



## Dear Shareholders,

The 2017 fiscal year was another successful year for Zalando. Thanks to the strong focus on the costumers' needs, the extension of business partner services as part of the implementation of the platform strategy and the continued investments in the logistics and technology infrastructure, Zalando again delivered on its promise of profitable growth. The company is well positioned to continue its growth path under its purpose to "Reimage fashion for the good of all" and the aim to build long-term value, this year and in the years to come.

### Consultation and Monitoring

The Supervisory Board duly performed its duties in accordance with statutory requirements, the Articles of Association, the Supervisory Board's Rules of Procedure as well as the German Corporate Governance Code. It received regular and detailed written and oral reports on the intended business policies, any material issues regarding financial, investment, and personnel planning as well as the progress of business and risks and opportunities. In particular, the Management Board consulted the Supervisory Board on the group's strategy. The Supervisory Board was directly



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## 1.3 REPORT OF THE SUPERVISORY BOARD

**The Supervisory Board – from left to right:**

**Dylan Ross** Member of the Supervisory Board until January 2018,  
**Lothar Lanz** Chairperson of the Supervisory Board, chairperson  
of the nomination committee, member of the audit committee,  
**Jørgen Madsen Lindemann** Member of the Supervisory Board,  
chairperson of the remuneration committee, member of the audit  
committee, member of the nomination committee,  
**Beate Siert** Member of the Supervisory Board, member of the  
remuneration committee,  
**Domink Asam** Member of the Supervisory Board,  
chairperson of the audit committee,  
**Alexander Samwer** Member of the Supervisory Board,  
member of the remuneration committee,  
**Konrad Schäfers** Member of the Supervisory Board,  
member of the audit committee,  
**Shanna Prevé** Member of the Supervisory Board,  
member of the remuneration committee,  
**Anders Holch Povlsen** Deputy chairperson  
of the Supervisory Board, member of the nomination committee

involved in all material decisions. Transactions requiring approval were presented by the Management Board.

### Meetings of the Supervisory Board and Its Committees

The plenum of the Supervisory Board held six meetings in fiscal year 2017. The audit committee held four meetings, the remuneration committee held seven meetings and the nomination committee held two meetings. In addition, the Supervisory Board passed 34 circular resolutions. The Supervisory Board and its committees also convened wholly or partly without the Management Board as necessary to deliberate on items that pertained to the Management Board or required internal discussion among Supervisory Board members alone. The plenum of the Supervisory Board was informed about the results of meetings of the committees at its subsequent plenary meetings. Shanna Prevé was prevented from attending one extraordinary meeting, and Kai-Uwe Ricke was prevented from attending one ordinary meeting of the Supervisory Board. The other members attended all meetings of the Supervisory Board and their respective committee meetings.

## Overview of Plenary and Committee Meetings and Attendance on an Individual Basis in Fiscal Year 2017

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	Tenure	Plenum	Audit committee	Remuneration committee	Nomination committee
Dominik Asam	Since May 2017	4 / 4	2 / 2	–	–
Lorenzo Grabau	Until May 2017	2 / 2	2 / 2	2 / 2	–
Lothar Lanz	Since February 2014	6 / 6	4 / 4	2 / 2	2 / 2
Jørgen Madsen Lindemann	Since May 2016	6 / 6	2 / 2	5 / 5	
Anders Holch Povlsen	Since December 2013	6 / 6	–	–	2 / 2
Shanna Prevé	Since May 2017	3 / 4	–	5 / 5	–
Kai-Uwe Ricke	Until May 2017	1 / 2	2 / 2	–	–
Dylan Ross	Since June 2015	6 / 6	–	–	–
Alexander Samwer	Since December 2013	6 / 6	–	7 / 7	2 / 2
Konrad Schäfers	Since June 2015	6 / 6	4 / 4		–
Beate Siert	Since June 2015	6 / 6	–	7 / 7	–

### Plenary Meetings

The plenum of the Supervisory Board addressed in each of its ordinary quarterly meetings the analysis and discussion of the management reports on the course of business and the company's strategy as well as the capital markets developments. The chairpersons of the committees of the Supervisory Board reported regularly to the full Supervisory Board on the activities of each of the committees. In addition, the Supervisory Board dealt with the following focus areas:

At its ordinary meeting on February 24, 2017, the Supervisory Board dealt with the financial statements and consolidated financial statements for 2016 presented by the Management Board. In accordance with the recommendations of the audit committee, the Supervisory Board adopted the financial statements for 2016 and approved the consolidated financial statements for 2016. It followed the Management Board's profit utilization proposal for financial year 2016. In addition, the Supervisory Board adopted a resolution regarding its report for the financial year 2016 and dealt with the agenda for the annual general meeting 2017. The Supervisory Board also discussed the results of its 2016 efficiency evaluation, which was carried out by way of a questionnaire focusing on the supply of information to the Supervisory Board, the structure and efficiency of meetings, the set-up and procedures of the Supervisory Board's committees as well as the composition of the Supervisory Board and its succession planning. No noteworthy shortcomings were identified.



## 1.3 REPORT OF THE SUPERVISORY BOARD

At its ordinary meeting on May 5, 2017, the Supervisory Board dealt in particular with the preparation of the annual general meeting 2017 as well as with the changes to the German Corporate Governance Code and the associated implications. It prepared a profile of skills and expertise for the entire Supervisory Board. In addition, the Supervisory Board discussed the female representation target for the Management Board and the Supervisory Board according to Section 111 (5) AktG and determined the target of 0% for the Management Board and 22% for the Supervisory Board, in each case within the time limit until June 30, 2022.

At its meeting on May 31, 2017, following the annual general meeting and the election of the shareholder representatives, the Supervisory Board mainly dealt with the election of Lothar Lanz as the chairperson as well as the election of Anders Holch Povlsen as the deputy chairperson of the Supervisory Board and resolved on the new composition of the committees of the Supervisory Board, which can be found in the Corporate Governance Report on page 52.

At its extraordinary meeting on June 27, 2017, the Supervisory Board discussed the introduction of a new incentive program for certain key employees of the Company proposed by the Management Board.

As in previous years, the Supervisory Board paid particular attention to the company's strategy and decided to again hold an annual strategy session. The ordinary meeting on August 29, 2017, was specifically devoted to the strategy of the company which was presented by the Management Board and discussed at length with the Supervisory Board members. At the end of the meeting, the Supervisory Board members attended a training session on rights and duties of the Supervisory Board conducted by an external legal advisor.

At its ordinary meeting on December 4, 2017, the Supervisory Board dealt primarily with and discussed the budget for the financial year 2018. Besides, it discussed its own diversity concept as well as the application of a specific diversity concept for the Management Board. The Management Board and the Supervisory Board jointly resolved on the declaration of conformity with the German Corporate Governance Code. The Supervisory Board also discussed the format of the annual self-assessment of its efficiency. The examination was performed based on questionnaires. Every member of the Supervisory Board was asked to provide feedback on the work of the full board as well its committees and the cooperation with and information by the Management Board.

Based on the law and the requirements laid down in the Articles of Association and the Management Board's Rules of Procedure, certain transactions and measures require the prior approval of the Supervisory Board. These transactions were presented to the Supervisory Board for its approval. The Supervisory Board addressed inter alia the construction of new logistic sites in Poland and Italy, a lease agreement for new office space in Berlin, the acquisition of the multi-channel basketball retailer KICKZ and the creation of the joint venture FashionTrade to develop the B2B online fashion wholesale marketplace.



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en-annual-general-meeting](https://zln.do/en-annual-general-meeting)



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### **Audit Committee**

The audit committee analyzed the annual financial statements 2016 and the consolidated financial statements 2016, including the combined management report for 2016, as well as the quarterly statement for the first quarter, the half-year report and quarterly statement for the third quarter of 2017. The audit committee regularly reviewed and discussed the focus of the audit, the status reports on GRC (Governance, Risk & Compliance), litigation and the work of the internal audit, the treasury reports and capital structure considerations and addressed the new requirements for the non-financial reporting and the approval of non-audit services. The audit committee was involved in the preparation of the Supervisory Board's proposal to the annual general meeting 2017 for the appointment of the auditor and group auditor. The chairperson of the audit committee conferred with the auditors on the audit focus.

### **Remuneration Committee**

The remuneration committee dealt with the review of the Management Board's performance, the succession planning as well as the design and introduction of the new compensation system for the Management Board members. The discussions will be finalized in the reporting year 2018. Besides, the remuneration committee addressed the introduction and status updates of employee incentive programs.

### **Nomination Committee**

The nomination committee dealt with the preparation of the proposals of the Supervisory Board to the annual general meeting regarding the election of the members of the Supervisory Board.

### **Conflicts of Interest**

No conflicts of interest of any Supervisory Board member occurred in the context of the work of the Supervisory Board. To avoid the appearance of a potential conflict of interest, Supervisory Board member Anders Holch Povlsen decided to abstain from participating in the discussion and the resolution regarding the creation of the joint venture FashionTrade between the Bestseller group and the Zalando group to develop the B2B online fashion wholesale marketplace.

### **Audit and Ratification of the Annual Financial Statements and Consolidated Financial Statements**

The Management Board forwarded the annual financial statements and the consolidated financial statements for fiscal year 2017, the combined management report and the non-financial report for ZALANDO SE and the group as well as the proposal of the Management Board for the appropriation of profit to the chairperson of the Supervisory Board and the chairperson of the audit committee immediately upon their completion in February 2018 and before they were finally attested. The annual financial statements for 2017 and the consolidated financial statements for 2017, as well as the combined management report for the company and the group were examined by the auditor who rendered an unqualified audit opinion on them.



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The financial statements and the auditor's reports were sent to the members of the Supervisory Board.

In a first step, the audit committee closely examined the financial statements and the proposal for the appropriation of profit in the presence of the auditor. The auditor reported on the most significant matters of the audit. Thereafter, the Supervisory Board discussed the financial statements, the non-financial report and the proposal for the appropriation of profit in detail.

The Supervisory Board approved the audit results. It examined the annual financial statements and consolidated financial statements, the combined management report and the non-financial report for ZALANDO SE and the group as well as the proposal of the Management Board for the appropriation of profit. The findings of the preliminary audit conducted by the audit committee and the Supervisory Board's own findings corroborate the findings of the external auditor. Based on this final review, the Supervisory Board raised no objections to the audit. The Supervisory Board has therefore approved and adopted the annual financial statements for 2017 and approved the consolidated financial statements for 2017 and the non-financial report. The Supervisory Board concurred with the proposal of the Management Board for the appropriation of profit (to be carried forward to new account), in consideration of particularly the company's annual result, liquidity, financial planning and strategy.

### Corporate Governance

The annual declaration of conformity was issued by the Management Board and the Supervisory Board in December 2017. The complete text of the declaration can be found in section 1.4.1 on page 52. The declarations are made permanently available under the section on Corporate Governance on the company's website.

More information on corporate governance can be found in the Corporate Governance Report and associated declaration on page 52. With regard to the remuneration structure for the members of the Management Board for fiscal year 2017 and to avoid repetition, please see the Remuneration Report on page 66.



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### Personnel Matters

The term of office of the shareholder representatives in the Supervisory Board expired at the end of the general meeting on May 31, 2017. Lorenzo Grabau and Kai-Uwe Ricke did not seek re-election. The Supervisory Board would like to thank Lorenzo Grabau and Kai-Uwe Ricke for their valuable contributions to the work of the Supervisory Board and the trust-based cooperation.

The annual general meeting 2017 re-elected Lothar Lanz, Jørgen Madsen Lindemann, Anders Holch Povlsen and Alexander Samwer and newly elected Dominik Asam and Shanna Prevé as members of the Supervisory Board. All members were elected until the end of the general meeting that resolves on the discharge for fiscal year 2018. Lothar Lanz was re-elected as chairperson of the Supervisory Board, and Anders Holch Povlsen was elected deputy chairperson of the Supervisory Board.

On January 15, 2018, the term of office of Dylan Ross, one of the employee representatives on the Supervisory Board, expired due to him leaving the Zalando group. The Supervisory Board would like to also thank Dylan Ross for his commitment and dedication to the work on the Supervisory Board. Based on the legal provisions and the Agreement on the Participation of Employees in ZALANDO SE of March 17, 2014, the company's SE works council is currently conducting an election procedure in order to determine a successor for Dylan Ross as well as a substitute. The SE works council will propose a new member and a corresponding substitute member both to be appointed by the ordinary general meeting of ZALANDO SE scheduled for May 23, 2018. The general meeting is bound by these proposals.

The Supervisory Board would like to thank the Management Board and all employees of the company for their high level of commitment and the excellent achievements in fiscal year 2017.

Berlin, February 26, 2018

Lothar Lanz