision makers, fosters the risk and opportunity culture and creates a common understanding of risks and opportunities throughout the company. The risk and opportunity management approach is designed to support the decision-making process with consistent, comparable and transparent information via a standardized process to identify, assess, monitor, document, and report on strategic, operational and financial risks and opportunities as well as on compliance risks. A system of internal controls over financial reporting is in place to support the accuracy of bookkeeping and accounting and the reliability of financial reporting, which comprises preventive, monitoring and detection measures. Further information can be found in the Risk and Opportunity Report.

GRI 102-11

The Management Board bears overall responsibility for the proper functioning of the risk and compliance management system and the Supervisory Board monitors the effectiveness of the system.

### 1.4.3 Management Board and Supervisory Board Procedures

#### Management Board Procedures

The Management Board bears responsibility for managing the company's business. It is bound to act in the interest of the company and to increase the long-term value of the company. The five members of the Management Board, Robert Gentz, David Schneider, Rubin Ritter, Jim Freeman and David Schröder manage the company in partnership and, as members of the Management Board with equal rights, are responsible for the company's strategy and its day-to-day implementation. They work collaboratively and inform each other constantly about any significant measures and events within their areas of responsibility.

The Management Board develops the company's strategy, consults regularly with the Supervisory Board on it, and ensures that it is implemented. It also manages the company's business transactions with the diligence of a prudent and conscientious manager. The Management Board's collaboration with other corporate bodies and employee representatives is open and trusting for the benefit of the company.

The collaboration and responsibilities of the Management Board members are determined in the Rules of Procedure set out by the Supervisory Board. Each member of the Management Board has sole responsibility for the area of business allocated to him. Each area of business is managed consistently by aligning it to targets agreed upon by the Management Board.

The Management Board meets regularly, typically every week. The Management Board is in regular contact with the chairperson of the Supervisory Board, informs her on the progress of the business and the situation of the company and other group entities and consults with her on strategy, planning, business development, and risk management within the company. Should an important event occur or should any business issue arise that could be of significance to the evaluation of the situation, the development or the management of the company, the Management Board informs the chairperson of the Supervisory Board immediately.

Each member of the Management Board is required to disclose any conflicts of interest to the Supervisory Board immediately. All transactions between the company or group entities on the one

hand and the members of the Management Board as well as their related parties on the other must be conducted at arm's length and material transactions require Supervisory Board approval.

The following overview lists all of the companies and enterprises in which the members of the Management Board of ZALANDO SE are currently members of a statutory supervisory board of the companies or members of a comparable controlling body in Germany or abroad.

#### Current and Past Mandates of the Management Board

| Name of Management Board member | Mandates pursuant to Section 125 (1) Sentence 5 AktG  |
|---------------------------------|---|
| David Schneider                 | Trivago N.V., Germany<br>(member of the Supervisory Board until October 2019)   |
| Robert Gentz                    | –   |
| Rubin Ritter                    | –   |
| Jim Freeman                     | Zalando Digital Portugal, Unipessoal Lda.<br>(member of the Board of Directors)<br><br>Zalando Finland Oy<br>(member of the Board of Directors)<br><br>Zalando Ireland Ltd.<br>(member of the Board of Directors)                                   |
| David Schröder                  | Zalando Logistics Operations Italy S.R.L.<br>(member of the Board of Directors)<br><br>Zalando Logistics Operations Polska sp. z o.o.<br>(member of the Management Board)<br><br>Zalando OpCo Polska sp. z o.o.<br>(member of the Management Board) |

## Composition of the Management Board

Each member of the Management Board shall have the knowledge, skills and professional experience required to duly fulfil his or her tasks and responsibilities. While qualification and specific needs of the Company shall be the decisive criterion with regard to the Management Board's composition, the Supervisory Board emphasizes the importance of diversity.

When considering the Management Board's composition, the Supervisory Board must take diversity into account. The Supervisory Board understands diversity of the Management Board as a combination of individual identities and experiences. These identities and experiences include gender, nationality, ethnicity, life experiences, and background (such as social or academic background). The Supervisory Board strives to adequately consider the various fields of core competences of the business model. The Supervisory Board also takes the following aspects into account, in particular:

- The Management Board as a whole should have appropriate management experience.
- The Management Board as a whole should, if possible, have knowledge and balanced experience based on different training and professional backgrounds, in particular in the fashion, technology and ecommerce industry and should have international experience.
- The Management Board as a whole should, if possible, possess several years of experience in the fields of strategy, finance as well as personnel management.
- The Supervisory Board aims for a balanced gender representation in the Management Board. The Supervisory Board has resolved on a target until 2023 in accordance with Section 111 (5) AktG (please see section 1.4.4 Target of Female Representation on the Supervisory Board).
- The Management Board members should not be older than 65 when elected.

The Supervisory Board works together with the Management Board to ensure a long-term succession planning for the composition of the Management Board. Zalando aims to fill most Management Board positions with candidates from within the company. The Supervisory Board is in continuous contact with the Management Board and monitors senior management personnel in order to identify and develop suitable candidates to fill Management Board positions.

## Supervisory Board Procedures

The Supervisory Board advises and monitors the Management Board on the management of the company. It is directly involved in decisions of fundamental importance to the company. The Supervisory Board works with the company's best interest in mind in close and trusting collaboration with other corporate bodies, in particular with the Management Board. ZALANDO SE's Supervisory Board has nine members, three of whom are employee representatives.

The following overview lists all of the companies and enterprises in which the members of the Supervisory Board of ZALANDO SE are currently members of a statutory supervisory board of the companies or members of a comparable controlling body in Germany or abroad.

## Current and Past Mandates of the Supervisory Board

| Name of Supervisory Board member                              | Profession  | Mandates pursuant to Section 125 (1) Sentence 5 AktG  |
|---|---|---|
| Dominik Asam<br>(member until May 22, 2019)                   | Chief Financial Officer Infineon Technologies AG (until March 2019)       | Mandates in affiliated companies:   |
|   | Chief Financial Officer Airbus SE (since April 2019)                      | Infineon Technologies Austria AG, Austria<br>(member of the Supervisory Board until March 2019)<br><br>Infineon Technologies Americas Corp., Delaware, USA<br>(member of the Board of Directors until March 2019)<br><br>Infineon Technologies Asia Pacific Pte., Ltd., Singapore<br>(member of the Board of Directors until March 2019)<br><br>Infineon Technologies China Co., Ltd., PRC<br>(member of the Board of Directors)<br><br>Directeur General Financier Airbus SAS<br><br>Member of Board of Directors Airbus Canada Limited Partnership<br><br>Airbus Defence and Space GmbH<br>(chairperson of the Supervisory Board) |
| Kelly Bennet<br>(member since May 22, 2019)                   | Chief Marketing Officer Netflix, Inc. (until July 2019)                   | Netflix, Inc.<br>(member of the Board of Directors until July 2019)   |
|   | Advisor to Spotify CEO and Microsoft Xbox<br>(since October/ August 2019) | Ancestry Information Operations Unlimited Company<br>(operating under Ancestry.com)<br>(member of the Supervisory Board)  |
| Anthony Brew  | Employee of Zalando Ireland Ltd. (Digital Experience)                     | –   |
| Lothar Lanz<br>(member and chairperson until<br>May 22, 2019) | Member of various supervisory boards                                      | Axel Springer SE, Germany<br>(member of the Supervisory Board until April 2019)   |
|   |   | Home24 SE, Germany<br>(member of the Supervisory Board, chairperson)  |
|   |   | TAG Immobilien AG, Germany<br>(member of the Supervisory Board, deputy chairperson)   |
|   |   | Dermapharm Holding SE, Germany<br>(member of the Supervisory Board)   |
|   |   | Bauwert AG, Germany<br>(member of the Supervisory Board)  |
| Jørgen Madsen Lindemann*                                      | Chief Executive Officer & President of Modern Times<br>Group MTG AB       | Modern Times Group MTG AB<br>(member of the Board of Directors)   |
|   |   | Turtle Entertainment GmbH, Germany<br>(member of the Advisory Board)  |

\*) Mr. Lindemann is also member of Boards of Directors at various foreign group entities of the Modern Times Group MTG.



## Current and Past Mandates of the Supervisory Board

| Name of Supervisory Board member                                 | Profession  | Mandates pursuant to Section 125 (1) Sentence 5 AktG  |
|--|---|---|
| Anders Holch Povlsen**   | Chief Executive Officer of Bestseller A/S                                       | Intervare A / S 25169158, Denmark<br>(member of the Board of Directors, chairperson)<br><br>Nemlig.com A / S, Denmark<br>(member of the Board of Directors, chairperson)<br><br>J.Lindeberg AB 556533-7085, Sweden<br>(member of the Board of Directors)<br><br>J.Lindeberg Holding AB, Sweden<br>(member of the Board of Directors)<br><br>J.Lindeberg IP HK Limited, Hong Kong<br>(member of the Board of Directors)<br><br>J.Lindeberg Holding (Singapore) Pte. Ltd., Singapore<br>(member of the Board of Directors)<br><br>JL Schweiz AG, Switzerland<br>(member of the Board of Directors, chairperson)<br><br>North Coast 500 Limited, Inverness, UK<br>(member of the Board of Directors) |
| Shanna Prevé<br>(member until May 22, 2019)                      | Managing Director Business Development for Google Consumer Hardware Group (USA) | –   |
| Mariella Röhm-Kottmann<br>(member since May 22, 2019)            | Senior Vice President, Head of Corporate Accounting of ZF Friedrichshafen AG    | ZF Services Espana, S.L.<br>(member of the Board of Directors)<br><br>Compagnie Financière de ZF SAS<br>(member of the Supervisory Board)   |
| Alexander Samwer   | Independent internet entrepreneur   | Home24 SE, Germany<br>(member of the Supervisory Board)   |
| Konrad Schäfers  | Employee of ZALANDO SE (Process Excellence)                                     | –   |
| Beate Siert  | Employee of ZALANDO SE (Sourcing & Recruiting)                                  | –   |
| Cristina Stenbeck<br>(member and chairperson since May 22, 2019) | Entrepreneur, investor and member of boards of directors                        | Kinnevik AB<br>(member of the Board of Directors until May 2019)<br><br>Spotify Technology S.A.<br>(member of the Board of Directors)<br><br>GoEuro Corp. (trading under the brand Omio), Delaware, USA<br>(member of the Board of Directors)<br><br>Verdere S.à. r.l., Luxembourg<br>(member of the Board of Managers)<br><br>Camshaft S.à. r.l., Luxembourg<br>(member of the Board of Managers)<br><br>Ameriana S.à. r.l., Luxembourg<br>(member of the Board of Managers)<br><br>Ameriana AB, Stockholm<br>(member of the Board of Directors)   |

\*\*) Mr Povlsen is also member of Boards of Directors at various foreign group entities of the Bestseller group as well as foreign entities with a family connection. Mr. Povlsen is considered a non independent member of the Supervisory Board representing the shareholders within the meaning of Section 5.4.2 of the German Corporate Governance Code.

The chairperson of the Supervisory Board, Cristina Stenbeck, is an independent member of the Supervisory Board representing the shareholders.

The Supervisory Board has adopted Rules of Procedure. They govern the procedures and allocation of duties of the Supervisory Board and its committees. The Supervisory Board convenes at least one meeting per quarter; further meetings are convened as necessary. The Supervisory Board regularly assesses the efficiency of its own activities and those of its committees. For this purpose, the Supervisory Board members complete a questionnaire on the effectiveness of the Supervisory Board's and committees' work at the beginning of each year. The findings of the efficiency assessment are discussed at the first meeting of the year and relevant recommendations and feedback implemented in due course. In addition to the qualitative criteria to be determined by the Supervisory Board, the purpose of the review includes assessing the procedures in the Supervisory Board, as well as the information provided to the Supervisory Board, both in terms of timing and whether the content is adequate. Each member of the Supervisory Board must disclose conflicts of interest to the Supervisory Board, particularly those that might arise as a result of an advisory or committee function at customers, suppliers, creditors, borrowers or other third parties. If a member of the Supervisory Board has a significant, non-temporary conflict of interest, that member of the Supervisory Board should resign from office.

The Supervisory Board has set up an audit committee, a remuneration committee and a nomination committee. These committees comprise at least three members each.

### Composition of the Supervisory Board

The Supervisory Board of ZALANDO SE has set targets regarding its composition. It strives for a composition that takes account of and safeguards the specific needs of the company so that the Management Board is monitored, supervised, and advised in a competent and professional manner. Each member of the Supervisory Board must have the knowledge, skills and professional experience required for him or her to duly fulfil his or her tasks and responsibilities and must make sure that he or she has sufficient time to perform his or her duties. The competence profile of the Supervisory Board as a whole comprises industry competence (in particular in the fields of fashion, technology and commerce) and finance competence as well as competencies in the areas of strategy, supervision and innovation. The members of the Supervisory Board as a group must be familiar with the sector in which the company operates.

No more than two former members of the Management Board shall be members of the Supervisory Board. Further, the Supervisory Board members shall not accept appointments to corporate bodies of or advisory tasks for important competitors of the company.

With regard to its composition, while qualification shall still be the decisive criterion, the Supervisory Board strives to adequately consider the international character, the various fields of core competences of the business model as well as the competence profile of the Supervisory Board, and, at the same time, to pay attention to diversity, in particular to variety as regards professional experience and expertise. To accommodate the international character of the company, the Supervisory Board shall as a rule have no fewer than two international members. The Supervisory Board members should not be older than 70 when elected.

The Supervisory Board aims for a balanced gender representation in the Supervisory Board. The Supervisory Board has resolved on a target until 2023 in accordance with Section 111 (5) AktG (please see section 1.4.4 on Target of Female Representation on the Supervisory Board).

Further, no fewer than four shareholder representatives on the Supervisory Board shall be independent from the company and its Management Board as defined in Recommendation C.7 of the German Corporate Governance Code 2020<sup>14</sup> and no fewer than two shareholder representatives shall be independent from a controlling shareholder, if any, as defined in Recommendation C.9 of the German Corporate Governance Code 2020. Candidates, who are likely to be confronted with an increased level of conflicts of interest, should not be proposed for election by the general meeting. The regular limit of length of membership for members of the Company's Supervisory Board shall be twelve years. The Supervisory Board is convinced that such a composition ensures the independent and efficient consultation and oversight of the Management Board.

The nomination committee of the Supervisory Board considers the above described targets regarding the composition of the Supervisory Board when it prepares the proposals of the Supervisory Board to the general meeting regarding the election of Supervisory Board members.

The composition of the Supervisory Board of ZALANDO SE in fiscal year 2019 met the composition targets it had set itself in all respects. The required expertise is represented in the Supervisory Board, the competence profile has been completed and the targets of the diversity concept are met.

### Audit Committee

The audit committee prepares, among other things, the negotiations and resolutions of the Supervisory Board on the audit and ratification of the separate financial statements and the approval of the consolidated financial statements, the proposed resolution of the Management Board on the appropriation of profits, and the proposal of the Supervisory Board to the general meeting on the appointment of the auditor. In addition, the audit committee (i) handles questions regarding accounting, (ii) reviews and discusses the financial reports, (iii) approves the non-audit services by the auditor, (iv) evaluates the quality of the audits, (v) monitors the effectiveness of the internal risk management and control systems and the internal audit system, and (vi) handles questions regarding compliance and the monitoring of the audit. The audit committee also discusses the audit reports with the auditor as well as its findings and provides recommendations in this respect to the Supervisory Board.

#### Members of the Audit Committee

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Dominik Asam (chairperson, until May 22, 2019)

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Mariella Röhm-Kottmann (chairperson, since May 22, 2019)

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Kelly Bennett (since May 22, 2019)

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Lothar Lanz (until May 22, 2019)

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Jørgen Madsen Lindemann

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Konrad Schäfers

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The chairperson of the audit committee, Mariella Röhm-Kottmann, has the requisite expertise in the area of accounting or auditing pursuant to Section 100 (5) AktG. Mariella Röhm-Kottmann is an independent member of the Supervisory Board representing the shareholders.

<sup>14)</sup> The German Corporate Governance Code 2020 is expected to enter into force in March 2020.

## Remuneration Committee

The remuneration committee deals with the company's remuneration system and its refinement as well as with the amount and appropriateness of Management Board remuneration, also in comparison to other enterprises and provides recommendations as a basis for decision-making by the Supervisory Board.

### Members of the Remuneration Committee

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Jørgen Madsen Lindemann (chairperson)

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Shanna Prevé (until May 22, 2019)

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Alexander Samwer

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Cristina Stenbeck (since May 22, 2019)

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Beate Siert

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The chairperson of the remuneration committee, Jørgen Madsen Lindemann, is an independent member of the Supervisory Board representing the shareholders.

## Nomination Committee

The nomination committee is exclusively composed of shareholder representatives. The nomination committee prepares the proposals of the Supervisory Board to the general meeting regarding the election of Supervisory Board members, taking into account the specific targets of the Supervisory Board regarding its composition. On the basis of a target profile (see Composition of the Supervisory Board), the Nomination Committee creates a shortlist of available candidates with whom it conducts structured interviews in which it also determines whether the candidate in question will have sufficient time available to perform his or her duties on the Supervisory Board with due care. The Nomination Committee then recommends a candidate to the Supervisory Board for its approval including an explanation of its recommendation.

### Members of the Nomination Committee

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Lothar Lanz (chairperson, until May 22, 2019)

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Cristina Stenbeck (chairperson, since May 22, 2019)

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Jørgen Madsen Lindemann

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Anders Holch Povlsen

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#### 1.4.4 Target of Female Representation on the Supervisory Board, the Management Board and on Management Levels below the Management Board According to Sections 76 (4), 111 (5) AktG

Zalando attaches great importance to inclusion and diversity throughout the company and is convinced that only a diverse and inclusive culture will ensure that we have the best talent on board and can truly serve our customer base. For further details on Zalando's diversity and inclusion strategy please refer to the do.GROW chapter.

Additional information  
Corporate Responsibility and  
Sustainability

Zalando aims for a more balanced gender representation on the Supervisory Board, the Management Board and the four management levels below the Management Board. Balanced representation is defined as a 40/60/\* corridor where Zalando aims for women and men to reach a representation between 40 - 60% of the Supervisory Board, the Management Board and the four management levels below the Management Board. The \* acknowledges explicitly non-binary genders and Zalando is committed to actively including candidates who identify as non-binary.

The target figures for the representation of women on the Supervisory Board, the Management Board and on the two management levels below the Management Board according to Sections 76 (4), 111 (5) AktG and in addition the third and fourth management level below the Management Board have been determined as follows:

- at least 40% women and at least 40% men for the Supervisory Board;
- at least 40% women and at least 40% men for the Management Board;
- at least 40% women and at least 40% men for the first four management levels below the Management Board.

Zalando determines the deadline for target achievement in each case to be 31 December 2023.

As of December 31, 2019, 33.3% women are represented on the Supervisory Board, 0% women are represented on the Management Board, 33% women are represented on the first management level below the Management Board and 23% women are represented on the second management level below the Management Board.

#### 1.4.5 Takeover Law Disclosures Pursuant to Sections 289a (1), 315a (1) HGB and Explanatory Report<sup>15</sup>

The disclosures required according to Sections 289a (1), 315a (1) HGB are listed and explained below.

##### **Composition of Issued Capital**

With respect to the composition of the issued capital, please refer to section 3.5 Notes to the Consolidated Financial Statements note 20 Equity.

##### **Restrictions Relating to Voting Rights or the Transfer of Shares**

At the end of the reporting year, ZALANDO SE had 4,167,899 treasury shares that do not grant rights in accordance with Section 71b AktG.

##### **Shareholdings That Exceed 10% of the Voting Rights**

At the end of fiscal year 2019, Kinnevik AB, Anders Holch Povlsen and Baillie Gifford & Co. each held an indirect shareholding in ZALANDO SE that exceeded the threshold of 10% of voting rights. Information on the amount of the above-mentioned shareholdings in the company can be found in section 1.5 The Zalando Share – 2019 in Review.

##### **Statutory Regulations and Provisions of the Articles of Association Concerning the Appointment and Removal from Office of Management Board Members, and Concerning Modifications to the Articles of Association**

According to Article 9 (1), Article 39 (2) and Article 46 of the SE Regulation, Sections 84 and 85 AktG and Article 7 (4) of the Articles of Association, the Supervisory Board appoints the members of the Management Board for a maximum term of five years. Reappointments are permissible. The Supervisory Board is authorized to revoke the appointment of a Management Board member for an important reason (for details, see Article 9 (1), Article 39 (2) of the SE Regulation, Section 84 AktG). According to Article 7 of the Articles of Association, the Management Board consists of one or more members. The number of members of the Management Board is determined by the Supervisory Board.

The general meeting passes resolutions to amend the Articles of Association. According to Art. 20 (2) of the Articles of Association, amendments to the Articles of Association require a two-thirds' majority of the valid votes cast or, if at least one-half of the share capital is represented, a simple majority of the valid votes cast unless this conflicts with mandatory legal provisions.

According to Article 12 (5) of the Articles of Association, the Supervisory Board is entitled to make changes and additions to the Articles of Association that pertain to the wording only. Pursuant to Article 4 (3) of the Articles of Association, the Supervisory Board is authorized to adjust the wording of the Articles of Association to reflect the implementation of the increase of the registered share capital from authorized capital or after the term of the authorization has expired.

<sup>15)</sup> Takeover law disclosures pursuant to Sections 289a (1), 315a (1) HGB are part of the combined management report and also form part of the corporate governance report with the declaration of conformity.

### Authority of the Management Board to Issue Shares or Acquire Treasury Shares

The Management Board is authorized to increase the registered share capital of the company until June 1, 2020, with the consent of the Supervisory Board, once or several times, by up to a total of EUR 94,694,847 by issuing up to 94,694,847 new no-par value bearer shares against contributions in cash and / or in kind (Authorized Capital 2015). The shareholders are, in principle, entitled to subscription rights. The Management Board is authorized to exclude the subscription right of the shareholders with the consent of the Supervisory Board in the cases described in the authorization. The total shares issued under the authorization with the exclusion of subscription rights must not exceed 20% of the registered share capital, either at the time the authorization becomes effective or at the time it is exercised. Before the issue of shares with the exclusion of subscription rights, the aforesaid 20% limit includes (i) treasury shares sold with the exclusion of subscription rights, and (ii) shares to be issued to service bonds with conversion and / or option rights or obligations, insofar as the bonds were issued with the exclusion of shareholders' subscription rights on the basis of the authorization by the general meeting of June 2, 2015. The Management Board is authorized, with the consent of the Supervisory Board, to determine any further details of the capital increase, the further content of the rights arising from the shares and the conditions of the share issue.

The share capital of the company is conditionally increased by up to EUR 9,446,929 by issuing up to 9,446,929 no-par value bearer shares (Conditional Capital 2013). The Conditional Capital 2013 may be used only to fulfill the subscription rights that have been granted to the members of the Management Board of the company in connection with the Stock Option Program 2013 in accordance with the resolution of the general meeting of December 18, 2013, as amended by the company's general meeting of June 3, 2014, and of July 11, 2014. The conditional capital increase will be implemented to the extent only that such subscription rights have been or will be issued in accordance with the Stock Option Program 2013, the holders of the subscription rights exercise their rights and the company does not deliver treasury shares to satisfy the subscription rights. The Supervisory Board is exclusively competent regarding the granting and settlement of subscription rights to the members of the Management Board of the company.

The share capital of the company is conditionally increased by up to EUR 2,738,261 by issuing up to 2,738,261 no-par value bearer shares (Conditional Capital 2014). The Conditional Capital 2014 may be used only to fulfill the subscription rights that have been granted to employees of the company as well as members of the management bodies and employees of companies affiliated with the company in the meaning of Sections 15 et seq. AktG in connection with the Stock Option Program 2014 in accordance with the resolution of the general meeting on June 3, 2014, as amended by the company's general meeting of July 11, 2014. The conditional capital increase will only be implemented to the extent that such subscription rights have been or will be issued in accordance with the Stock Option Program 2014, the holders of the subscription rights exercise their rights and the company does not deliver treasury shares to satisfy the subscription rights.

The share capital is conditionally increased by up to EUR 73,889,248 by issuing up to 73,889,248 no-par value bearer shares (Conditional Capital 2015). The purpose of the conditional capital increase is to grant shares to the holders / creditors of convertible bonds and / or bonds with warrants or a combination of all of these instruments issued until June 1, 2020, by the company or any subordinate group company of the company pursuant to the authorization on which a resolution was passed by the general meeting on June 2, 2015, under agenda item 10 lit. a) and that grant a

conversion or option right to new no-par value bearer shares of the company or provide for a conversion or option obligation or an option entitling the issuer to deliver shares to the extent that they are issued against cash contributions. The new shares are issued in each case at a conversion price or option price to be stipulated pursuant to the authorization resolution specified above. The conditional capital increase is carried out only to the extent to which use is made of conversion or option rights or conversion or option obligations are fulfilled or an option entitling the issuer to deliver shares is exercised and no other forms of fulfillment of delivery are used. The Management Board is authorized, with the consent of the Supervisory Board, to determine the further details of the implementation of conditional capital increases.

The share capital of the company is conditionally increased by up to EUR 5,098,440 against contribution in cash and in kind by issuing up to 5,098,440 new no-par value bearer shares with a pro rata share in the share capital of EUR 1.00 to fulfill subscription rights to shares of the company (Conditional Capital 2016). The Conditional Capital 2016 may be used once or several times only to fulfill the subscription rights that have been granted until May 30, 2021 – partly as a component of stock appreciation rights – in accordance with the resolution of the general meeting of May 31, 2016. The new shares are subscribed either against a cash payment in the amount of the lowest issue price in the meaning of Section 9 (1) AktG or against the contribution of the participants' remuneration entitlements under the stock appreciation rights granted to them, which are granted in accordance with the resolution of the general meeting of May 31, 2016. The conditional capital increase will be implemented only to the extent that subscription rights or stock appreciation rights with subscription rights have been or will be issued in accordance with the resolution of the general meeting of May 31, 2016, the holders of subscription rights exercise their rights and the company grants no treasury shares or cash payments for the satisfaction of the subscription rights.

The share capital of the company is conditionally increased by up to EUR 1,522,269 against contribution in cash and in kind by issuing up to 1,522,269 new no-par value bearer shares with a pro rata share in the share capital of EUR 1.00 to fulfill subscription rights to shares of the company (Conditional Capital 2019). The Conditional Capital 2019 may be used only to fulfill the subscription rights granted to the Management Board of ZALANDO SE in connection with the Long Term Incentive 2018 in accordance with the resolution of the annual general meeting on May 22, 2019 under agenda item 7. The conditional capital increase will be implemented only to the extent that the holders of the granted subscription rights exercise their right to subscribe for shares of ZALANDO SE and the company grants no treasury shares or cash payments to fulfill the subscription rights. The new shares under the conditional capital will be issued for the minimum issue amount pursuant to Section 9 (1) AktG.

The new shares from the Conditional Capital 2013, the Conditional Capital 2014, the Conditional Capital 2015, the Conditional Capital 2016 and the Conditional Capital 2019 participate in the profits from the beginning of the fiscal year in which they are issued; notwithstanding this, the new shares participate in the profits from the beginning of the fiscal year preceding the fiscal year in which such new shares are created if the general meeting has not yet adopted a resolution on the appropriation of the distributable profit of the fiscal year preceding the fiscal year in which such new shares are created.



The Management Board is authorized until June 1, 2020, to acquire treasury shares for any permissible purpose totaling up to 10% of the share capital existing as of the date of the resolution or, if the amount is lower, share capital existing at the time this authorization is exercised. Shares acquired may not at any time amount to more than 10% of the total share capital when taken together with other treasury shares held by the company or allocable to the company in accordance with Section 71a et seq. AktG. In addition to this, the Management Board is authorized until June 1, 2020, to use derivatives to acquire treasury shares. All shares that are acquired using derivatives are limited to shares that pertain to at most 5% of the share capital existing as of the date of the resolution of the general meeting or, if the amount is lower, share capital existing at the time this authorization is exercised. We refer to the resolutions proposed by the Management Board and the Supervisory Board in items 7 and 8 of the company's general meeting agenda for June 2, 2015, which was published in the German Federal Gazette on April 23, 2015, with regard to details of the authorization to acquire treasury shares.

### **Company Compensation Agreements That Have Been Entered into with Management Board Members or Employees in the Event of a Takeover Bid**

The Stock Option Program SOP 2013, the Long Term Incentive LTI 2018 and the Long Term Incentive LTI 2019 allow for option rights held by the Management Board to be supplemented in the case of a change of control. The Supervisory Board and the Management Board are both entitled to request the cancellation of the vested outstanding options in exchange for payment by the company. LTI 2018 and LTI 2019 options not yet vested at the time of a change in control may be replaced at the discretion of the Supervisory Board by an economically equivalent new program.

### **Significant Company Agreements Subject to a Change of Control Due to a Takeover Bid**

The material agreements that are subject to the condition of a change of control involve the revolving credit facility and various reverse factoring agreements. In the event of a change of control, these agreements provide the right to terminate the agreement and accelerate repayment or, for factors, the right to terminate the agreement or renegotiate the contractual terms.