

1.3 Report of the Supervisory Board



The Supervisory Board from left to right:
Konrad Schäfers, Jørgen Madsen Lindemann, Mariella Röhm-Kottmann, Kelly Bennett, Cristina Stenbeck, Beate Siert, Anders Holch Povlsen, Alexander Samwer, Anthony Brew

1.3.1 Dear Shareholders,

In 2019, Zalando adopted fundamental strategies and initiatives that position the company even more strongly for the future, in terms of growth, social responsibility as well as diversity. In Q1 2019, Zalando revised its platform strategy and communicated its new vision: to become the starting point for fashion. The updated strategy has brought more clarity to the overall direction, and paves the way for long-term financial growth.

In line with its commitment to become a more sustainable company, Zalando introduced its new sustainability strategy do. More in October 2019. The strategy acknowledges that sustainability is key for future growth, as not only customers but also investors start to look for more sustainable choices.

Another topic that the Supervisory Board has strongly supported in recent months is the further development of its diversity strategy. In 2019, the company set new targets and is now committed to reaching a balanced gender representation on the top six levels of leadership including the Supervisory Board and the Management Board by 2023. We believe that diversity is crucial in making better decisions and in creating a relevant experience for our diverse customer groups.

In 2019, the company grew its business strongly and profitably. We look forward to this year 2020 in which we will continue to grow the Zalando platform to best serve Zalando customers, employees, and shareholders.

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 and the German Corporate Governance Code. It received regular and detailed written and oral reports on the intended business strategy, material issues regarding financial, investment, personnel planning and the progress of business as well as risks and opportunities. Specifically, the Management Board consulted the Supervisory Board on the group's strategy. The Supervisory Board was directly involved in all material decisions. Transactions requiring approval were presented by the Management Board.

Further Information
Corporate Governance Report

Meetings of the Supervisory Board and Its Committees

The plenum of the Supervisory Board held six meetings in fiscal year 2019, the audit committee four, the remuneration committee three and the nomination committee five. In addition, the Supervisory Board passed six circular resolutions. The Supervisory Board and its committees also convened 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. Anders Holch Povlsen was unable to attend one meeting of the Supervisory Board and abstained from participating and recused himself from voting in two other meetings due to a conflict of interest. He was also prevented from attending one meeting of the nomination committee. The other members of the Supervisory Board attended all meetings of the Supervisory Board and all meetings of their respective committees.

Overview of Plenary and Committee Meetings and Attendance on an Individual Basis in Fiscal Year 2019

	Tenure	Plenum	Audit committee	Remuneration committee	Nomination committee
Dominik Asam	May 2017 – May 2019	1 / 1	2 / 2	--	--
Kelly Bennett	Since May 2019	5 / 5	2 / 2	--	--
Anthony Brew	Since May 2018	6 / 6	--	--	--
Lothar Lanz	Chairperson, May 2016 – May 2019	1 / 1	2 / 2	--	3 / 3
Jørgen Madsen Lindemann	Since May 2016	6 / 6	4 / 4	3 / 3	5 / 5
Anders Holch Povlsen	Deputy Chairperson, since December 2013	3 / 6	--	--	4 / 5
Shanna Prevé	May 2017 – May 2019	1 / 1	--	2 / 2	--
Mariella Röhm-Kottmann	Since May 2019	5 / 5	2 / 2	--	--
Alexander Samwer	Since December 2013	6 / 6	--	3 / 3	--
Konrad Schäfers	Since June 2015	6 / 6	4 / 4	--	--
Beate Siert	Since June 2015	6 / 6	--	3 / 3	--
Cristina Stenbeck	Chairperson, since May 2019	5 / 5	--	1 / 1	2 / 2

Plenary Meetings

In each of its ordinary quarterly meetings the plenum of the Supervisory Board analyzed and discussed the management reports on the course of business and the company's strategy as well as 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 25, 2019, the Supervisory Board dealt with the financial statements, the consolidated financial statements for 2018 and the non-financial report presented by the Management Board. In accordance with the recommendations of the audit committee, the Supervisory Board adopted the financial statements for 2018 and approved the consolidated financial statements for 2018 and the non-financial report 2018. It followed the proposal of the Management Board for the appropriation of profit for fiscal year 2018. In addition, the Supervisory Board adopted a resolution regarding its report for the fiscal year 2018, and dealt with the agenda for the annual general meeting 2019 as well as the funding of the Long Term Incentive (LTI 2018). The Supervisory Board also addressed the results of its 2018 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 setup and procedures of the Supervisory Board's committees, the composition of the Supervisory Board and its succession planning. No noteworthy shortcomings were identified.

At its ordinary meeting on May 22, 2019, the Supervisory Board dealt in particular with the new employee participation program of the company, the activation of equity settlement rights under the LTI 2018, the fulfilment infrastructure of the company and the (re-)election of the members of the Supervisory Board's committees.

At its extraordinary meetings on September 6, 2019 and on September 8, 2019, the Supervisory Board discussed strategic opportunities ahead of the group strategy discussion.

The ordinary meeting on September 30, 2019 was specifically devoted to the Zalando group strategy, the sustainability strategy and the diversity and inclusion initiative, which were presented by the Management Board and discussed in depth with the Supervisory Board members.

At its ordinary meeting on December 6, 2019, the Supervisory Board dealt primarily with the budget for the fiscal year 2020 and its new Rules of Procedure in compliance with the German Corporate Governance Code 2020¹². The Management Board and the Supervisory Board jointly resolved on the declaration of conformity with the German Corporate Governance Code.

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 approval. The transactions discussed by the Supervisory Board included inter alia the warehouse equipment for the fulfillment center of Zalando Lounge in Ludwigsfelde, the building of a fulfillment center in the Netherlands and the conclusion of a new cloud vendor contract.

Audit Committee

The audit committee analyzed the annual financial statements for 2018 and the consolidated financial statements for 2018, including the combined management report for 2018 and the non-financial report, as well as the quarterly statement for the first quarter, the half-year report and quarterly statement for the third quarter of 2019. The audit committee regularly reviewed and discussed the focus of the audit, the status reports on GRC (Governance, Risk & Compliance) including data privacy, litigation and the work of the internal audit, the treasury reports 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 2019 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 continued its work of the previous year on the review of the Management Board's performance and the design of the compensation system for the newly appointed Management Board members. Besides this, the remuneration committee addressed the development of the company's employee incentive programs as well as the executive position planning including compensation framework.

¹²⁾ The German Corporate Governance Code 2020 is expected to enter into force in March 2020.

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. In doing so the nomination committee considered the targets for the composition of the Supervisory Board as well as the profile of skills and expertise which the Supervisory Board had determined.

Conflicts of Interest

Due to a conflict of interest, Supervisory Board member Anders Holch Povlsen decided to abstain from participating and recused from voting in two meetings in 2019. Apart from that, no conflicts of interest of any Supervisory Board member occurred in the context of the work of the Supervisory Board.

Training and Professional Development

The company supported the Supervisory Board members Mariella Röhm-Kottmann and Kelly Bennett upon their appointment with a face-to-face onboarding training including detailed onboarding materials, inter alia, regarding tasks, rights and duties of the Supervisory Board, set-up and internal organization, conflicts of interest and directors' dealings. Lothar Lanz as chairperson was briefed and trained in depth in a face-to-face session including relevant materials on the content and sequences of the governance roadshow and the role of a chairperson in such a roadshow as well as on the annual general meeting and the role of the chairperson at the annual general meeting. Further, the company provided the chairperson Cristina Stenbeck with comprehensive briefing material on (i) the duties of the two boards of a two-tier governance structure and (ii) applying the business judgement rule.

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 2019, 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 2020 and before they were finally attested. The annual financial statements for 2019 and the consolidated financial statements for 2019, 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. The financial statements and the auditor's reports were sent to the members of the Supervisory Board.

Further Information
Combined Management
Report

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 and based on the audit committee's recommendation, the Supervisory Board discussed the financial statements, the non-financial report and the proposal for the appropriation of profit in detail.

The Supervisory Board 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

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Consolidated Financial
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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 therefore approved and adopted the annual financial statements for 2019 and approved the consolidated financial statements for 2019 and the non-financial report 2019. 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 in particular of the company's growth trajectory, financial planning, flexibility and strategy.

Corporate Governance

The annual declaration of conformity was issued by the Management Board and the Supervisory Board in December 2019. The complete text of the declaration can be found in 1.4.1. The declaration is made permanently available in the Corporate Governance section on the company's website.

More information on corporate governance can be found in the Corporate Governance Report and associated declaration. With regard to the remuneration structure for the members of the Management Board for fiscal year 2019 and to avoid repetition, please see the Remuneration Report.

Further Information
Corporate Governance Report

Personnel Matters

The term of office of the shareholder representatives in the Supervisory Board expired at the end of the annual general meeting on May 22, 2019. Lothar Lanz, Shanna Prevé and Dominik Asam did not seek re-election. The Supervisory Board would like to thank Lothar Lanz, Shanna Prevé and Dominik Asam for their valuable contributions to the work of the Supervisory Board and the trust-based cooperation.

The annual general meeting 2019 re-elected Jørgen Madsen Lindemann, Anders Holch Povlsen and Alexander Samwer and newly elected Cristina Stenbeck, Mariella Röhm-Kottmann and Kelly Bennett as members of the Supervisory Board. All members were elected until the end of the annual general meeting that resolves on the discharge for fiscal year 2020. Cristina Stenbeck was elected chairperson of the Supervisory Board and Anders Holch Povlsen was elected deputy chairperson of the Supervisory Board.

The Supervisory Board would like to thank the Management Board and all employees of the company for their high level of commitment and the strong achievements in fiscal year 2019.

Berlin, February 25, 2020

Cristina Stenbeck

An overview in the Corporate Governance Report 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.

Further Information
Corporate Governance Report