

# Remuneration system for the members of the Management Board (agenda item 7)

## 1. Basic principles of the remuneration system

The remuneration system for the members of the Management Board contributes significantly to the execution and promotion of the business strategy and the long-term development of ZALANDO SE. The remuneration system consists, besides customary fringe benefits, of a fixed remuneration component, the fixed base salary, and two variable remuneration components, the Zalando Ownership Plan (the **ZOP**) and a long-term incentive program (the **LTI**). The ZOP is based on a variable incentive plan which is already in place since 2019 for the senior management of the company and is now introduced to the remuneration system for the members of the Management Board to promote the alignment of the remuneration of the members of the Management Board with the company’s overall remuneration philosophy. The LTI is a performance-related remuneration component which is linked to the company’s ambitious strategic growth targets and its sustainable development. The amount of the variable remuneration of the members of the Management Board under both variable remuneration components also depends on the development of the share price of the share of ZALANDO SE, thereby linking the interests of the members of the Management Board with those of the shareholders. The remuneration system creates an incentive for results-oriented and sustainable corporate management. The remuneration of the members of the Management Board is based on the performance of the members of the Management Board to the promotion of corporate goals and the business success of ZALANDO SE. The fixed integration of ESG targets into the remuneration structure also encourages sustainable and future-oriented action and incentivizes a value-creating development of the company.

In designing the remuneration system, the Supervisory Board was guided in particular by the following principles:

Business strategy	Promotion of the <b>business strategy</b> as well as the <b>long-term</b> and <b>sustainable</b> development of ZALANDO SE and the Zalando group
Appropriate and market standard remuneration	Ensuring an <b>appropriate</b> and <b>market standard</b> remuneration for the members of the Management Board to allow the Company to attract, incentivize and retain the <b>specific type of talent</b> and leadership required for its <b>strategic ambitions</b>
Ambitious performance targets	Definition of <b>ambitious performance targets</b> and <b>appropriate consideration of the performance</b> of the members of the Management Board (pay for performance)
Focus on shareholder value creation	Orientation of the actions of the members of the Management Board towards the <b>interest of the shareholders</b>
Linked to ESG criteria	Consideration of <b>sustainability and environmental social governance (ESG)</b> aspects to ensure social and future-oriented action
Entrepreneurial culture	Promotion of <b>entrepreneurial culture</b>

The remuneration system for the members of the Management Board of ZALANDO SE is clear and comprehensible. It complies with the requirements of the newly introduced section 87a AktG and with the recommendations of the German Corporate Governance Code, provided that no deviation from these recommendations is disclosed and explained. The Supervisory Board's objective is to offer the members of the Management Board a competitive remuneration package in line with market conditions and in compliance with the above principles for the design of the remuneration system, while maintaining sufficient flexibility to react to structural changes and different market conditions and to ensure competitiveness on the relevant talent markets to allow ZALANDO SE to attract the best national and international candidates for a position on Zalando's Management Board.

## **2. Process for determining, implementing and reviewing the remuneration system**

The remuneration system for the Management Board of ZALANDO SE is resolved by the Supervisory Board in accordance with section 87a para. 1 sentence 1 AktG. The Supervisory Board is supported by its Remuneration Committee. The Remuneration Committee develops recommendations for the remuneration system for the members of the Management Board, taking into account the principles described in section A. above as well as the legal requirements and the requirements of the German Corporate Governance Code, and submits them to the entire Supervisory Board for discussion and resolution.

The Supervisory Board and its Remuneration Committee may, if necessary, consult an external remuneration expert to develop the remuneration system and to assess the appropriateness of the remuneration. The remuneration expert will be rotated from time to time. When consulting an external remuneration expert, the Supervisory Board ensures that the remuneration expert is independent of the Management Board and the company. In the past, the Supervisory Board has regularly consulted an external remuneration expert for the assessment of the appropriateness of the remuneration and has always ensured that the above principles are observed. The Supervisory Board has further consulted an external remuneration expert in the course of the development of this remuneration system for the members of the Management Board. The remuneration system is regularly reviewed by the Supervisory Board, supported by its Remuneration Committee.

The remuneration system is submitted to the General Meeting for approval in case of any material change, but at least every four years. If the General Meeting does not approve the remuneration system, a reviewed remuneration system will be submitted for approval at the latest at the following Annual General Meeting.

Throughout the entire process of determining, implementing and reviewing the remuneration system, the requirements of the AktG and the Supervisory Board's rules of procedure as well as the recommendations of the German Corporate Governance Code on the avoidance and handling of conflicts of interest have been and will be complied with.

The remuneration system applies to all new service agreements for members of the Management Board to be concluded or extended from and including June 1, 2021

onwards. For existing service agreements, the existing remuneration structure will continue to apply in accordance with section 26j para. 1 Introductory Act to the Stock Corporation Act (Einführungsgesetz zum Aktiengesetz – **EGAktG**) and the rationale of the German Corporate Governance Code, in particular in order to avoid modifications to the already granted long-term incentive plans with a multi-year assessment basis. In the course of the conclusion of the service agreement of the newly appointed member of the Management Board Ms Astrid Arndt, the Supervisory Board has considered the provisions of the remuneration system to a very large extent subject to the implementability of the provisions at the time of the conclusion of the service agreement.

### **3. Remuneration structure**

The remuneration system for the members of the Management Board of ZALANDO SE consists of fixed and variable remuneration components, the sum of which determines the total remuneration of the members of the Management Board. The fixed remuneration comprises a fixed base salary as well as customary fringe benefits, which may vary in amount depending on the occasion and the member of the Management Board. The variable remuneration comprises the ZOP and LTI (all remuneration components are explained in detail in section 4. below).

Fixed remuneration components		
<b>Fixed salary</b>	Monthly fixed salary	
<b>Fringe benefits</b>	Company car, allowance for health insurance, reimbursement of expenses, employer's contribution to the statutory pension and unemployment insurance and D&O insurance	
Variable remuneration components		
<b>Zalando Ownership Plan (ZOP)</b>	Structure	Share-based remuneration component consisting of virtual options ("ZOP Shares" and "ZOP Options") with a free choice of mixture of ZOP Options and ZOP Shares. The ZOP Shares and the ZOP Options may be settled, at the election of the Company, in shares of the company or in cash.
	Grant	Quarterly grant
	Waiting period	ZOP Shares – no waiting period ZOP Options – two-year waiting period
	Exercise period	Three years
	Exercise price	ZOP Shares – EUR 1.00 ZOP Options – share price at grant
	Cap	ZOP Shares – 200% of initial share price at grant ZOP Options – 250% of initial share price at grant
<b>Long-term incentive (LTI)</b>	Structure	Share-based long-term remuneration component consisting of virtual options ("LTI Shares" and "LTI Options") with a minimum of 50% LTI Options. The LTI Shares and the LTI Options may be settled, at the election of the company, in shares of the company or in cash.
	Grant	One-off grant at the beginning of the service agreement
	Waiting period	Four years
	Performance targets	Depending on the achievement of performance targets the number of LTI Shares and LTI Options may range between 0% and 125% of the initially granted number at plan start <ul style="list-style-type: none"> <li>Gross merchandise volume of ZALANDO SE (promotion of the continuous growth of the company's business)</li> <li>Newly introduced: ESG-targets taken into account by way of a modifier (promotion of sustainable corporate management)</li> </ul>
	Exercise period	Three years
	Exercise price	LTI Shares – EUR 1.00 LTI Options – share price at grant
	Cap	LTI Shares – 200% of initial share price at grant LTI Options – 250% of initial share price at grant
Further provisions		
<b>Maximum remuneration</b>	Maximum remuneration for one financial year of EUR 15.75m for the CEO and EUR 10.5m for ordinary board members	
<b>Malus and clawback provisions</b>	Right of the Supervisory Board to retain or reclaim variable remuneration in case of a severe breach of statutory obligations or internal compliance policies and behavioural guidelines or severe compliance infringements; right of the Supervisory Board to reclaim variable remuneration in case of an unduly payout based on incorrect information	
<b>Severance cap</b>	Severance payments shall not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the service agreement	
<b>Change of control</b>	No payments in case of an early termination due to a change of control; right to cancel vested but unexercised LTI Shares and LTI Options against a compensation payment in case of a change of control	

On the basis of the remuneration system, the Supervisory Board determines the amount of the target total remuneration for the individual members of the Management Board for the upcoming financial year. The target total remuneration is made up of the sum of all fixed and variable remuneration components for one year in the event of 100% target achievement. The target total remuneration to be determined for each member of the Management Board is set in an adequate proportion to the responsibilities and performance of the respective member of the Management Board and to the situation of

the company. In addition, the Supervisory Board ensures that the target total remuneration is in line with market practice.

### **a) Horizontal comparison**

In order to assess whether the remuneration of the individual members of the Management Board is in line with market practice, the Supervisory Board makes a horizontal comparison with the remuneration paid to the Management Board of a group of comparable companies to be determined by the Supervisory Board, taking into account in particular the market position of ZALANDO SE (including market capitalization, revenue, industry, size and country) and the overall economic situation of ZALANDO SE. The Supervisory Board hereby considers comparable companies included in the DAX and MDax. The Supervisory Board further considers the remuneration of technology driven companies of comparable size in Europe and the USA.

### **b) Vertical comparison**

In addition, the Supervisory Board considers the level of remuneration of the members of the Management Board in relation to the remuneration structure within the Zalando-group, based on the annual base salary for the members of the Management Board as well as the variable remuneration in case of (assumed) 100% target achievement. In this vertical comparison, the Supervisory Board considers the overall average remuneration of the total workforce of ZALANDO SE as well as the average remuneration for sub-groups based on seniority levels (e.g., Senior Vice Presidents), and how the average remuneration of the aforementioned reference groups developed over time.

In the event of significant shifts in the relation between the remuneration of the members of the Management Board of ZALANDO SE and the remuneration of the vertical peer groups, the Supervisory Board examines the causes for the shift.

### **c) Differentiation according to different requirements for the individual Management Board positions**

When determining the amount of the target total remuneration of the individual members of the Management Board, the Supervisory Board may, in its discretion, differentiate in view of different requirements of the respective Management Board function, market conditions or qualification and experience of the members of the Management Board. When determining the target total remuneration, the Supervisory Board may therefore in particular make differentiations depending on the function of the members of the Management Board (CEO or ordinary board member), the responsibility within the Management Board or the experience or term of membership of the member of the Management Board, and may also take into account that a higher remuneration may be customary in competitor markets of ZALANDO SE abroad.

### **d) Composition of the target total remuneration**

60% of the target total remuneration of each Management Board member consists of the LTI, whereas 40% can be individually divided between the fixed remuneration and the ZOP with a minimum of 10% to be paid as fixed remuneration (fixed annual salary and fringe benefits). Such structure shall provide for the flexibility for Zalando's Supervisory Board to answer different needs of different types of current and future members of the Management Board in terms of their remuneration structure. Against this background, the

proportion of the individual remuneration components in the target total remuneration is defined in percentage ranges.

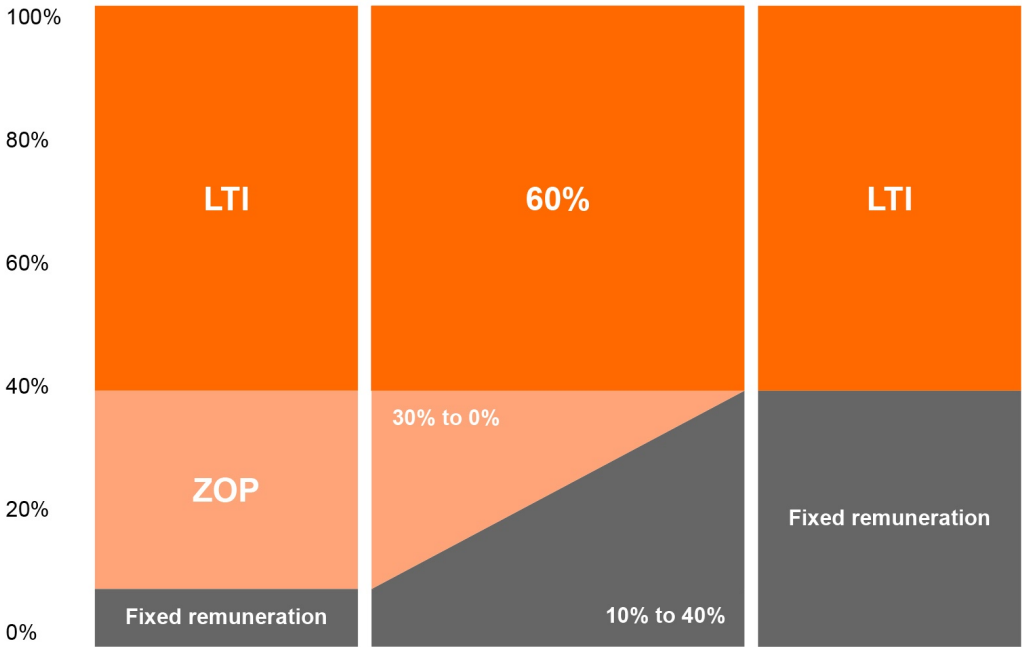
The target total remuneration for all members of the Management Board (CEO and ordinary board members) is composed as follows: The fixed remuneration represents between 10%-40% of the target total remuneration. It consists of the fixed annual salary and fringe benefits (the latter in the amount of up to 1% of the target total remuneration). The ZOP represents between 0% and 30% and the LTI corresponds to 60% of the target total remuneration.

The Supervisory Board may adjust individual remuneration components in the context of the annual review of the remuneration of the members of the Management Board, taking into account customary market practice and appropriateness. When calculating the target total remuneration for a financial year, the Supervisory Board also takes into account any group remuneration of individual members of the Management Board.

The composition of the target total remuneration for a Management Board member may differ in exceptional cases in the year of appointment or in the second year after appointment to the Management Board, if the Supervisory Board grants the newly appointed member of the Management Board further payments, e.g., as compensation for entitlements from a previous service agreement lost due to the acceptance of the new position at ZALANDO SE.

In accordance with the recommendation of the German Corporate Governance Code, when determining the target total remuneration, the Supervisory Board ensures that the variable remuneration resulting from the achievement of long-term targets exceeds the share of short-term targets. This ensures that the remuneration system is focussed on the long-term development and implementation of ZALANDO SE's business objectives.

**Composition as % of target total remuneration**



## **e) Caps and maximum remuneration**

In order to achieve a balanced risk-reward profile and a corresponding incentive effect of the remuneration system, the LTI is designed in such a way that the payout can be zero. Further, the payout under the ZOP may also be zero in case the grant under the ZOP entirely consists of ZOP Options. In addition, the payout of the variable remuneration (ZOP and LTI) is limited to 200% of the initial share price of the shares of ZALANDO SE at grant for ZOP Shares and LTI Shares (as described under 4. b) below) and to 250% of the initial share price of the shares of ZALANDO SE at grant for ZOP Options and LTI Options (as described under 4. b) below) (cap).

In addition, the Supervisory Board determines a maximum remuneration for the members of the Management Board in accordance with section 87a para. 1 sentence 2 no. 1 AktG. The Supervisory Board also includes any group-remuneration of individual members of the Management Board in the calculation.

Since the maximum remuneration is calculated on an annual basis, but the members of the Management Board of ZALANDO SE receive their grant under the LTI as a one-off grant at the beginning of their term of office and thus receive the complete payout under the LTI at the earliest after a four-year waiting period (sequential plan), the pro rata inflow value after the expiry of the four-year waiting period is determined for each financial year. On the basis of the pro rata amounts the Supervisory Board may determine the remuneration for one financial year in a way that is more comprehensible, transparent and comparable with market standards and properly reflects the economic benefit granted to a member of the Management Board, and can properly ensure that the defined maximum remuneration for one financial year will not be exceeded.

The aim of the new remuneration system for the Management Board is to continue to support and nurture the “founding mindset” for the company’s executives. The maximum remuneration however can only be reached in case a member of the Management Board chooses a risk-oriented remuneration profile with a high portion of ZOP Options and LTI Options rather than ZOP Shares and LTI Shares, and in case of significant overperformance in GMV growth versus the company’s guidance, a substantial share price increase, and meeting the ambitious targets set for the strategic ESG KPIs. In case no value for shareholders would be created through an increase in share price, such profile would be left with only the minimum remuneration to be paid. We have incorporated flexibility in the program to also cater to less risk-oriented CEO profiles with a mix of ZOP and LTI Shares and Options leading to a lower remuneration. The same rationale also applies to ordinary members of the Management Board.

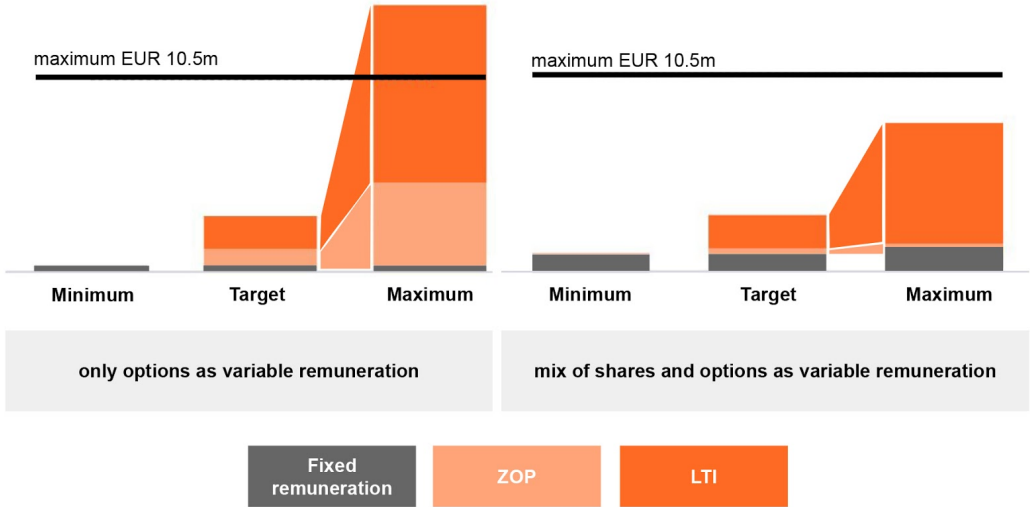
The maximum remuneration for one financial year – regardless of whether the payout occurs in this financial year or at a later date and on the basis of the pro rata amounts for the LTI and the respective maximum limits for variable remuneration – amounts to EUR 15.75m for a CEO and to EUR 10.5m for ordinary members of the Management Board.

The Supervisory Board regularly examines the amount of the maximum remuneration for its appropriateness. This appropriateness evaluation is carried out in connection with the

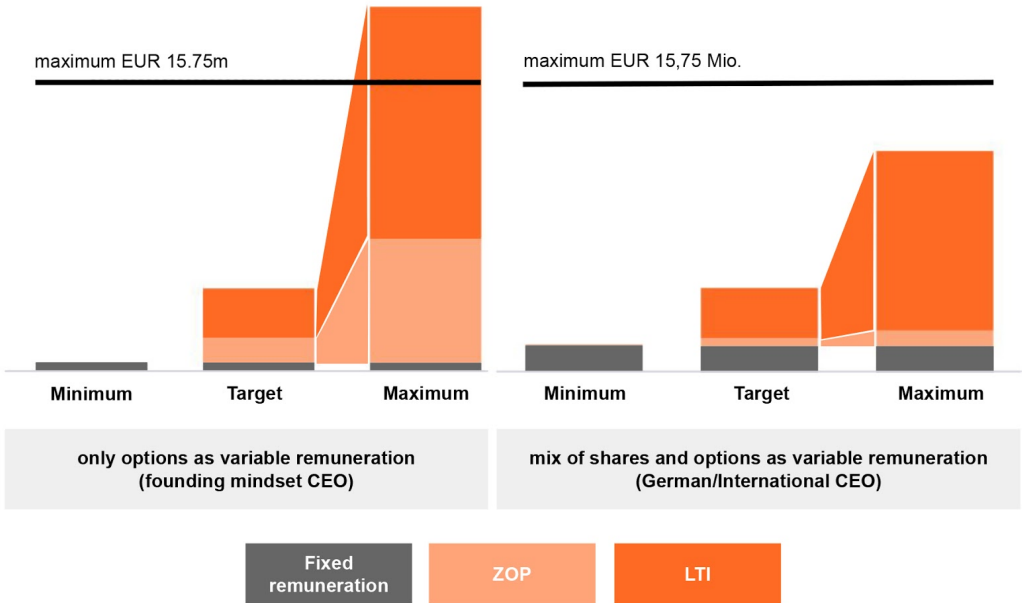


horizontal and vertical comparison and includes the fringe benefits in the respective maximum, lump-sum amounts.

**Ordinary Board Member profile (illustrative)**



**CEO profile (illustrative)**



**4. Remuneration components in detail**

**a) Fixed remuneration components**

The fixed remuneration of the members of the Management Board consists of a fixed annual salary and individually agreed, customary fringe benefits and other benefits granted in exceptional cases.



### **1) Base salary**

Each member of the Management Board receives an annual fixed base salary agreed on an individual basis, which is generally paid in twelve monthly instalments.

### **2) Fringe benefits**

In addition, the members of the Management Board receive additional, customary fringe benefits, which mainly include the use of a company car for private purposes including the assumption of any income tax imposed on the monetary benefit from the private use of the car, allowance for health insurance in the amount of half the monthly contributions up to the amount, that the company would have to bear as the employer's contribution to the statutory health insurance of the local AOK, and a monthly gross amount of the applicable employer's contribution to the statutory pension and unemployment insurance.

Further, the members of the Management Board receive reimbursements for all expenses (including travel expenses) properly and reasonably incurred in the course of the services of the respective member of the Management Board. In addition, ZALANDO SE has also taken out a "Directors and Officers Insurance" (D&O insurance) with a deductible of 10% of the covered damage but at maximum 150% of the annual fixed base salary.

Further fringe benefits can be individually agreed with the respective members of the Management Board.

### **3) Further benefits**

Finally, the Supervisory Board may, at its reasonable discretion and in exceptional cases, individually agree with the members of the Management Board on payments in connection with their appointment as a member of the Management Board of ZALANDO SE, e.g., to compensate entitlements under previous service agreements and in particular under previous long-term incentive programs lost due to the acceptance of the new position at ZALANDO SE, in each case within the scope of the defined maximum remuneration.

## **b) Variable remuneration components**

The variable remuneration of the members of the Management Board consists of the ZOP and the LTI. Both are virtual programs, which are linked to the development of the share price of the company and thus contribute to a stronger link to the shareholders' interests and the promotion of the long-term growth of ZALANDO SE. The variable remuneration under the LTI is further tied to the performance of the company under its long-term strategy and is thus aligned with the company's long-term development. In addition, ambitious ESG-targets are included in Zalando's LTI which incentivize and reward sustainable corporate management and account for Zalando's social responsibility.

60% of the target total remuneration consists of the LTI. The remaining 40% can be individually divided between the fixed remuneration (fixed annual salary and fringe benefits) and the ZOP, whereby at least 10% must be granted as fixed remuneration.

## 1) Zalando Ownership Plan (ZOP)

The ZOP consists of virtual options in the form of so-called **ZOP Shares** and **ZOP Options**, both entitling the members of the Management Board to a cash payment against ZALANDO SE. At the election of ZALANDO SE, the cash payment claim of the members of the Management Board may also be settled in shares of the company.

Under the ZOP, the members of the Management Board will be granted ZOP Shares and ZOP Options on a quarterly basis. For this purpose, the Supervisory Board sets an annual target amount in Euro within the target total remuneration of each Management Board member and within the individually chosen proportion of fixed remuneration and ZOP (the **Target Amount**), which will be divided into quarterly tranches. Each tranche will then be converted into a specific number of ZOP Shares and ZOP Options. The ZOP provides for the flexibility of the members of the Management Board to individually determine the proportion of ZOP Shares (ZOP Shares Ratio) and of ZOP Options (**ZOP Options Ratio**) under the ZOP (each from 0% to 100% but in steps of 5%). This choice of mixture in ZOP Shares and ZOP Options takes into account the different risk-affinity of different members of the Management Board and provides the Supervisory Board with the flexibility to accommodate for all talent profiles. The members of the Management Board can generally determine the ZOP Shares Ratio and the ZOP Options Ratio each year between September 1 until and including September 14 (the **Selection Window**). The chosen ZOP Shares Ratio and ZOP Options Ratio will apply to the following quarterly grants, unless the respective member of the Management Board determines another ZOP Shares Ratio and ZOP Options Ratio during a Selection Window. In case of new appointments to the Management Board, the ZOP Shares Ratio and the ZOP Options Ratio will be determined in the service agreement and may be changed during the first Selection Window occurring after the conclusion of the service agreement.

The ZOP does not provide for specific performance targets to be achieved by the members of the Management Board. It is a share-based remuneration component and as such linked to the share price development. The share-based structure of the ZOP contributes to the alignment of the interests of the members of the Management Board with those of the shareholders of ZALANDO SE in encouraging the long-term development and growth of the ZALANDO SE and the Zalando-group.

The number of ZOP Shares to be granted to the individual member of the Management Board for the respective annual period is calculated by dividing the Target Amount by the product of the closing price of the shares in ZALANDO SE in Xetra trading on the Frankfurt Stock Exchange at the date of the grant (the Grant Date) (the Grant Share Price) and a fixed conversion factor of 1.05, and multiplying this quotient with the ZOP Shares Ratio. The number of ZOP Options to be granted to the individual member of the Management Board for the respective annual period is calculated by dividing the Target Amount by the

product of the Grant Share Price and a fixed conversion factor of 0.3, and multiplying this quotient with the ZOP Options Ratio.

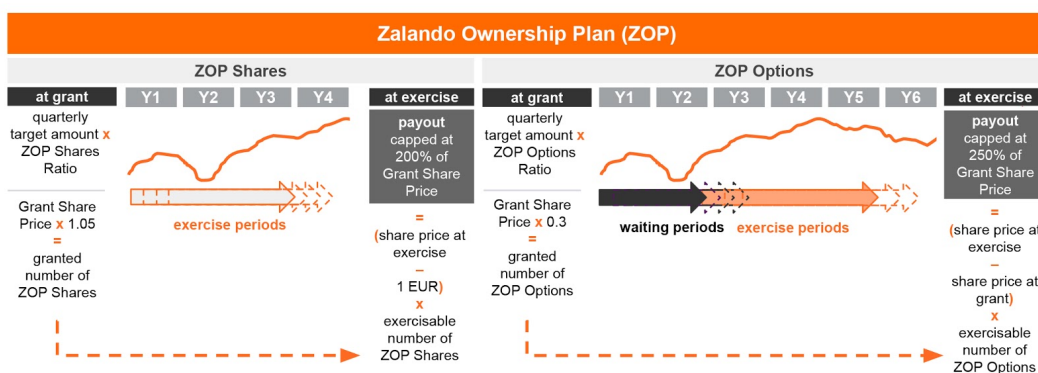
The conversion factor reflects the different risk the members of the Management Board take with the respective instrument (ZOP Shares or ZOP Options).

The ZOP Shares are not subject to a waiting period, whereas the ZOP Options only are exercisable after a waiting period of two years commencing on the Grant Date. Further, ZOP Shares and ZOP Options are only exercisable during an exercise period of three years (i) following the Grant Date in case of the ZOP Shares and (ii) following the expiration of the waiting period in case of the ZOP Options. The term of the exercise period may differ with regard to ZOP Shares to comply with foreign regulations which may be applicable to a member of the Management Board. The ZOP Shares entitle the member of the Management Board to a cash payment in the amount of the difference between the closing price of shares of ZALANDO SE in Xetra trading on the Frankfurt Stock Exchange at the time ZOP Shares are exercised and an exercise price of EUR 1.00 per exercised ZOP Share.

The ZOP Options entitle the member of the Management Board to a cash payment in the amount of the difference between the closing price of the shares of ZALANDO SE in Xetra trading on the Frankfurt Stock Exchange at the time ZOP Options are exercised and the Grant Share Price.

ZALANDO SE is entitled, in its sole discretion, to deliver shares in ZALANDO SE to the respective Management Board member instead of a cash payment.

The payment claim of the respective Management Board member under the ZOP Shares is limited to 200% of the Grant Share Price per ZOP Share and to 250% of the Grant Share Price per ZOP Option.



## 2) Long-term incentive program (LTI)

### General structure of the LTI

The members of the Management Board further participate in Zalando's long-term incentive program (LTI), consisting of so-called **LTI Shares** and **LTI Options**, both entitling the members of the Management Board to a cash payment against ZALANDO SE. At the election of the company, the cash

payment claim of the members of the Management Board may also be settled in shares of the company.

The amount of variable remuneration under the LTI is linked to the development of the company's gross merchandise volume as key performance indicator and takes into account certain ESG-targets by way of a modifier. The LTI provides for the flexibility of the members of the Management Board to individually determine the proportion of LTI Shares (**LTI Shares Ratio**) and LTI Options (**LTI Options Ratio**). This choice of mixture in LTI Shares and LTI Options takes into account the different risk-affinity of different members of the Management Board – a higher share of LTI Options for a more risk-orientated remuneration profile – and provides the Supervisory Board with the flexibility to accommodate for all talent profiles. Nevertheless, at least 50% of the grant amount must be granted in LTI Options to incentivize the long-term orientation of the members of the Management Board. The LTI Shares Ratio and the LTI Options Ratio are determined in the service agreement of the respective member of the Management Board.

The structure of the LTI as a share-based model contributes to a stronger link between the interests of the members of the Management Board and the shareholders and further encourages and rewards a long-term and future-orientated management of the company. Further, the inclusion of ESG-targets incentivizes a sustainable development of ZALANDO SE.

Under the LTI, the members of the Management Board are granted LTI Shares and LTI Options by way of a one-off grant for the entire term of their service agreement (sequential plan). For this purpose, the Supervisory Board sets a target value in Euro as grant value (the **Grant Value**) for each member of the Management Board. The number of LTI Shares to be granted to the individual Management Board member is calculated by dividing the Grant Value by the product of the Grant Share Price and a fixed conversion factor for LTI Shares of 1, and multiplying this quotient with the LTI Shares Ratio.

The number of LTI Options to be granted to the individual Management Board member is calculated by dividing the Grant Value by the product of the Grant Share Price and a fixed conversion factor for LTI Options of 0,4, and multiplying this quotient with the LTI Options Ratio.

The final number of exercisable LTI Shares and LTI Options depends on the extent to which the targeted rate of the gross merchandise volume (**GMV**) of ZALANDO SE as well as defined ESG-targets are met during the term of the service agreement of each member of the Management Board (**Performance Period**). For this purpose, in a first step, the degree of achievement of the targeted GMV (as a percentage) is determined at the end of the Performance Period. In a second step, the Supervisory Board uses a modifier, which may range between -20%-points and 0%-points, to take into account the achievement of certain predefined ESG-targets. The resulting Overall Target Achievement, which may range between 0% and 125%, defines the percentage of the number

of LTI Shares and LTI Options which will be exercisable at the end of a waiting period of four-years (the **Waiting Period**).

The LTI Shares entitle the member of the Management Board to a cash payment in the amount of the difference between the closing price of the share of ZALANDO SE in Xetra trading on the Frankfurt Stock Exchange at the time LTI Shares are exercised and an exercise price of EUR 1.00 per exercised LTI Share. The LTI Options entitle the member of the Management Board to a cash payment in the amount of the difference between the closing price of the share of ZALANDO SE in Xetra trading on the Frankfurt Stock Exchange at the time LTI Options are exercised and the Grant Share Price.

The company is entitled, in its sole discretion, to deliver shares in ZALANDO SE to the respective Management Board member instead of a cash payment.

LTI Shares and LTI Options can only be exercised after the Waiting Period has expired. Further, LTI Shares and LTI Options can only be exercised within a fixed exercise period of three years after the expiry of the Waiting Period. The exercise period may differ with regard to LTI Shares to comply with foreign regulations which may be applicable to a member of the Management Board.

The payout under the LTI is capped at 200% of the Grant Share Price per LTI Share and at 250% of the Grant Share Price per LTI Option.

### **Performance criteria of the LTI and determination of Overall Target Achievement**

The Overall Target Achievement under the LTI is measured (i) on the basis of the development of the GMV of ZALANDO SE during the Performance Period as the most relevant performance parameter under the company's long-term strategy and (ii) by taking into account the achievement of certain ESG-targets by way of a modifier of between -20%-points and 0%-points.

- **Gross merchandise volume (GMV) of ZALANDO SE**

When assessing the Overall Target Achievement under the LTI, in a first step, the Supervisory Board measures the target achievement of the compound annual growth rate (**CAGR**) of Zalando's GMV during the Performance Period. For this purpose, prior to the beginning of the Performance Period, the Supervisory Board sets a target value (as a percentage) for the GMV CAGR to be achieved at the end of the Performance Period, which results in a target achievement (the **GMV Target Achievement**) of 100%. The Supervisory Board further sets a minimum target value which results in a GMV Target Achievement of 50% (hurdle) and a maximum target value which results in a maximum GMV Target Achievement of 125%. A GMV Target Achievement above 125% cannot be reached. In the event that the GMV Target Achievement falls below 50%, the number of exercisable LTI Shares and LTI Options is 0. On the basis of the defined target values, at the end of the respective Performance Period, the Supervisory Board determines the GMV Target Achievement.

- **ESG-targets**

In order to ensure the sustainable and long-term success of ZALANDO SE, for each Performance Period, the Supervisory Board defines ambitious, measurable and transparent ESG-targets on the basis of Zalando's ESG-strategies. In selecting the specific ESG-targets, the Supervisory Board pays particular attention to relevance and measurability of the targets based on the underlying ESG-strategy which is subject to continuous evolution, e.g., the "do.More strategy" of ZALANDO SE with the objective to yearly reduce emissions and source renewable energies.

The defined ESG-targets will be taken into account by way of a modifier on the GMV Target Achievement of between -20%-points and 0%-points (the **Modifier**). For this purpose, the Supervisory Board sets a target value for each ESG-target to be achieved at the end of the Performance Period as well as a minimum value for each ESG-target. The Supervisory Board further defines target ranges between the minimum value and the target value, which result in a certain target achievement level, as well as the weighting of the ESG-targets within the Modifier.

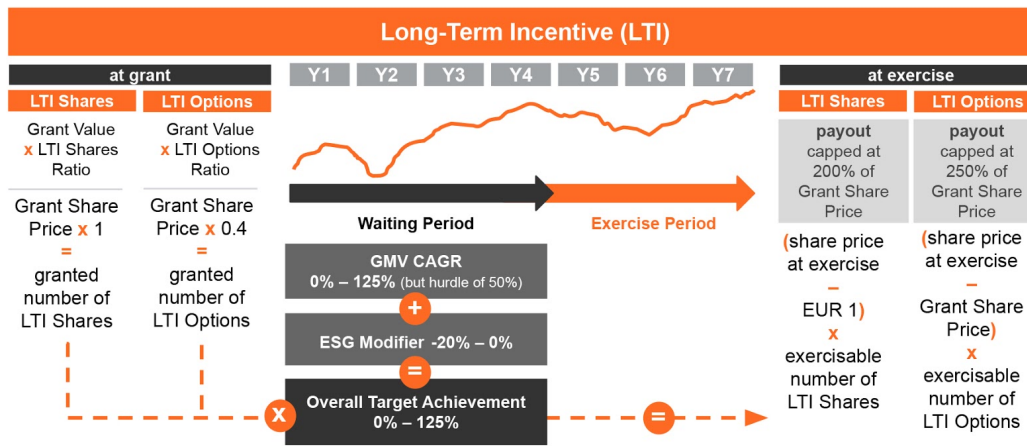
At the end of the Performance Period, the Supervisory Board determines the level of target achievement of each ESG-target (as a percentage), and, on the basis of the defined weighting of the ESG-targets, the overall target achievement of the ESG-targets, which corresponds to a Modifier of between -20%-points and 0%-points.

The **Overall Target Achievement** (as a percentage), which defines the total number of exercisable LTI Shares and LTI Options, is calculated by applying the Modifier to the GMV Target Achievement, which may result in a decrease of the GMV Target Achievement of between -20%-points and 0%-points.

The final number of exercisable LTI Shares and LTI Options is calculated as the product of the initial number of LTI Shares and LTI Options and the Overall Target Achievement (as a percentage).

The Supervisory Board may decide that, in addition to the existing performance target of Zalando's GMV, future LTI plans may provide for a second financial performance target, which may be either EBIT or Revenue of ZALANDO SE (in alignment with the company's strategy and guidance communicated to the capital markets). If a second financial performance target other than GMV is employed, this will be disclosed in the remuneration report.





## 5. Remuneration-related legal agreements

The service agreements of the members of the Management Board of ZALANDO SE are concluded for the duration of their appointment.

### a) Early termination of the service agreement

In case of a revocation of a member of the Management Board in accordance with section 84 para. 3 AktG, the company is entitled to terminate the service agreement in accordance with the statutory termination period pursuant to section 622 para. 1 and para. 2 of the German Civil Code (**BGB**). The service agreements of the members of the Management Board include a provision, pursuant to which, in such case, the respective member of the Management Board is entitled to a severance payment in the amount of twice the fixed annual base salary, but not more than the base salary for the remaining term of the service agreement.

The service agreements of the members of the Management Board further generally include a provision pursuant to which payments (including fringe benefits) due to an early termination of the service agreement are limited to 200% of the annual remuneration (severance cap), and do not constitute remuneration for more than the remaining term of the service agreement. The severance cap shall be calculated on the basis of the total remuneration for the previous full financial year and, if appropriate, also takes into account the expected total remuneration for the current financial year. Entitlements of the respective Management Board member under variable remuneration programs of the company are determined by the conditions of the respective program and depend on the originally agreed targets and comparison parameters and on the due dates stipulated in the contract.

In the event of a termination of the service agreement for good cause by the company pursuant to section 626 BGB, the respective members of the Management Board are not entitled to any severance payment.

### b) Change of control

Neither the service agreements nor the plan conditions of the ZOP and the LTI provide for any payments in case of a termination of the service agreement due to a change of control. The plan conditions of the LTI contain a provision pursuant to which in case of a



change of control the members of the Management Board or the Supervisory Board are entitled to cancel all unexercised but vested LTI Shares and LTI Options against payment of a cancellation compensation to the members of the Management Board. Change of control means in such case any acquisition of control of the company within the meaning of section 29 para. 2 of the German Takeover Code (Wertpapiererwerbs- und Übernahmegesetz – **WpÜG**) in connection with a voluntary takeover pursuant to section 29 et. seqq. WpÜG or resulting in a mandatory takeover offer pursuant to section 35 et. seqq. WpÜG, in each case to the shareholders of the company. The cancellation compensation corresponds to the difference between the consideration of the respective change of control offer and the exercise price of the LTI Shares and LTI Options, respectively, but in any case, limited to the defined payout caps. Payments of a cancellation compensation in case of a change of control shall in any case not exceed the defined maximum remuneration for the members of the Management Board.

### **c) Incapacity to work**

In the event of a permanent incapacity to work of a member of the Management Board, the service agreement of the respective Management Board member ends at the end of the calendar quarter in which such permanent incapacity to work is determined.

## **6. Post-contractual non-competition clause**

If non-compete clauses are concluded with the members of the Management Board for the period after their departure and ZALANDO SE pays a compensation payment for such non-compete clause to the respective member of the Management Board, any severance payment will be credited against this remuneration.

## **7. Malus and clawback**

In case of a wilful or gross negligent serious breach of the obligations pursuant to section 93 AktG or internal compliance policies and behavioural guidelines or severe compliance infringements by a member of the Management Board, the Supervisory Board may, at its sole discretion, retain in whole or in part variable remuneration that has not been paid out (malus). In such case, the Supervisory Board may further, at its sole discretion, reclaim in whole or in part variable remuneration that has already been paid out (clawback). Further, the Supervisory Board has the possibility to reclaim variable remuneration in case of an unduly payout based on incorrect information.

## **8. Sideline activities of members of the Management Board**

Any remuneration a member of the Management Board receives from Supervisory Board positions within the Zalando-group is deduced from the base salary of such Management Board member. As regards positions in Supervisory Boards of non-group entities, the Supervisory Board of ZALANDO SE decides at its sole discretion whether and to what extent a deduction is made.

## **9. Extraordinary developments**

In the event of extraordinary developments, the Supervisory Board is entitled to adjust the amount of the individual remuneration components, including the target total remuneration of variable remuneration components in the event of 100% target achievement, their ratio to each other, the criteria for target achievement and the

respective payment amounts and to defer payment dates, provided that the upper limits (caps) set for the variable remuneration and the maximum remuneration are not exceeded.

Extraordinary developments occur when circumstances have arisen or are more likely than not to arise that could not have been foreseen when the targets for variable remuneration components were set and which have a significant impact on the total remuneration of the members of the Management Board. Such events may include, in particular, major acquisitions, the sale of significant parts of ZALANDO SE, substantial changes in the underlying accounting standards or tax regulations, natural disasters, pandemics or comparable events. In making its decision, the Supervisory Board also takes into account the extent to which ZALANDO SE, the shareholders and the employees are or will be affected by the extraordinary developments.

## **10. Temporary deviations**

The Supervisory Board may further temporarily deviate from the remuneration system if this is necessary in the interest of the company's long-term welfare, for example in the event of an economic or corporate crisis, if the remuneration system needs to be adjusted in the event of a significant change in corporate strategy to ensure adequate incentive or in the event of changes in the regulatory framework.

The components of the remuneration system from which deviations can be made are the procedure, the remuneration structure and amount and the individual remuneration components. In these cases, the Supervisory Board may also introduce new remuneration components. Any deviation from the remuneration system requires a resolution of the Supervisory Board, which is based on a respective recommendation of its Remuneration Committee and which also has to determine the circumstances leading to the deviation.