Financial Statements and Combined Management Report
2022

zalando

Zalando.

The Starting Point for Fashion.

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Content

1.1 Report of the Supervisory Board

Dear shareholders,

2022 was yet another year in which Zalando demonstrated that it can quickly change gears: As already in the two years before with the COVID-19 pandemic, the company rapidly adapted to fundamentally changed circumstances and faced the challenging macroeconomic environment.

A clear focus on increasing efficiency while at the same time seizing necessary investment opportunities led, despite the macroeconomic headwinds, to a year with a GMV of EUR 14.8bn and an adjusted EBIT of EUR 184.6m. Zalando reached the milestones of more than 50 million active customers in 25 markets and attracted more than 2 million paying Zalando Plus members. Zalando intensified its efforts to inspire customers and acquired a majority stake in Highsnobiety to further improve storytelling and create deeper emotional bonds with customers. Zalando and Nike extended their partnership, enabling customers to shop for Nike member-exclusive products on Zalando. The company's partnership with Sephora grew, adding more beauty brands on the platform and expanding into Italy.

Zalando remains committed to be the Starting Point of Fashion for everyone. It embraces diversity of its employees, partners and customers within its dedicated Diversity & Inclusion (D&I) strategy do.BETTER. As part of this commitment, Zalando launched its first adaptive collection across private labels. A dedicated landing page and accompanying marketing campaign aim to help customers discover and shop adaptive fashion on Zalando, with further improvements in customer experience already planned. The company continues to support underrepresented communities and onboarded over 60 black-owned brands since 2020. Zalando also made great progress in closing in on its "Women in Leadership" commitment. Zalando is not only looking to widen gender representation in its overall leadership teams, it is also aiming to turn its tech community more gender-equitable. Therefore, the company further invested in supporting women both in tech careers and in leadership roles within the Zalando group.

In December 2022, the Supervisory Board reappointed the Management Board member David Schröder for a four year term commencing after the end of his tenure on April 1, 2023 and expiring as per the end of March 31, 2027. We are absolutely thrilled that David Schröder will continue as Chief Operating Officer with building and scaling the company's unique capabilities and offerings as well as enabling the company's growth. David Schröder has been an integral part of Zalando's success so far and has been a trusted partner since the early days of the company in 2010.

The business responsibilities of the Management Board members have been reallocated with effect as of January 1, 2023, attributing further core responsibilities to the Co-CEOs and founders Robert Gentz and David Schneider.

Management Board member Jim Freeman will leave as planned when his term expires on March 31, 2023. Jim Freeman has no longer own business responsibilities during the transition phase starting January 1, 2023 until the end of his tenure. The Supervisory Board wishes to express its gratitude to Jim Freeman for his leadership and execution of the overall strategy. Jim Freeman played an instrumental part in developing the company's strategy focused on deepening customer relationships and becoming the Starting Point for Fashion, the destination that consumers gravitate to for all their fashion needs, and then successfully led the execution of that strategy.

The Supervisory Board will continue to focus on succession planning and is determined to ensure that the company is well positioned to achieve its strategic ambitions and financial goals in the future. At the same time, the Supervisory Board will continue an active dialogue with the Management Board to serve and support the best interest of the company.

We are excited to accompany Zalando in the year 2023 on its journey to be the Starting Point for Fashion with the support and for the benefit of customers, partners, 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. In particular, the Management Board consulted the Supervisory Board on the group's general strategy and future of work approach. Transactions requiring approval were presented by the Management Board.

The Supervisory Board – from top left to bottom right:
Jennifer Hyman Member of the Supervisory Board, member of the D&I and sustainability committee, **Anders Holch Povlsen** Member of the Supervisory Board, member of the nomination committee, member of the remuneration committee, **Anika Mangelmann** Member of the Supervisory Board, member of the remuneration committee, **Niklas Östberg** Member of the Supervisory Board, member of the audit committee, **Cristina Stenbeck** Chairperson of the Supervisory Board, chairperson of the remuneration committee, member of the nomination committee, **Matti Ahtiainen** Member of the Supervisory Board, member of the audit committee, **Kelly Bennett** Deputy chairperson of the Supervisory Board, chairperson of the nomination committee, chairperson of the D&I and sustainability committee, member of the audit committee, **Mariella Röhm-Kottmann** Member of the Supervisory Board, chairperson of the audit committee, **Jade Buddenberg** Member of the Supervisory Board, member of the D&I and sustainability committee

Meetings of the Supervisory Board and its committees

The plenum of the Supervisory Board held seven meetings during the fiscal year 2022. In addition, the audit committee held six meetings, the remuneration committee held four meetings, the nomination committee held three meetings and the D&I and sustainability committee held two meetings during the fiscal year 2022. The Supervisory Board established a committee for the share buy-back program 2022 of the company, which held one meeting. In addition, the Supervisory Board passed six circular resolutions and one written resolution regarding the formal adjustment of the Articles of Association. The audit committee passed two circular resolutions and the nomination committee passed one circular resolution. The Supervisory Board and its committees also convened regularly without the Management Board as necessary to consider 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 discussions and decisions of meetings of the committees at its subsequent plenary meetings. Jennifer Hyman, Anders Holch Povlsen, Niklas Östberg and Jade Buddenberg were unable to attend one meeting of the Supervisory Board. With respect to the Supervisory Board committees, Niklas Östberg could not attend two meetings of the Audit Committee, Anika Mangelmann was unable to attend one meeting of the Remuneration Committee and Jade Buddenberg was unable to attend one meeting of the D&I and sustainability committee. The other members of the Supervisory Board attended all meetings of the Supervisory Board and all meetings of their respective committees.

Two meetings of the Supervisory Board plenum were held as presence meetings. Due to the ongoing COVID-19 pandemic, all other meetings were held remotely as video conferences.

Overview of plenary and committee meetings and attendance on an individual basis in fiscal year 2022

	Tenure	Plenum	Audit committee	Remuneration committee	Nomination committee	D&I and sustainability committee	Share buy-back committee	Total attendance rate (rounded)
Matti Ahtiainen	Since June 2020	7 / 7	6 / 6	--	--	--	1 / 1	100%
Kelly Bennett	Deputy chairperson, since May 2019	7 / 7	6 / 6	--	3 / 3	2 / 2	--	100%
Jade Buddenberg	Since June 2020	6 / 7	--	--	--	1 / 2	--	78%
Jennifer Hyman	Since June 2020	6 / 7	--	--	--	2 / 2	--	89%
Anika Mangelmann	Since June 2020	7 / 7	--	3 / 4	--	--	--	91%
Anders Holch Povlsen	Since December 2013	6 / 7	--	4 / 4	3 / 3	--	--	93%
Niklas Östberg	Since May 2021	6 / 7	4 / 6	--	--	--	--	77%
Mariella Röhm-Kottmann	Since May 2019	7 / 7	6 / 6	--	--	--	1 / 1	100%
Cristina Stenbeck	Chairperson, since May 2019	7 / 7	--	4 / 4	3 / 3	--	1 / 1	100%
Total attendance rate								92%

Plenary meetings

In each of its ordinary quarterly meetings, the plenum of the Supervisory Board reviewed and discussed the management reports on the overall development of the business, including its financial performance, and the company's execution and its communicated strategy as well as recent capital markets changes. The chair-persons of each of the committees of the Supervisory Board reported regularly to the full Supervisory Board on the activities and conclusions of the diverse Supervisory Board committees.

In addition, the Supervisory Board dealt with the following focus areas:

At its ordinary meeting on February 28, 2022, the Supervisory Board discussed and in accordance with the recommendations of the audit committee adopted the financial statements for 2021 (including the combined management report) and approved the consolidated financial statements for 2021 (including the combined management report) as well as the non-financial report 2021 and the remuneration report 2021 as presented by the Management Board. It followed the proposal of the Management Board for the appropriation of profit for fiscal year 2021. In addition, the Supervisory Board adopted a resolution regarding its report for fiscal year 2021 and dealt with the agenda for the annual general meeting in 2022. The Supervisory Board also discussed the outbreak of the war in Ukraine and the company's strategy to react upon its consequences.

At its ordinary meeting on June 13, 2022, the Supervisory Board in particular discussed the company's responses to the economic crisis that followed after the beginning of the war in Ukraine. The Supervisory Board supported the company's effort to increase efficiency and to focus on profitability while at the same time take necessary investment opportunities.

At its ordinary meeting on September 8, 2022, the Supervisory Board discussed select strategical topics the company. It acknowledged that the acquisition of a majority stake in Highsnobiety contributed to a further sharpening of the company's profile and focus on target audiences.

At its ordinary meeting on December 5 and December 6, 2022, the Supervisory Board dealt with a variety of topics. Inter alia, it discussed the succession planning for the Management Board. The tenure of the Management Board member David Schröder that ended on March 31, 2023 was extended for four further years until March 31, 2027. Further, the business responsibilities of the Management Board members were reallocated as of January 1, 2023. The Management Board and the Supervisory Board jointly resolved the annual declaration of conformity with the German Corporate Governance Code. The Supervisory Board also discussed the status of its ongoing efficiency self-assessment process for fiscal year 2022. It further approved the budget of the Zalando group for the financial year 2023. Furthermore, it concluded on the new auditors for financial year 2024 to be proposed to the annual general meeting 2023 based on the audit tender process conducted by the audit committee.

In the reporting period, the Supervisory Board held three extraordinary meetings. In its first two extraordinary meetings on March 21 and April 8, 2022 it dealt with potential contemplated strategic business transactions. In its third extraordinary meeting on August 9, 2022, an adjusted budget for the fiscal year 2022 was approved.

Based on the law and the requirements outlined 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 and measures were presented to the Supervisory Board for approval. The Supervisory Board discussed inter alia the acquisition of a majority stake in Highsnobiety, the budget for a new inbound distribution center and a new (interim) fulfillment center, the increase of the reverse factoring facility and the delegation of approval matters relating to the share buy-back to an ad hoc committee (the share buy-back committee).

The Supervisory Board and the Management Board implemented an internal procedure for complying with approval requirements for related party transactions pursuant to Section 111a et. seq AktG (German Stock Corporation Act). No such transactions required the approval or disclosure during the reporting year.

Audit committee

The audit committee reviewed and scrutinized the annual financial statements and the consolidated financial statements for 2021 (including the combined management report), the non-financial report 2021 and the remuneration report 2021, as well as the quarterly statement for the first quarter, the half-year report and quarterly statement for the third quarter of 2022. The committee regularly reviewed and discussed the focus and the quality of the audit, the status reports on GRC (Governance, Risk & Compliance) including data privacy, cyber security, litigation and the work of internal audit as well as treasury reports. It also received relevant regulatory updates. The audit committee was involved in the preparation of the Supervisory Board’s proposal to the annual general meeting 2022 for the appointment of the auditor and group auditor and discussed the status and development of the non-financial internal control system. The audit committee discussed with the auditors the audit risk assessment, the audit strategy and audit planning, and the audit results. The chairperson of the audit committee conferred with the auditors on the audit focus and regularly discussed the progress of the audit with the auditor and reported thereon to the audit committee. The audit committee regularly consulted with the auditors regarding relevant matters without the Management Board present.

The audit committee also conducted an audit tender process for the annual audit of the financial statements and the consolidated financial statements of ZALANDO SE and the financial statements of its consolidated subsidiaries for the financial year 2024. A change of the audit firm is mandatory due to the rotation requirement stipulated in Section 17 of the regulation (EU) No 537/2014. Following the publication of the tender in the Federal Gazette on March 4, 2022, several offers of audit firms were evaluated in detail and in accordance with applicable statutory provisions. The audit committee presented the results of the audit tender to the Supervisory Board on December 5 and 6, 2022.

Further, the acquisition of land for a new fulfillment center and a price volatility mechanism to adjust the overall investment budget for fulfillment center projects and related rental agreements to react upon increased prices were approved by the audit committee in accordance with its powers delegated from the Supervisory Board plenum. In addition, the audit committee approved lease agreements and the related budget for another two fulfillment centers projects that are no longer being pursued by the company in the meantime.

Remuneration committee

The remuneration committee evaluated the Management Board’s performance and the shareholder response and feedback to the to the remuneration report 2021. Further, it reviewed and considered the development of the company’s share price, the share-based compensation component of the Management Board members and assessed any potential needs to amend the Management Board’s remuneration framework. The committee further addressed the succession plan for the Management Board and prepared the reappointment of David Schröder as member of the Management Board.

Nomination committee

The nomination committee continued to prepare the succession plan of the Supervisory Board. Finally, it discussed the results from the self-assessment conducted by the Supervisory Board at the end of the year 2021.

D&I and sustainability committee

The D&I and sustainability committee dealt with the company's efforts to further embed sustainability and D&I matters into its strategy. In addition, the committee discussed the amendment to the Supervisory Board's competence profile to better embrace the meaning of diversity. The Sustainability Progress Report in 2022 and the diversity & inclusion report in 2022 have been shared with the D&I and sustainability committee.

Share buy-back committee

The share buy-back committee approved a share buy-back program on the basis of the authorization granted by the annual general meeting 2020. Further details of the share-buy back program are described in 3.5.7 (20.) Equity.

Conflicts of interest

No significant conflicts of interest of any Supervisory Board member occurred in the context of the work of the Supervisory Board.

Training and professional development

The Supervisory Board members were offered trainings that dealt with a variety of legal and compliance topics. The members of the audit committee, in particular the financial experts of the audit committee, took part in a training that was held by an external international audit company and had a specific focus on non-financial reporting. Further, Cristina Stenbeck as chairperson of the Supervisory Board was briefed in depth in a virtual session concerning her governance roadshow. And last but not least, an in person training session on Corporate Governance matters was conducted by the General Counsel for the Supervisory Board members, including but not limited to corporate bodies' roles, personal suitability, key tasks and personal liability as well as a discussion on the specific mandate of the Supervisory Board of Zalando.

Audit and ratification of the annual financial statements and consolidated financial statements

The annual financial statements and the consolidated financial statements for 2022, both including the combined management report were audited with an unqualified audit opinion. The remuneration report 2022 and the non-financial report 2022 were audited with unqualified opinions. The Management Board forwarded the annual financial statements and the consolidated financial statements for fiscal year 2022, both including the combined management report, and the non-financial report 2022, the remuneration report 2022 as well as the proposal of the Management Board for the appropriation of profit 2022 as well as the auditors' reports to the Supervisory Board and the audit committee for approval.

In the first step, the audit committee comprehensively examined and discussed the financial statements, the non-financial report, the remuneration report and the proposal for the appropriation of profit in the presence of the auditor. The auditor reported on the most significant audit matters.

Based on the audit committee's recommendation, the Supervisory Board examined the annual financial statements and consolidated financial statements for fiscal year 2022, both including the combined management report, and the non-financial report, the remuneration report as well as the proposal of the Management Board for the appropriation of profit. The result of the pre-assessment conducted by the audit committee and the Supervisory Board's own conclusions corroborate the result of the external auditor. Based on this final review, the Supervisory Board raised no objections to the audit. The Supervisory Board therefore approved the annual financial statements for 2022, which are therefore adopted, and approved the consolidated financial statements for 2022, both including the combined management report, the non-financial report 2022 and the remuneration report 2022. 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 plans, desired flexibility and strategy.

Corporate governance

The annual declaration of conformity was issued by the Management Board and the Supervisory Board in December 2022. The complete text of the declaration can be found in 2.5.2 Declaration of conformity. 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 Statement and the associated declaration. With regard to the remuneration structure for the members of the Management Board for fiscal year 2022 and to avoid repetition, please see the remuneration report.

Personnel matters

During the fiscal year 2022, the composition of the Supervisory Board remained unchanged. All shareholder representatives are elected until the end of the annual general meeting that resolves on the discharge of liability for fiscal year 2022. Cristina Stenbeck remained chairperson and Kelly Bennett remained deputy chairperson of the Supervisory Board throughout the reporting period. Membership in the various committees is detailed in 2.5.3 Two-tier board system.

The Supervisory Board would like to thank the Management Board and all employees of the Zalando group for their tremendous of commitment to the company and their important insights and valuable contribution and the strong achievements in fiscal year 2022.

Berlin, March 6, 2023

Cristina Stenbeck

1.2 Remuneration report

The remuneration report describes the features of the remuneration system and remuneration for individual current and former members of the Management Board and the Supervisory Board of Zalando for the fiscal year 2022 in accordance with Section 162 AktG (German Stock Corporation Act) and the recommendations of the German Corporate Governance Code.

1.2.1 Introduction

Zalando is always evolving and thrives on entrepreneurial spirit. Our ambition has led to remarkable growth and value creation that have taken the company from a startup to the stock exchange in near record time. DAX-listed and founder-led, Zalando's story is still at the beginning, and we are continuing to pursue our vision to be the starting point for fashion.

Our progress continues to be driven by the distinctive qualities that have differentiated our approach from the beginning: customer focus, entrepreneurship, speed and empowerment. Established as our Founding Mindset, these qualities have been and will continue to be the critical ingredient in our long-term success and achievement of our goal to reimagine fashion for the good of all.

Our Founding Mindset defines who we are and sets us apart from the competition. Our entrepreneurial spirit means we remain dissatisfied with the status quo but we know that, ultimately, sustainable progress at scale depends on all Zalandos acting like owners – from our founders to new joiners. Whether at Zalando for ten years or ten days, we want all Zalandos to feel like entrepreneurs – to be proud of the company's progress and to feel they share in its success. Entrepreneurship is at the core of how we think about working together, how we innovate for our customers and partners, and how we compensate employees for the time and energy they dedicate to the company.

These qualities helped us in 2022, when we and the wider industry were confronted with new and fast-moving challenges. The war in Ukraine has caused immense suffering and added to geopolitical tensions the world over. A rapid rise in inflation with significant increases in energy and logistics costs have meant consumers had less disposable income. Supply-chain bottlenecks and a shift in global trade led to a volatile trading environment. Faster-than-expected tightening of monetary policy roiled stock markets.

While this also impacted our share price and financial results Zalando successfully adapted to the new environment. We made great efforts to protect profitability from a volatile trading environment and macroeconomic headwinds. This approach will be supported by a refined remuneration for management board members that are appointed from 2023 onwards and will include adjusted EBIT margin as an extra financial key performance indicator (KPI).

1.2.2 Background

Our success story is deeply rooted in our culture and drive for innovation which we attribute in no small part to Zalando continuing to be founder-led by Robert Gentz and David Schneider as Co-CEOs.

Our Co-CEOs have a relevant stake in Zalando of 5.14%, underlining their strong continuous commitment to Zalando's long-term health and success. And across all levels of the organization, we want employees to share Our Founding Mindset and commitment by owning a stake in Zalando's future. This is enabled either through stock options as part of compensation packages or through our employee participation program, which is widely adopted among Zalando employees.

The Supervisory Board considers the remuneration framework a crucial element that supports and nurtures Our Founding Mindset in senior management and connects it closely to our corporate strategy and growth ambitions. The remuneration framework ties the long-term financial success of the members of the Management Board closely to the long-term success of Zalando.

Over the years, Zalando has grown at a rapid pace, and the remuneration frameworks have always reflected the stage of development of the company at each moment in time. As a result, some remuneration components of our former Management Board member Rubin Ritter settled in 2022 date back to share-based compensation plans from 2013. In 2013 Zalando had about EUR 1.7bn in revenue and option strike prices in our compensation plans were considerably higher than in the two prior years when we were still loss making.

It is also important to note that the entrepreneurial risk and return profile remains reflected in all remuneration systems. For example, the challenging macroeconomic developments in 2022 had an impact on share based compensation. But we still believe that share-based compensation was and remains an important incentive to support the future success of the company and over the years, we refined our remuneration frameworks further.

In 2021, the annual general meeting approved the current remuneration system reflecting the next step in the evolution of our compensation framework commensurate with the stage of our development. The current remuneration system is closely linked to the progress of our platform strategy, profitable growth ambitions and ESG targets – with a strong focus on shareholder value creation.

And from 2023 onwards, adjusted EBIT margin will be added as an extra financial KPI in line with the current remuneration system. This way, the performance of the Management Board is also measured by whether it contributes to increasing our profitability in the long-term in line with our overall strategy.

1.2.3 Changes in the composition of the Management Board and Supervisory Board during 2022

In the fiscal year 2022, Robert Gentz and David Schneider continued to lead our company as Co-CEOs. Dr. Astrid Arndt (CPO), Jim Freeman (CBPO) and David Schröder also continued to be members of the Management Board during the reporting period. When Dr. Sandra Dembeck newly joined our Management Board as of March 1, 2022, she took over the position as CFO from David Schröder who became the company's COO.

The composition of our Supervisory Board remained unchanged during the fiscal year 2022.

1.2.4 Management Board remuneration

Procedure for determining the remuneration system for the Management Board

The remuneration system for the Management Board of Zalando is resolved by the Supervisory Board in accordance with Section 87a (1) AktG. The Supervisory Board is supported in this by its remuneration committee. The remuneration committee develops recommendations for the remuneration system for the members of the Management Board, taking into account our long-term strategy, design principles, the legal requirements, the requirements of the German Corporate Governance Code as well as feedback and recommendations from investors and proxy advisors and submits them to the entire Supervisory Board for discussion and resolution.

In order to assess whether the remuneration of the individual members of the Management Board is in line with market practice, the Supervisory Board benchmarks it with the remuneration paid to the management boards of a group of comparable companies to be determined by the Supervisory Board, taking into account the market position (including market capitalization, revenue, industry, size and country) and the overall financial position of the respective company. 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 company.

As a matter of principle, the Supervisory Board and its remuneration committee consult external experts to develop the remuneration system and to assess the appropriateness of the remuneration – which has also been applied for the development and assessment of the appropriateness of the remuneration system 2021. The remuneration expert is rotated from time to time and when consulting an external remuneration expert, the Supervisory Board ensures that the remuneration expert is independent of the Management Board and the company.

The remuneration system is submitted to the general meeting for approval in the 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. The remuneration system is regularly reviewed by the Supervisory Board, supported by its remuneration committee.

Throughout the 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 are carefully respected.

Current remuneration system for the Management Board ("remuneration system 2021")

The current remuneration system for the Management Board has been approved by the company's annual general meeting on May 19, 2021, and came into effect as of June 1, 2021 (the "remuneration system 2021").

The remuneration system 2021 follows our remuneration philosophy of tying entrepreneurial culture, strategy progression and growth ambitions together in a competitive remuneration framework. It applies for members of the Management Board who are newly appointed or whose existing appointments were renewed after June 1, 2021. The Supervisory Board fully applied the remuneration system 2021 to the service agreements of Dr. Astrid Arndt, who was newly appointed to the Management Board on April 1, 2021, and to Dr. Sandra Dembeck, who joined the Management Board on March 1, 2022, as Chief Financial Officer. It has also been applied at the reappointment of the Management Board member David Schröder to his service agreement for the new tenure starting as of April 1, 2023 and expiring on March 30, 2027.

Guiding principles

For the design and development of the remuneration system 2021 the Supervisory Board applied guiding principles to create an incentive for results-oriented and sustainable corporate management that fully aligns with the strategy and the long-term success of Zalando. The Supervisory Board's objective is to offer the members of the Management Board a competitive remuneration package that allows us to attract the best global candidates for a position on our Management Board and retain the existing members of the Management Board, including the co-founders and Co-CEOs. At the same time, the Supervisory Board seeks to maintain sufficient flexibility to react to structural changes and different market conditions.

Despite the changed macroeconomic circumstances since the creation of the remuneration system 2021 we still believe that it contributes significantly to the execution and promotion of the business strategy, as well as the long-term and sustainable development of the Zalando group. In our view it ensures remuneration that is appropriate and at market standard for the members of the Management Board, in order to attract and retain the talent required to achieve our strategic ambitions. Remuneration is based on performance targets and considers in our opinion appropriately the performance of each member of the Management Board. In this context, we believe that actions of the members of the Management Board are oriented towards the interests of shareholders, resulting e.g. in no or considerably lower payouts of variable compensation in the case of a declining share price or moderate payouts in the case of moderate share price increases. The fixed integration of Environmental, Social and Governance (ESG) targets into the remuneration structure encourages sustainable and future-oriented action. Such targets are deeply rooted in our sustainability (do.MORE) as well as diversity and inclusion (do.BETTER) strategies and can lower the number of LTI shares or options by up to 20 percentage points if targets are not achieved. The overall structure is further designed to promote an entrepreneurial culture of ownership and risk-taking in the Management Board and across the company. The system, however, allows for flexibility to tap into a wide talent market.

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

Investor and proxy advisor feedback

The remuneration system 2021 was set up with the support of market-leading compensation experts and takes into account the feedback of investors and proxy advisors.

Its design ensures strong alignment between remuneration and communicated strategy targets, appropriate remuneration levels reflecting market standards for all Management Board members, performance targets that do not reward failure, malus and clawback rules and incentives to over-achieve targets.

We do not believe in short-term oriented compensation but we follow the philosophy that compensation should be tied to the long-term success of the company. Against this backdrop, the Supervisory Board decided against the introduction of a traditional Short-Term Incentive (STI) as a variable remuneration component and instead adhered to the Zalando Ownership Plan (ZOP) as one variable remuneration component, despite the absence of performance criteria. We remain convinced that the ZOP is a better fit than any other short-term oriented compensation element and strengthens the philosophy of all senior leadership levels across Zalando acting as one team, given the ZOP already applies to all leadership levels. We continue to believe the ZOP provides, inter alia, an equity incentive comparable to what many international talents are accustomed to – enabling Zalando to recruit the best talent for the company. While both ZOP options and ZOP shares vest immediately with grant, the options have a waiting period of two years.

The remuneration system 2021 was passed by the annual general meeting 2021 with 72.27% of the votes. Following the annual general meeting 2021, the Supervisory Board considered the criticism of the remuneration system 2021, mainly due to the lack of a traditional Short-Term Incentive linked to a performance criterion. It nevertheless decided not to amend the remuneration system 2021 and to keep the ZOP as part of the variable remuneration.
As outlined above we do not believe in short-term oriented compensation and support the alignment of Management Board and wider leadership levels through the uniform application of the ZOP.

The remuneration report for the fiscal year 2021 was approved by the annual general meeting 2022 with 60.28% of the votes cast. As it follows from the investor feedback we received, the shareholder approval rate does primarily relate to the content and not the formal quality including clarity and comprehensibility of the remuneration report.

The Supervisory Board will keep taking the shareholder feedback into account when further developing the remuneration system going forward.

Current remuneration system 2021

At a glance

The current remuneration system 2021 consists of a fixed base salary, customary fringe benefits, and two variable remuneration components: the Zalando Ownership Plan (ZOP) and a Long-Term Incentive program (LTI).

The ZOP is based on a variable incentive plan which has been in place since 2019 for all of our leaders and has been 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 Zalando's overall remuneration philosophy.

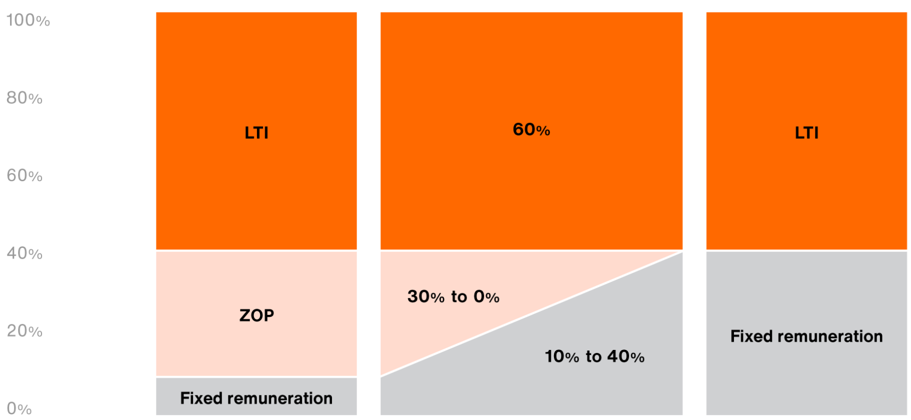
The LTI is a performance-related remuneration component which is linked to our strategic financial performance targets and, through the introduction of an ESG modifier, its sustainable development. For each performance period, the Supervisory Board defines measurable, and transparent ESG targets on the basis of our ESG strategy. 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.

At the re-appointment of David Schröder as Management Board member for a four years' term starting after the end of his tenure, on April 1, 2023, the Supervisory Board has decided to add profitability (adjusted EBIT margin) as second financial performance target next to growth (GMV) in the respective service agreement. This decision in line with the remuneration system 2021 and our long-term strategy was taken to even further incentivize the Management Board to achieve profitable growth of Zalando's business.

The amount of the variable remuneration of the members of the Management Board under both variable remuneration components is directly tied to the development of our share price, thereby linking the interests of the members of the Management Board with those of the shareholders. The fixed integration of ESG targets into the remuneration structure encourages sustainable and future-oriented action for Zalando.

The LTI is 60% of the total target remuneration for members of the Management Board. The remaining 40% can be designed flexibly, depending on personal circumstances and preferences: A minimum of 10% and a maximum of 40% of the target total compensation is represented by the fixed base salary. Consequently, the ZOP makes up between 0% and 30% of target total compensation, traded-off with the fixed base salary.

Composition as % of target total remuneration



We believe the remuneration system 2021 for the members of the Management Board is clear and comprehensible. It complies with the requirements of Section 87a AktG and with the recommendations of the German Corporate Governance Code with the exception of the disclosed deviation from the recommendation in G.7 of the German Corporate Governance Code.

Maximum remuneration

In the remuneration system 2021, the Supervisory Board has determined a maximum remuneration in accordance with Section 87a (1) Sentence 2 No. 1 AktG. The total maximum remuneration for one fiscal year considers all remuneration components received for such fiscal year (in particular the fixed annual salary, the fringe benefits, the inflow value under the ZOP as well as the pro rata inflow value under the LTI), regardless of whether the payout occurs in this fiscal year or at a later date.

The maximum remuneration for one fiscal year is based on the pro rata inflow value for the LTI after the expiry of the four-year waiting period for each fiscal year and the respective maximum limits for variable remuneration – amounting to EUR 15.75m for a CEO and to EUR 10.5m for ordinary members of the Management Board.

In addition to the total maximum remuneration in accordance with Section 87a (1) Sentence 2 No. 1 AktG, the settlement values of the variable remuneration components provided for under the remuneration system 2021 (LTI 2021, LTI 2021/2022, ZOP 2021) are capped at a maximum amount per option (see 1.3.5 Long-Term Incentive 2021/2022 (LTI 2021/2022), applicable to Dr. Astrid Arndt and Dr. Sandra Dembeck, for details). The total maximum remuneration is also applicable for David Schröder for his tenure starting April 1, 2023. Besides that, the service agreements of the members of the Management Board provide for a cap on fringe benefits in the amount of EUR 25,000 to EUR 30,000 gross per year.

Malus and clawback regulations

In the case of a willful or grossly negligent serious breach of the obligations pursuant to Section 93 AktG or internal compliance policies and behavioral 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 a 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 the case of an undue payout based on incorrect information.

Overview of Management Board remuneration in 2022

Expenses in 2022

The following table shows the total expenses recognized in 2022 for the fixed remuneration of the Management Board within the consolidated income statement of the group. For multi-year variable share-based payment plans the table also shows the expenses in accordance with IFRS 2 as this best represents the allocation of the multi-year remuneration components over the period these are earned. Within other expenses the table includes the sign-on bonus for Dr. Sandra Dembeck and also includes expenses recognized to indemnify Jim Freeman for negative tax consequences under Section 409A of the U.S. Internal Revenue Code.

Expenses recognized for the members of the Management Board

	Robert Gentz, Co-CEO		David Schneider, Co-CEO		Rubin Ritter, Co-CEO (until June 1, 2021)	
IN EUR	2022	2021	2022	2021	2022	2021
Fixed remuneration	78,385	78,045	78,389	78,305	–	37,983
Equity-settled share-based payment transactions (IFRS 2 expenses)	1,755,712	2,886,568	1,755,712	2,886,568	–	1,327,365
Other expenses	–	–	–	–	–	–
Total expenses	**1,834,097**	**2,964,613**	**1,834,100**	**2,964,873**	**–**	**1,365,348**

Dr. Sandra Dembeck, CFO (since March 1, 2022)		David Schröder, COO		Dr. Astrid Arndt, CPO (since April 1, 2021)		Jim Freeman, CBPO	
2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
497,117	–	519,012	520,739	503,339	381,250	820,266	821,674
1,334,741	–	465,952	996,936	1,543,819	1,509,603	977,702	2,175,860
500,000	–	–	–	–	–	288,035	–
2,331,857	**–**	**984,963**	**1,517,675**	**2,047,158**	**1,890,853**	**2,086,004**	**2,997,534**

Remuneration awarded and due in 2022 (Section 162 (1) Sentence 1 AktG)

The table below shows the remuneration awarded and due (gewährte und geschuldete Vergütung) to the current and former members of the Management Board during their term of appointment in the corresponding fiscal year, including their relative share in accordance with Section 162 (1) Sentence 2 No. 1 AktG. The remuneration includes all amounts actually received (gewährte Vergütung) as well as all amounts legally due but not yet received (geschuldete Vergütung). This includes the annual fixed compensation and fringe benefits paid out in the fiscal year 2022 (and 2021 respectively), remuneration received for variable remuneration components, particularly for virtual options exercised in the fiscal year 2022 (and 2021 respectively) as well as payments received in the fiscal year 2022 (and 2021 respectively) with respect to tax indemnifications and one time payments (sign-on bonus).

In addition to the remuneration awarded and due – and in accordance with practice in prior years – the table also includes remuneration resulting from the exercise of stock options in the fiscal year 2022 (and 2021 respectively).

Remuneration of the members of the Management Board

	Robert Gentz, Co-CEO		David Schneider, Co-CEO		Rubin Ritter, Co-CEO (until June 1, 2021)	
IN EUR	2022	2021	2022	2021	2022	2021
Fixed remuneration						
Base salary	65,000	65,000	65,000	65,000	–	27,264
Fringe benefits	13,385	13,045	13,389	13,305	–	10,719
Total fixed	78,385	78,045	78,389	78,305	–	37,983
Variable remuneration						
One-year variable***	–	–	–	–	–	–
Multi-year variable						
VSOP 2018	–	–	–	–	–	–
LTI 2018**	–	–	–	–	–	–
LTI 2019	–	–	–	–	–	–
409A tax indemnification	–	–	–	–	–	–
Total variable	–	–	–	–	–	–
Remuneration awarded and due according to Section 162 (1) Sentence 1 AktG	**78,385**	**78,045**	**78,389**	**78,305**	**–**	**37,983**
Proportion of fixed remuneration*	100.0%	100.0%	100.0%	100.0%	–	100.0%
Proportion of variable remuneration*	–	–	–	–	–	–
Remuneration from exercise of stock options						
SOP 2011	–	–	–	–	–	6,029,628
SOP 2013	–	45,380,914	–	45,380,914	–	36,442,552
Total remuneration	**78,385**	**45,458,959**	**78,389**	**45,459,219**	**–**	**42,510,163**

*) The proportion of fixed and variable remuneration in relation to the total remuneration does not reflect the relative proportions indicated in the remuneration system 2021 as the latter are based on the total target remuneration for a fiscal year, whereas the fixed and variable remuneration entitlements (awarded and due) as reflected in this table result from different remuneration periods and partially also from remuneration components as agreed and applicable prior to the remuneration system 2021.

**) For a total of 2,796,949 options granted under LTI 2018, of which each 973,983 options were granted to Robert Gentz and David Schneider and 848,983 options where granted to Rubin Ritter, the applicable performance criteria has been fulfilled in 2022. The target achievement has been 100% so that all of the 2,796,949 options have become exercisable in 2022. Because the exercise price of 47.44 EUR was above the closing price of 20.23 EUR at the end of the performance period, the corresponding remuneration awarded and due is nil.

***) Includes a sign-on bonus for Dr. Sandra Dembeck awarded and due in 2022.

	Dr. Sandra Dembeck, CFO (since March 1, 2022)		David Schröder, CFO		Dr. Astrid Arndt, CPO (since April 1, 2021)		Jim Freeman, CBPO	
	2022	2021	2022	2021	2022	2021	2022	2021
	479,167	–	500,000	500,000	480,847	360,693	800,000	800,000
	17,950	–	19,012	20,739	22,492	20,557	20,266	21,674
	497,117	–	519,012	520,739	503,339	381,250	820,266	821,674
	500,000	–	–	–	–	–	–	–
	–	–	–	–	–	–	227,306	6,060,444
	–	–	–	–	–	–	–	–
	–	–	–	13,892,943	–	–	2,197,470	5,477,604
	–	–	–	–	–	–	2,398,232	503,000
	500,000	–	–	13,892,943	–	–	4,823,008	12,041,048
	997,117	**–**	**519,012**	**14,413,682**	**503,339**	**381,250**	**5,643,274**	**12,862,722**
	49.9%	–	100.0%	3.6%	100.0%	100.0%	14.5%	6.4%
	50.1%	–	–	96.4%	–	–	85.5%	93.6%
	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
	997,117	**–**	**519,012**	**14,413,682**	**503,339**	**381,250**	**5,643,274**	**12,862,722**

In addition, the following table shows the remuneration awarded and due as well as remuneration according to option exercises in the fiscal year 2022 (and 2021 respectively) for a former member of the Management Board received after the end of its service agreement. The option exercises of the former member of the Management Board in the years 2021 and 2022 date back to pre-IPO stock option programs (SOP 2013) granted in 2013 which were awarded and due in 2013 according to Section 162 (1) Sentence 1 AktG. The exercises of the SOP 2013 program were settled in conditional capital so as not to draw cash from Zalando, which was instead invested into further growing the business. Thus, these options represent and were granted for (performance) periods between 2013 and 2017, hence well before the reporting year 2022 when the company was at an early stage of its development.

Remuneration of the former member of the Management Board

	Rubin Ritter, Co-CEO (after June 1, 2021)	
IN EUR	**2022**	**2021**
Fixed remuneration		
Base salary	–	–
Fringe benefits	12,800	6,530
Total fixed	12,800	6,530
Variable remuneration		
One-year variable	–	–
Multi-year variable	–	–
Total variable	–	–
Remuneration awarded and due according to Section 162 (1) Sentence 1 AktG	**12,800**	**6,530**
Proportion of fixed remuneration	100.0%	100.0%
Proportion of variable remuneration	–	–
Remuneration received from exercise of stock options		
SOP 2013	14,220,059	46,555,000
Total remuneration	**14,232,859**	**46,561,530**

The current and former members of the Management Board did not receive any compensation from other group companies in fiscal year 2022 (and 2021 respectively).

The compensation components of each member of the Management Board as well as the explanation of how the compensation complies with the relevant remuneration system, how it promotes the long-term development of the company and how the performance criteria have been applied is described in detail in the following sections.

1.2.5 Overview of other remuneration systems applicable during the reporting period

As stated above, the remuneration system 2021 is applicable to all service agreements for members of the Management Board who are newly appointed or whose appointments are renewed after the effective date June 1, 2021. It has been hence applied to the appointment of Dr. Sandra Dembeck, who joined the Management Board on March 1, 2022 and to the reappointment of David Schröder for a new tenure that will start as of April 1, 2023 and end on March 30, 2027. The remuneration system 2021 had also already been applied to Dr. Astrid Arndt's appointment to the Management Board as of April 1, 2021.

For existing service agreements concluded before June 2021, the existing remuneration arrangements as agreed in the existing service agreements continued to apply during the reporting year in accordance with Section 26j (1) EGAktG (Introductory Act to the Stock Corporation Act) 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.

The remuneration system for the Co-CEOs, Robert Gentz and David Schneider, and the former Co-CEO, Rubin Ritter, who resigned from the Management Board with effect as of June 1, 2021, was approved by the Supervisory Board and the annual general meeting in May 2018. In due consideration of the feedback received from investors, the service agreements with the Co-CEOs that implemented the remuneration system were concluded in August 2018 for a five-year term commencing on December 1, 2018. The remuneration system for the Co-CEOs also served as the basis for assessing the remuneration of Jim Freeman and David Schröder, when they were appointed to the Management Board in 2019.

Although there are certain differences between the compensation packages issued in 2018 and 2019 that reflect the various roles, they share in principle the same or similar elements (e.g. compensation components, type of options) and underlying mechanics (e.g. performance hurdle). The Supervisory Board continues to believe that the entrepreneurial risk and return profile reflected in those former (still applicable) remuneration systems for the Co-CEOs as well as the CFO and CBPO still fit our needs as a company that has shown high growth over the past years.

The following detailed tables for each variable remuneration program include inter alia, the information on the number of options granted and exercised during the reporting period as well as the performance measurement of the performance criteria applicable to the stock options exercised during the reporting period.

Remuneration components applicable in 2022 (Section 162 (1) Sentence 2 No. 1, 3 AktG)

Fixed remuneration components

During the reporting year, the current members of the Management Board received a fixed base salary which was paid in monthly installments. In addition, the current and former members of the Management Board were entitled to non-cash payments (such as the use of company cars) and other fringe benefits, including reimbursement of standard expenses, contributions towards health insurance, and monthly gross amounts that correspond to the employer's contributions to the statutory pension and unemployment insurance.

Variable remuneration components

During the reporting period, the variable remuneration of each current member of the Management Board was based on Long-Term Incentive programs (LTI) granting virtual option rights, which are linked to the performance of the company under its long-term growth strategy and to the development of the share price, creating a strong link to the shareholders' interests. In addition, the most recent Long-Term Incentive program LTI 2021/2022 includes strategic ESG targets which incentivize and reward sustainable corporate management and social responsibility. Under the remuneration system 2021, a second variable incentive component was introduced, the Zalando Ownership Plan (ZOP). The ZOP is based on a variable incentive plan for the senior management of the company that has been in place since 2019 and that has also been introduced to the remuneration system 2021 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.

According to their respective appointment, the CPO, Dr. Astrid Arndt and the CFO, Dr. Sandra Dembeck, both participate in the LTI 2021/2022 as well as the ZOP 2021, while CBPO, Jim Freeman, and COO, David Schröder, participate in the LTI 2019 and Co-CEOs, Robert Gentz, David Schneider and Rubin Ritter (who resigned from the Management Board with effect as of June 1, 2021) participate in the LTI 2018.

In addition to the variable remuneration components based on the current contractual arrangements there are still options outstanding from previous stock option plans or virtual option plans which have been granted to some members of the Management Board prior to their current appointment.

Applicable variable remuneration components in the reporting period

Long-Term Incentive 2021/2022 (LTI 2021/2022), applicable to Dr. Astrid Arndt and Dr. Sandra Dembeck

The LTI 2021/2022 is a share-based virtual option program which is linked to the development of the company's Gross Merchandise Volume (GMV) as a key performance indicator and takes into account ESG targets by means of a modifier. As such, the Long-Term Incentive structure creates a strong alignment with shareholders' interests, includes a clear pay-for-performance link and encourages and rewards a long-term and future-oriented management of the company. The inclusion of ESG targets incentivizes the sustainable development of Zalando.

Under the LTI 2021/2022, the members of the Management Board are granted two types of options, namely virtual LTI Shares and virtual LTI Options, by way of a one-off grant for the entire term of their service agreement (sequential plan). The LTI provides the members of the Management Board with the flexibility to individually determine the proportion of LTI Shares (LTI Shares Ratio) and LTI Options (LTI Options Ratio). The choice of a mixture of LTI Shares and LTI Options takes into account the different personal circumstances and risk-affinity of members of the Management Board and provides the Supervisory Board with the flexibility to accommodate all talent profiles. For this purpose, the Supervisory Board sets a target value in Euro as grant value. The number of LTI Shares to be granted is calculated by dividing this grant value by the product of the share price as per the grant date 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 share price as per the grant date and a fixed conversion factor for LTI Options of 0.4, and multiplying this quotient with the LTI Options Ratio.

The number of LTI Shares and LTI Options which can be exercised is subject, inter alia, to their prior vesting, the expiry of the relevant waiting period and depends on the extent to which the performance criteria are met during the respective performance period.

Vesting scheme

The options vest in quarterly tranches over a performance period equal to the relevant term of the service agreement.

As a rule, in all cases of premature termination of the office as a member of the Management Board, options which have not yet vested on the date of such termination will cease to vest and be forfeited without compensation. In certain situations of termination qualifying as 'bad leaver' events, even vested and unexercised options of the member of the Management Board concerned will be forfeited without compensation. However, by way of an exception from the above, if the member of the Management Board is revoked from office as member of the Management Board by the company without good cause for termination within the meaning of Section 626 BGB (German Civil Code) and without qualifying as a 'bad leaver', such member of the Management Board retains, in addition to the options which have vested until such termination, also those options which would have vested during a period of two years thereafter.

Waiting period and exercise period

LTI Shares and LTI Options can only be exercised after the expiry of a four-year waiting period commencing on the grant date. Furthermore, LTI Shares and LTI Options can only be exercised within a fixed exercise period of three years after the expiry of the waiting period. LTI Shares and LTI Options which are still unexercised upon the expiry of the exercise period are forfeited without compensation.

Performance period and performance criterion

The overall target achievement under the LTI 2021/2022 is measured in two steps, (i) on the basis of the development of the GMV of the Zalando group during the performance period commencing on the grant date until the end of the term of the service agreement as the most relevant performance parameter under our long-term strategy and (ii) by taking into account the achievement of certain ESG targets by means of a modifier of between -20 percentage points and 0 percentage points.

In the first step, the percentage of vested options which can be exercised depends on the extent to which the targeted GMV compound annual growth rate ("CAGR") in alignment with the company's strategy has been achieved during the performance period. If the targeted GMV CAGR during the performance period has been met, the target achievement is 100%. Subsequent increases or decreases of the GMV CAGR compared to the targeted GMV CAGR result in a corresponding increase or decrease of the target achievement.

The target achievement for the LTI Shares and LTI Options granted to Dr. Sandra Dembeck as of March 1, 2022, is determined as follows:

GMV CAGR	Target achievement*
< 11.5%	0%
≥ 11.5% and < 13.5%	50%
≥ 13.5% and < 15.5%	60%
≥ 15.5% and < 17.5%	70%
≥ 17.5% and < 19.5%	80%
≥ 19.5% and < 21.5%	90%
≥ 21.5% and < 23.5%	**100%**
≥ 23.5% and < 25.5%	110%
≥ 25.5%	125%

*) For information on the target achievement for the LTI Shares and LTI Options granted to Dr. Astrid Arndt as of April 1, 2021, please refer to the remuneration report 2021.

The maximum target achievement is 125%. In the event that the GMV target achievement falls below 50%, the number of exercisable LTI Shares and LTI Options is 0.

In the second step, the target achievement is adjusted under application of an ESG modifier which can result in the deduction of a percentage of between -20 percentage points and 0 percentage points from the target achievement, depending on the degree of target achievement of the agreed ESG targets during the performance period. The ESG targets for the LTI Shares and LTI Options granted to Dr. Sandra Dembeck as of March 1, 2022, comprise a sustainability target aligned with our do.MORE strategy and a diversity and inclusion target aligned with our do.BETTER strategy, both clearly defined and measurable. The sustainability target which is weighted with 60% consists of four environmental sub-targets concerning the reduction of Scope 1 and 2 greenhouse gas (GHG) emissions by 80% by the end of the performance period against a 2017 base year, the increase of the annual sourcing of renewable electricity to 100% by the end of the performance period, the reduction of Scope 3 GHG emissions from private label products by 40% per million Euros gross profit by the end of the performance period from a 2018 base year as well as ensuring that 90% of suppliers of the company (by emissions covering purchased goods and services sold on its platform, packaging and last-mile-delivery) will have science-based targets by the end of the performance period.

The sustainability target achievement for the LTI Shares and LTI Options granted to Dr. Sandra Dembeck as of March 1, 2022, is determined as follows. Each sustainability sub-target is weighted with 25% within the sustainability target achievement:

Sub-targets				**Sub-target achievement**
(i) Scope 1 and 2 GHG emissions	**(ii) Renewable electricity**	**(iii) Scope 3 GHG emissions**	**(iv) Science-based targets at suppliers**	
80% and above	100%	40% and above	90% and above	0%
75% and above		33% and above	74% and above	-5%
69% and above		26% and above	58% and above	-10%
64% and above		19% and above	42% and above	-15%
below 64%	below 100%	below 19%	below 42%	-20%

The diversity and inclusion target which is weighted 40% focuses on the increase of the share of women in leadership positions and is also divided into four different sub-targets representing different leadership levels as follows:

(i) 40%–60% share of women in a Senior Contributor (SC)1 role until the end of the performance period;
(ii) 40%–60% share of women in a Senior Contributor (SC)2 role until the end of the performance period;
(iii) 40%–60% share of women in an Executive Contributor (EC)1 role until the end of the performance period;
(iv) 40%–60% share of women in an Executive Contributor (EC)2 role until the end of the performance period.

The diversity and inclusion target achievement for the LTI Shares and LTI Options granted to Dr. Sandra Dembeck as of March 1, 2022, is determined as follows. Each diversity and inclusion sub-target is weighted with 25% within the diversity and inclusion target achievement:

Sub-targets				Sub-target achievement
(i) SC1	**(ii) SC2**	**(iii) EC1**	**(iv) EC2**	
40%-60%	40%-60%	40%-60%	40%-60%	– %
38% and above	38% and above	38% and above	38% and above	(5)%
36% and above	36% and above	36% and above	36% and above	(10)%
34% and above	34% and above	34% and above	34% and above	(15)%
less than 34%	less than 34%	less than 34%	less than 34%	(20)%

The performance measurement and evaluation based on the parameters set out above for the virtual LTI Shares and virtual LTI Options granted to Dr. Sandra Dembeck in the fiscal year 2022 can only be completed following the end of the performance period upon the end of her current contractual term, i.e. in 2025.

Settlement value, cap

The LTI Shares entitle the member of the Management Board to a cash payment in the amount of the difference between our share price as per the exercise date and an exercise price of EUR 1.00 per LTI Share. The LTI Options entitle the member of the Management Board to a cash payment in the amount of the difference between our share price as per the exercise date and the share price as per the grant date. The payout (the settlement value) under the LTI 2021/2022 is capped at 200% of the share price as per the grant date for LTI Shares and at 250% of the share price as per the grant date for LTI Options. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Development of options outstanding

The number of options outstanding of LTI 2021/2022 developed as follows in the reporting period:

LTI 2021

	Dr. Astrid Arndt			
	Number of LTI Shares	Exercise price (in EUR)	Number of LTI Options	Exercise price (in EUR)
Outstanding as of Jan 1, 2021	**0**	**–**	**0**	**–**
Granted during the year	29,240	1.00	73,099	85.50
Vested during the year	5,483	1.00	13,705	85.50
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2021	**29,240**	**1.00**	**73,099**	**85.50**
Exercisable as of Dec 31, 2021	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2022	**29,240**	**1.00**	**73,099**	**85.50**
Granted during the year	0	–	0	–
Vested during the year	7,310	1.00	18,275	85.50
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**29,240**	**1.00**	**73,099**	**85.50**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2021		6.3		6.3
As of Dec 31, 2022		5.3		5.3
Weighted average share price (in EUR) for options exercised in				
2021		–		–
2022		–		–

LTI 2021/2022

	Dr. Sandra Dembeck			
	Number of LTI Shares	**Exercise price (in EUR)**	**Number of LTI Options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2021	**0**	**–**	**0**	**–**
Granted during the year	0	–	0	–
Vested during the year	0	–	0	–
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2021	**0**	**–**	**0**	**–**
Exercisable as of Dec 31, 2021	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**
Granted during the year	38,308	1.00	95,770	53.84
Vested during the year	9,578	1.00	23,942	53.84
Forfeited during the year	0	–	0	–
Exercised during the year	0	–	0	–
Outstanding as of Dec 31, 2022	**38,308**	**1.00**	**95,770**	**53.84**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)				
As of Dec 31, 2021		–		–
As of Dec 31, 2022		6.2		6.2
Weighted average share price (in EUR) for options exercised in				
2021		–		–
2022		–		–

Zalando Ownership Plan 2021 (ZOP 2021), applicable to Dr. Astrid Arndt and Dr. Sandra Dembeck

Under the ZOP 2021, virtual ZOP Shares and/or virtual ZOP Options are granted in an annual target amount, divided into quarterly tranches.

The ZOP 2021 provides the members of the Management Board with the flexibility to individually determine the proportion of ZOP Shares and of ZOP Options (ZOP Shares Ratio or ZOP Options Ratio, respectively, each from 0% to 100% but in steps of 5%) during a fixed annual selection window. The number of ZOP Shares to be granted for the respective annual period is calculated by dividing the annual target amount by the product of the share price as per the grant date 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 for the respective annual period is calculated by dividing the annual target amount by the product of the share price as per the grant date and a fixed conversion factor of 0.3 and multiplying this quotient with the ZOP Options Ratio. For the ZOP 2021 tranches granted in the fiscal year 2022, 100% was granted in ZOP Shares to both Dr. Astrid Arndt and Dr. Sandra Dembeck.

Waiting period and exercise period

The ZOP Shares are not subject to a waiting period, whereas the ZOP Options are only exercisable after a waiting period of two years commencing on the grant date. Furthermore, ZOP Shares and ZOP Options are only exercisable during an exercise period of three years (i) following the grant date in the case of the ZOP Shares and (ii) following the expiry of the waiting period in case of the ZOP Options.

Performance criterion

The ZOP 2021 does not provide for specific performance targets to be achieved (other than the LTI 2021 and the LTI 2021/2022 as described above) but 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 our shareholders in promoting the long-term development and growth of the company.

Settlement value and cap

The ZOP Shares entitle the members of the Management Board to a cash payment in the amount of the difference between the share price at the time ZOP Shares are exercised and the exercise price of EUR 1.00 per exercised ZOP Share. The ZOP Options entitle the members of the Management Board to a cash payment in the amount of the difference between the share price as per the exercise date and the share price as per the grant date. The payment claim (the Settlement Value) under the ZOP is limited to 200% of the share price as per the grant date per ZOP Share and to 250% of the share price as per the grant date per ZOP Option. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Development of options outstanding

The number of options outstanding of ZOP 2021 developed as follows in the reporting period:

ZOP 2021

	Dr. Astrid Arndt	
	Number of ZOP Shares	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2021	**0**	**–**
Granted during the year	1,903	1.00
Vested during the year	1,903	1.00
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2021	**1,903**	**1.00**
Exercisable as of Dec 31, 2021	**1,903**	**1.00**
Outstanding as of Jan 1, 2022	**1,903**	**1.00**
Granted during the year	10,204	1.00
Vested during the period	10,204	1.00
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2022	**12,107**	**1.00**
Exercisable as of Dec 31, 2022	**12,107**	**1.00**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2021		2.6
As of Dec 31, 2022		2.4
Weighted average share price (in EUR) for options exercised in		
2021		–
2022		–

ZOP 2021

	Dr. Sandra Dembeck	
	Number of ZOP Shares	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2021	**0**	**–**
Granted during the year	0	–
Vested during the year	0	–
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2021	**0**	**–**
Exercisable as of Dec 31, 2021	**0**	**–**
Outstanding as of Jan 1, 2022	**0**	**–**
Granted during the year	7,317	1.00
Vested during the period	7,317	1.00
Forfeited during the year	0	–
Exercised during the year	0	–
Outstanding as of Dec 31, 2022	**7,317**	**1.00**
Exercisable as of Dec 31, 2022	**7,317**	**1.00**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2021		–
As of Dec 31, 2022		2.6
Weighted average share price (in EUR) for options exercised in		
2021		–
2022		–

Long-Term Incentive 2019 (LTI 2019), applicable to Jim Freeman and David Schröder
The LTI 2019 is a share-based virtual option program that is linked to the development of our share price during the four-year term of office of Jim Freeman and David Schröder and the growth of our business during the performance period (as defined below). As such, we believe the Long-Term Incentive structure creates strong alignment with shareholders' interests, includes a clear pay-for-performance link and encourages and rewards the long-term and future-oriented management of the company.

Under the LTI 2019, the members of the Management Board are granted three types of options, namely Type A, Type B and/or Type C Options by way of a one-off grant for the entire term of their service agreement (sequential plan). Each option relates to one share in the company. Type A options have an exercise price of EUR 29.84 and Type B and Type C options have an exercise price of EUR 1.00.

The number of LTI 2019 options which can be exercised is subject to, inter alia, their prior vesting, the expiry of the relevant waiting period and depends on the extent to which the targeted growth of our group's business under the performance criterion is met during the respective performance period. With respect to negative tax consequences resulting for the CBPO Jim Freeman as a citizen of the United States of America from the application of certain provisions of Sec. 409A of the U.S. Internal Revenue Code, specific rules of the LTI 2019 have been amended (the "Restated LTI 2019") and 68,500 options vested by March 31, 2020 have been canceled and settled by the company as cash and share consideration. The company has indemnified Jim Freeman from the tax penalty under US law imposed on the settlement value and the remaining options under the restated LTI 2019, whereby the indemnity in relation to remaining options is capped and will not exceed the amount which would have been payable if the relevant per-share value of the respective remaining options for purposes of calculating the respective penalties had been EUR 55.00.

Vesting, waiting period and exercise period

The LTI 2019 options vest in quarterly tranches over a four-year period. Whereas the Type B and Type C Options vest linearly, Type A Options vest in increasing tranches. Vested performance-based options can only be exercised after the expiry of a waiting period of one to four years (depending on their time of vesting) commencing on April 1, 2019.

Under the Restated LTI 2019 (see above), the non-performance based Type C Options (for details see below) granted to Jim Freeman vest at the end of each quarter or, if the vesting date falls on December 31, November 1 of each calendar year. For these non-performance based options, the respective waiting period expires at the end of the applicable vesting date. Besides, under the Restated LTI 2019 the exercise period for all Type C Options is shortened and expires at the end of the calendar year within which the respective applicable waiting period expires. The exercise period for the remaining options ends as of March 31, 2023.

As a rule, in all cases of premature termination of the office as a member of the Management Board, options which have not yet vested on the date of such termination will cease to vest and be forfeited without compensation. In certain situations of termination qualifying as 'bad leaver' events, even vested and unexercised options of the member of the Management Board will be forfeited without compensation. However, by way of an exception from the above, if the member of the Management Board is revoked from office as member of the Management Board by the company without good cause for termination within the meaning of Section 626 BGB and without qualifying as a 'bad leaver', such member of the Management Board retains, in addition to the options which have vested until such termination, also those options which would have vested during a period of two years thereafter.

Performance period and performance criterion

The performance period commences on the grant date (April 1, 2019) and corresponds to the applicable waiting period for the respective options resulting in a one-year performance period for options with a one-year waiting period, a two-year performance period for options with a two-year waiting period, etc.

The performance criterion measures the CAGR of Zalando group's business during the relevant performance period. The measure for growth of the company's business is the company's consolidated revenue. However, should the share from the company's Partner Program increase to at least a 14% share in consolidated revenue, adjusted for the grossed-up Partner Program merchandise volume (i.e. not including Partner Program commission only as in revenue, but treating the Partner Program as wholesale, thus grossed up to show 100% of the Partner Program merchandise volume), then this adjusted consolidated revenue is to be used as the relevant parameter for the growth of the company's business for the full relevant performance period as this number then more adequately reflects the growth of the company's overall business.

The percentage of vested options which can be exercised depends on the extent to which a targeted CAGR of at least 15% has been achieved during the performance period. This requires an outperformance of the expected continued strong growth of the European online fashion retail market during the term of appointment as member of the Management Board by a factor of roughly 2. At the time of establishing the LTI 2019 for Jim Freeman and David Schröder, the European online fashion retail industry was projected to grow at a CAGR of 7%[1] by 2023.

100% of the vested options can be exercised if the CAGR equals or exceeds 15%. Otherwise, depending on the extent of the shortfall of the actual CAGR from such target CAGR, the percentage of the relevant vested options which can be exercised decreases.

For Type A and Type B Options the following step function applies; at a CAGR below 10%, the payout is zero:

CAGR	Exercisable options (as % of the total number of vested options)
CAGR ≥ 15.0%	100%
< 15.0% and ≥ 14.5%	90%
< 14.5% and ≥ 14.0%	80%
etc.	
< 11.5% and ≥ 11.0%	20%
< 11.0% and ≥ 10.0%	10%
< 10.0%	0%

[1] CAGR (2018–2023); Source: Euromonitor, fixed exchange rates. Data for Europe (excluding Russia) includes apparel and footwear, bags/luggage, jewelry and watches. All figures incl. sales tax.

For Type C Options the following step function applies. At a CAGR below 11%, the payout is 50%, i.e. 50% of the relevant vested options can be exercised irrespective of the achievement of a performance criterion after expiry of the waiting period:

CAGR	Exercisable options (as % of the total number of vested options)
CAGR ≥ 15.0%	100%
< 15.0% and ≥ 14.5%	90%
< 14.0% and ≥ 13.0%	80%
< 13.0% and ≥ 12.0%	70%
< 12.0% and ≥ 11.0%	60%
< 11.0%	50%

Non-performing options (i.e. options that could not be exercised due to a shortfall in CAGR) with a four-year waiting period are forfeited without compensation. Non-performing options with a waiting period of less than four years may become exercisable at a later stage, provided that the relevant CAGR increases.

Settlement value and cap

The member of the Management Board is entitled to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 29.84 for Type A Options and EUR 1.00 for Type B and Type C Options. This amount (the Settlement Value) is limited to a maximum of EUR 70.16 per Type A and EUR 99.00 per Type B and Type C Option. In order to achieve this maximum amount, the company's share price upon exercise needs to reach EUR 100.00. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Development of options outstanding

The number of options outstanding under the LTI 2019 and restated LTI 2019 developed as follows in the reporting period:

LTI 2019

	David Schröder		David Schröder		Jim Freeman	
	Number of Type A options	Exercise price (in EUR)	Number of Type B options	Exercise price (in EUR)	Number of Type C options	Exercise price (in EUR)
Outstanding as of Jan 1, 2021	**395,302**	**29.84**	**108,640**	**1.00**	**178,591**	**1.00**
Granted during the year	0	–	0	–	0	–
Vested during the year	117,500	29.84	27,500	1.00	68,500	1.00
Forfeited during the year	0	–	0	–	0	–
Exercised during the year*	155,000	29.84	52,500	1.00	67,277	1.00
Outstanding as of Dec 31, 2021	**240,302**	**29.84**	**56,140**	**1.00**	**111,314**	**1.00**
Exercisable as of Dec 31, 2021	**302**	**29.84**	**1,140**	**1.00**	**0**	**–**
Outstanding as of Jan 1, 2022	**240,302**	**29.84**	**56,140**	**1.00**	**111,314**	**1.00**
Granted during the year	0	–	0	–	0	–
Vested during the year	120,000	29.84	27,500	1.00	68,500	1.00
Forfeited during the year	0	–	0	–	0	–
Exercised during the year**	0	–	0	–	68,500	1.00
Outstanding as of Dec 31, 2022	**240,302**	**29.84**	**56,140**	**1.00**	**42,814**	**1.00**
Exercisable as of Dec 31, 2022	**120,302**	**29.84**	**28,650**	**1.00**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)						
As of Dec 31, 2021		4.3		4.3		1.4
As of Dec 31, 2022		3.3		3.3		1.0
Weighted average share price (in EUR) for options exercised in						
2021		89.61		90.73		85.67
2022		–		–		34.76
Share price cap***		100.00		100.00		100.00
Measured CAGR for exercised options in 2022 based on adjusted consolidated revenue		–		–		26.9%
Target achievement		–		–		100.0%

*) Of 155,000 options exercised in 2021 100,000 options were exercised on May 21, 2021 and 55,000 options were exercised on August 25, 2021 at EUR 29.84. Of 52,500 options exercised in 2021 27,500 options were exercised on May 21, 2021 and 25,000 options were exercised on August 25, 2021 at EUR 1.00. Of 67,277 options exercised in 2021 41,591 options were exercised on May 20, 2021. 8,562 options were exercised on June 8, 2021 and 17,124 options were exercised on November 4, 2021 at EUR 1.00.

**) Of 68,500 options exercised in 2022 42,814 options were exercised on May 19, 2022, 8,562 options were exercised on August 5, 2022 and 17,124 options were exercised on November 15, 2022 at EUR 1.00.

***) All options were exercised at a share price below the share price cap.

Long-Term Incentive 2018 (LTI 2018), applicable to Robert Gentz, David Schneider and Rubin Ritter

The LTI 2018 is a share-based option program which grants both real (equity) stock options as well as virtual stock options. The program is linked to the development of the share price of the company and the growth of the company's business during the five-year service agreement term of the Co-CEOs. As such, the Long-Term Incentive structure includes a strong retention element as well as a clear pay-for-performance link. In addition, we believe it creates strong alignment with shareholders' interests and promotes the long-term development of the company. Each option relates to one share in the company and has an exercise price of EUR 47.44. The exercise price was determined on the basis of the current share price as per the date of the execution of the service agreements in August 2018 and then increased by 5%.

Vesting scheme

The LTI 2018 options vest in quarterly tranches over a five-year period.

As a rule, in all cases of premature termination of the office as a member of the Management Board, options which have not yet vested on the date of such termination will cease to vest and be forfeited without compensation. In certain situations of termination qualifying as 'bad leaver' events, even vested and unexercised options of the member of the Management Board concerned will be forfeited without compensation. However, by way of an exception from the above, if a member of the Management Board is revoked from office as member of the Management Board by the company without good cause for termination within the meaning of Section 626 BGB and without qualifying as a 'bad leaver', such member of the Management Board retains, in addition to the options which have vested until such termination, also those options which would have vested during a period of two years thereafter.

Performance criterion

The performance criterion for the LTI 2018 options measures the CAGR of Zalando group's business during the relevant performance period as depicted by the relevant growth parameter described below as the most relevant performance parameter under the company's long-term strategy in 2018. The percentage of vested options of the beneficiaries which can be exercised depends on the extent to which a targeted CAGR of at least 15% has been achieved during the performance period. This requires the company to outperform the expected continued strong growth of the European online fashion retail market between 2018 until 2023 by a factor of roughly 2. At the time when the remuneration system for the Co-CEOs was established, the European online fashion retail industry was projected to grow at a CAGR of 7%[2] over a five-year period.

The company's consolidated revenue is used as the relevant parameter for the growth of the company's business. However, should the share from the company's Partner Program increase to a 14% share in adjusted consolidated revenue, then the adjusted consolidated revenue is to be used as the relevant parameter for the growth of the company's business for the full relevant performance period. The adjusted consolidated revenue includes full Partner Program

[2] CAGR (2018–2023); Source: Euromonitor, fixed exchange rates. Data for Europe (excluding Russia) includes apparel and footwear, bags/luggage, jewelry and watches. All figures incl. sales tax.

merchandise volume, i.e. not including Partner Program commission only as in revenue, but treating the Partner Program as wholesale, thus grossed up to show 100% of the Partner Program merchandise volume. This number more adequately reflects the growth of the company's overall business and ensures the Management Board is agnostic in its steering between the company's wholesale and its marketplace business.

100% of the vested options can be exercised if the CAGR equals or exceeds 15%. Otherwise, depending on the extent of the shortfall of the actual CAGR from such target CAGR, the percentage of the relevant vested options which can be exercised decreases in steps, with each 0.5ppt of CAGR below 15% resulting in a 10% payout reduction, the last step being < 11.0% and ≥ 10.0%; below 10% CAGR the payout is zero:

Performance criterion

CAGR	Exercisable options (as % of the total number of vested options)
CAGR ≥ 15.0%	100%
< 15.0% and ≥ 14.5%	90%
< 14.5% and ≥ 14.0%	80%
etc.	
< 11.5% and ≥ 11.0%	20%
< 11.0% and ≥ 10.0%	10%
< 10.0%	0%

Waiting period and performance period
The options can only be exercised after the expiry of a waiting period of four years commencing on the effective date December 1, 2018 for 57% of the options and 4.75 years for the remaining 43% of the options. The performance period relevant for the achievement of the performance criterion equals the waiting period (i.e. 4 and 4.75 years) for the respective options. LTI 2018 options have become exercisable and their performance criterion has been measured for the first time in this reporting period.

Settlement value and cap
Upon the exercise of virtual stock options, the beneficiaries are entitled to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 47.44. This amount (the settlement value) is limited to a maximum of EUR 97.14 per option. In order to achieve this maximum amount the company's share price will need to reach EUR 144.58. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Upon the exercise of equity stock options, the beneficiaries are entitled to the respective number of new shares of the company equivalent to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 47.44. This amount (the settlement value) is limited to a maximum of EUR 97.14 per option. In order to achieve this maximum amount the company's share price will need to reach EUR 144.58.The company is entitled to settle its obligation in cash or by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

Development of options outstanding

The number of options outstanding of LTI 2018 developed as follows in the reporting period:

LTI 2018

	Robert Gentz**		David Schneider**		Rubin Ritter***	
	Number of options	**Exercise price (in EUR)**	**Number of options**	**Exercise price (in EUR)**	**Number of options**	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2021	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**1,723,983**	**47.44**
Granted during the year	0	–	0	–	0	–
Vested during the year	350,000	47.44	350,000	47.44	175,000	47.44
Forfeited during the year*	0	–	0	–	875,000	47.44
Exercised during the year	0	–	0	–	0	–
Outstanding as of Dec 31, 2021	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Exercisable as of Dec 31, 2021	**0**	**–**	**0**	**–**	**0**	**–**
Outstanding as of Jan 1, 2022	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Granted during the year	0	–	0	–	0	–
Vested during the year	350,000	47.44	350,000	47.44	0	–
Forfeited during the year	0	–	0	–	0	–
Exercised during the year	0	–	0	–	0	–
Outstanding as of Dec 31, 2022	**1,723,983**	**47.44**	**1,723,983**	**47.44**	**848,983**	**47.44**
Exercisable as of Dec 31, 2022	**973,983**	**47.44**	**973,983**	**47.44**	**848,983**	**47.44**
Weighted average remaining contractual life of options outstanding (in years)						
As of Dec 31, 2021		4.9		4.9		4.9
As of Dec 31, 2022		3.9		3.9		3.9
Weighted average share price (in EUR) for options exercised in						
2021		–		–		–
2022		–		–		–

*) With the termination of the service agreement of Rubin Ritter with effect as of June 1, 2021, options granted to him under the LTI 2018 ceased to vest after June 1, 2021, with 875,000 options not vested until then forfeited without compensation.

**) In fiscal year 2022, a number of each 750,000 options were transferred to a company wholly owned by the Management Board member Robert Gentz and a company wholly owned by the Management Board member David Schneider. Those options are still allocated to both members of the Management Board and therefore included in the table.

***) In fiscal year 2022, a number of 100,000 options were transferred by the former Management Board member Rubin Ritter to a charitable limited liability company. Those options are still allocated to the former member of the Management Board and therefore included in the table.

Virtual Stock Option Program 2018 (VSOP 2018), applicable to Jim Freeman

The CBPO Jim Freeman served the company as SVP Engineering prior to his appointment as member of the Management Board on April 1, 2019 and participated in the VSOP 2018 at that time. Under the VSOP 2018 375,000 options with an exercise price of EUR 29.84 continued to vest in quarterly tranches after the appointment as member of the Management Board and were therefore considered part of the Management Board remuneration. The exercise of the virtual options requires the achievement of the performance criterion which is determined in a CAGR of the Zalando group net merchandise value of at least 6% during a lock-up period of two to five years. The exercise of the virtual options requires the expiry of a lock-up period of two to five years.

The beneficiaries are entitled to the amount by which the share price as per the exercise date exceeds the exercise price of EUR 29.84. This amount (the settlement value) is limited to a maximum of EUR 70.16 per option. In order to achieve this maximum amount the company's share price will need to reach EUR 100.00. The company is entitled to settle its obligation by way of delivery of the respective number of treasury shares as settlement shares equivalent to the settlement value.

With respect to negative tax consequences resulting for Jim Freeman as a citizen of the United States of America from the application of certain provisions of Sec. 409A of the U.S. Internal Revenue Code, specific rules of the VSOP 2018 have been amended (the "Restated VSOP 2018") and 250,000 options vested until April 1, 2020 were canceled and settled by the company as cash and share consideration in 2020. The company will indemnify Jim Freeman from the penalty imposed under Sec. 409c of the U.S. Internal Revenue Code on the settlement value and the remaining options under the Restated VSOP 2018, whereby the indemnity in relation to remaining options is capped and will not exceed the amount which would have been payable if the relevant per-share value of the respective remaining options for purposes of calculating the respective penalties had been EUR 55.00.

Under the Restated VSOP 2018, the remaining options' expiry date is the last day of the calendar year in which the respective lock-up period for such options expires.

Development of options outstanding

The number of options outstanding under VSOP 2018 of Jim Freeman developed as follows in the reporting period:

VSOP 2018

	Jim Freeman	
	Number of options	**Exercise price (in EUR)**
Outstanding as of Jan 1, 2021	**245,938**	**29.84**
Granted during the year	0	–
Vested during the year	95,000	29.84
Forfeited during the year	0	–
Exercised during the year*	105,938	29.84
Outstanding as of Dec 31, 2021	**140,000**	**29.84**
Exercisable as of Dec 31, 2021	**0**	**–**
Outstanding as of Jan 1, 2022	**140,000**	**29.84**
Granted during the year	0	–
Vested during the year	70,000	29.84
Forfeited during the year	0	–
Exercised during the year**	80,000	29.84
Outstanding as of Dec 31, 2022	**60,000**	**29.84**
Exercisable as of Dec 31, 2022	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)		
As of Dec 31, 2021		1.4
As of Dec 31, 2022		1.0
Share price cap***		100.00
Weighted average share price (in EUR) for options exercised in		
2021		87.05
2022		32.87
Measured CAGR for exercised options in 2022 on net merchandise volume		23.2%
Target achievement		100.0%

*) 105,938 options were exercised on May 21, 2021 at EUR 29.84.
**) 80,000 options were exercised on November 15, 2022 at EUR 29.84.
***) All options were exercised at a share price below the share price cap.

Stock Option Program 2013 (SOP 2013), applicable to Robert Gentz, David Schneider and Rubin Ritter

Before the introduction of the LTI 2018, the Co-CEOs participated among others in the Long-Term Incentive plan SOP 2013, which granted real stock options rather than virtual entitlements. All options granted under the SOP 2013 became exercisable prior to the reporting period but were still partially outstanding during the reporting period.

The SOP 2013 options were granted to the Co-CEOs in the fiscal year 2013. Each SOP 2013 option entitles the beneficiaries to acquire one share. The exercise price is EUR 15.63 per option. The beneficiaries can alternatively request a reduction of the exercise price from EUR 15.63 to EUR 1.00 for all or some of the options already vested. In this case, the number of options is reduced so that it leaves the beneficiaries at the time of the request neither better nor worse off economically. The options granted to the beneficiaries vested in monthly tranches over a five-year period. The last tranche of SOP 2013 vested in November 2018. The exercise of the options required the expiry of a four-year waiting period and the achievement of the performance criterion which was determined in a transactional net sales CAGR of at least 5% during the four-year waiting period. The waiting period ended in December 2017 and the performance criterion was fully achieved at the end of this period.

Development of options outstanding

The number of options outstanding of SOP 2013 developed as follows in the reporting period:

SOP 2013

	Robert Gentz**,****		David Schneider**,****		Rubin Ritter***	
	Number of options	Weighted average exercise price (in EUR)	Number of options	Weighted average exercise price (in EUR)	Number of options	Weighted average exercise price (in EUR)
Outstanding as of Jan 1, 2021*	**532,265**	**1.00**	**532,265**	**1.00**	**1,332,675**	**1.00**
Granted during the year	–	–	–	–	–	–
Vested during the year	–	–	–	–	–	–
Forfeited during the year	–	–	–	–	–	–
Exercised during the year	532,265	1.00	532,265	1.00	925,200	1.00
Outstanding as of Dec 31, 2021	**0**	**–**	**0**	**–**	**407,475**	**1.00**
Exercisable as of Dec 31, 2021	**0**	**–**	**0**	**–**	**407,475**	**1.00**
Outstanding as of Jan 1, 2022	**0**	**–**	**0**	**–**	**407,475**	**1.00**
Granted during the year	0	–	0	–	–	–
Vested during the year	0	–	0	–	–	–
Forfeited during the year	0	–	0	–	–	–
Exercised during the year	0	–	0	–	407,475	1.00
Outstanding as of Dec 31, 2022	**0**	**–**	**0**	**–**	**0**	**–**
Exercisable as of Dec 31, 2022	**0**	**–**	**0**	**–**	**0**	**–**
Weighted average remaining contractual life of options outstanding (in years)						
As of Dec 31, 2021		–		–		1.0
As of Dec 31, 2022		–		–		–
Weighted average share price (in EUR) for options exercised in						
2021		86.26		86.26		90.71
2022		–		–		35.90
Measured CAGR for exercised options in 2022 on transactional net sales (TNS)		**–**		**–**		**26.9%**
Target achievement		–		–		100.0%

*) For 3,253,800 options, Rubin Ritter used the contractually agreed provision to reduce the exercise price to EUR 1.00 in 2018 and 2020. This reduced the number of these options to 2,503,246, of which 200,000 were exercised in 2018, 170,571 in 2019, 800,000 in 2020, 925,200 in 2021 and 407,475 in 2022 at EUR 1.00. For 639,540 options, Robert Gentz and David Schneider each used the contractually agreed provision to reduce the exercise price to EUR 1.00 in 2020. This reduced the number of these options to 532,265 which were exercised in 2021 at EUR 1.00.

**) All 532,265 options were exercised on March 22, 2021 at EUR 1.00.

***) Of 925,200 options exercised in 2021 175,200 options were exercised on March 19, 2021 and 250,000 options were exercised on May 31, 2021, on June 7, 2021 and on August 23, 2021 respectively. Of 407,475 options exercised in 2022 100,000 options were exercised on March 7, 2022 and 307,475 options were exercised on May 19, 2022. All options were exercised at EUR 1.00.

****) In addition, a company wholly owned by the Management Board member Robert Gentz and a company wholly owned by the Management Board member David Schneider each exercised 2,191,315 options on March 22, 2021 at a share price of EUR 86.26 and an exercise price of EUR 1.00. These options were transferred by the Management Board members to the companies in 2017 and 2018.

Further information pursuant to Section 162 AktG

Compliance with the maximum remuneration (Section 162 (1) Sentence 2 No. 7 AktG)

During the reporting period the remuneration system 2021 was only applicable to the remuneration of Dr. Astrid Arndt and Dr. Sandra Dembeck. The new service agreement with David Schröder for his tenure commencing as of April 1, 2023 includes a cap of the remuneration in line with the remuneration system 2021 that was, however, not yet valid in the reporting period. Accordingly, the total maximum compensation amount stipulated under the remuneration system 2021 as of the end of the reporting period only applied to Dr. Astrid Arndt and Dr. Sandra Dembeck.

For Dr. Astrid Arndt, the total maximum compensation for a fiscal year is capped at EUR 5.25m. Since the pro rata inflow from the LTI options and LTI shares granted to Dr. Astrid Arndt under the LTI 2021 for the fiscal year 2022 can only be determined after the expiry of the waiting period of four years, compliance with the maximum remuneration for the fiscal year 2022 can only be conclusively reported in the context of the remuneration report for the fiscal year 2025.

With respect to Dr. Sandra Dembeck, her total maximum compensation for a fiscal year is capped at EUR 6.84m. As in the case of Dr. Astrid Arndt the pro rata inflow from the LTI options and LTI shares granted to Dr. Sandra Dembeck under the LTI 2021/2022 for the fiscal year 2022 can only be determined after the expiry of the waiting period of four years. Compliance with the maximum remuneration for the fiscal year 2022 can thus only be conclusively reported in the context of the remuneration report for the fiscal year 2026.

Application of malus and clawback during reporting year (Section 162 (1) Sentence 2 No. 4 AktG)

The remuneration system 2021 and in its implementation the service agreements of Dr. Astrid Arndt, Dr. Sandra Dembeck and the new service agreement with David Schröder with a four years' term commencing as of April 1, 2023 provide for malus and clawback clauses. In the case of a willful or grossly negligent serious breach of the obligations pursuant to Section 93 AktG or internal compliance policies and behavioral guidelines or severe compliance infringements by the member of the Management Board, the Supervisory Board may, at its sole discretion, retain in whole or in part variable remuneration (under ZOP 2021, LTI 2021 and/or LTI 2021/2022) that has not been paid out (malus). In such a case, the Supervisory Board may, at its sole discretion, reclaim in whole or in part variable remuneration that has already been paid out (clawback). Furthermore, the Supervisory Board has the possibility to reclaim variable remuneration in the case of an undue payout based on incorrect information.

In the fiscal year 2022, the Supervisory Board did not make use of the option to retain (malus) or reclaim (clawback) variable remuneration components as none of the above conditions were ascertained by the Supervisory Board.

The service agreements of the members of the Management Board which were concluded before the implementation of the remuneration system 2021 do not include malus or clawback provisions. This does not affect the applicable legal situation regarding any claims for damages on the part of the company against the Management Board members in the event of culpable breaches of duty (such as according to Section 93 (2) AktG).

Benefits promised or granted to a member of the Management Board by a third party with regard to their activity as a member of the Board of Management (Section 162 (2) No.1 AktG)

During the fiscal year 2022, no benefits were granted to the members of the Management Board by third parties. Also, there are no outstanding benefits that were promised by third parties to the members of the Management Board.

Benefits promised to the members of the Management Board in the event of regular or early termination (Section 162 (2) No. 2 and 3 AktG)

Severance entitlements upon premature termination

The service agreements of all current Management Board members provide that in the event of a removal from office for good cause pursuant to Section 84 (4) AktG, the company may terminate the service agreement prematurely within the statutory termination period pursuant to Section 622 BGB. In such an event and if there is no good cause for the termination within the meaning of Section 626 BGB, the member of the Management Board is entitled to a cash severance payment which amounts to two times the annual fixed salary, however, not more than the fixed salary that would have been payable for the remaining term of the service agreement.

Entitlement upon death and permanent incapacity

In the event of death, the service agreements of all current members of the Management Board provide for continued payment of the fixed remuneration for the month of death and the following three months to the spouse, registered partner or partner and/or any children under the age of 25 living with the member of the Management Board and being entitled to child support.

In the event of permanent incapacity to work, the service agreement will end without notice of termination being required at the end of the calendar quarter in which such permanent incapacity to work is determined. If a Management Board member is temporarily unable to work as a result of illness, accident or any other reason beyond the Director’s control, the Director’s Service Agreement provides for a continued payment of their fixed remuneration for up to six weeks, but not beyond the effective termination date of the service agreement.

Treatment of outstanding variable remuneration

In the event of a permanent incapacity of a Management Board member unvested Options under the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022 continue to vest (until termination of the office of the member of the Management Board) also during periods of inability to work.

Also unvested options under the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022 which would have vested during the following two years can be kept by the member of the Management Board and continue to vest in accordance with the terms and conditions of the applicable LTI scheme.

Otherwise, as a general rule, if a leaver event occurs (as defined in each of the programs) all unvested options of the members of the Management Board under the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022 are forfeited without compensation. However, in the case of a revocation of a member of the Management Board from office by the company for good cause pursuant to Section 84 (4) AktG without the Management Board member qualifying as bad leaver (as defined in each of the programs), the Management Board member retains all unexercised stock options under the LTI 2018, the LTI 2019, the LTI 2021, the LTI 2021/2022 and the ZOP 2021 and all unvested options under the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022 which would have vested during the following two years can be kept by the Management Board member and continue to vest in accordance with the terms and conditions of the applicable LTI scheme.

If the Management Board member qualifies as bad leaver (as defined in each of the programs), all unsettled options of the Management Board member under the LTI 2018, the LTI 2019, the LTI 2021 or the LTI 2021/2022 (irrespective of vested or not), and all yet unexercised options under the SOP 2013 and all yet unexercised virtual stock options under the ZOP 2021 are forfeited without compensation.

Under the VSOP 2018, in a leaver event (as further defined) the virtual stock options granted will irrevocably cease to vest, and all of the unvested virtual stock options will be forfeited without entitlement to compensation. In the case of a bad leaver event all vested and unexercised virtual stock options will be forfeited without entitlement to compensation. In the case of a leaver event that does not qualify as a bad leaver event (good leaver event) all of the vested and unexercised virtual stock options are retained.

Entitlements upon a change of control

If the office or service agreement of a member of the Management Board ends due to a change of control, there are no contractually agreed change-of-control severance entitlements. There are also no specific contractually agreed termination rights for the members of the Management Board in the event of a change of control.

However, the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022 provide for a cancellation right of the Management Board members in the event of a change of control (as defined in each of the program rules) pertaining to unexercised vested options, and the SOP 2013 in relation to a certain portion of the options (equal to the portion of shares or assets of the company acquired by the acquirer(s) of control), in return for which the Management Board member is then entitled to a cash compensation per unexercised vested option.

The cash compensation per unexercised vested option (under the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022) generally corresponds to the compensation per share under the takeover offer minus the exercise price or (in the case of the SOP 2013) the compensation per share under the takeover offer if such offer is made or the volume-weighted average share price of one share in the company during the last 30 trading days prior to the change-of-control-event, in each case minus the exercise price.

Also, under the LTI 2018, the LTI 2019, the LTI 2021 and the LTI 2021/2022, the company itself can request a cancellation of unexercised vested options in exchange for a payment of the above cash compensation and replacement of unvested options by an economically equivalent new incentive program, and under the SOP 2013 the company can request a replacement of some or all of the unvested options by an economically equivalent new incentive program.

Under the VSOP 2018, in the event of a change of control (as defined in the program) the company may request that a portion of the then outstanding vested virtual stock options which is equal to the portion of the shares or assets (as the case may be) acquired of the company in the relevant change of control event shall be canceled in exchange for a payment by the company of an amount equal to the excess, if any, of (i) the product of the relevant share price and the number of virtual stock options canceled over (ii) the aggregate exercise price for all such canceled virtual stock options, subject to certain deductions. The remaining vested virtual stock options not subject to the cancellation request remain unaffected.

The existing variable remuneration programs do not provide for any accelerated vesting in the case of a change of control.

Post-contractual non-compete clause

A post-contractual non-competition clause and accordingly also a promise of a non-compete compensation payment have not been agreed in the service contracts of the Management Board members who were active as Management Board members in the reporting year.

Benefits promised or granted to a former member of the Management Board whose position ended in the course of the reporting year (Section 162 (2) No. 4 AktG)

As no member left the Management Board in the reporting period, no such benefits were promised or granted.

Deviations from the remuneration system during the reporting period (Section 162 (1) Sentence 2 No. 5 AktG)

In exceptional cases, the Supervisory Board may temporarily deviate from the components of the remuneration system for the Management Board of Zalando in accordance with Section 87a (1) Sentence 2 AktG if this is necessary in the interest of the long-term welfare of the company. During the fiscal year 2022, there was no deviation from the remuneration system 2021.

1.2.6 Remuneration of Supervisory Board members

The remuneration system for the members of the Supervisory Board is based on the legal requirements and takes into account the recommendations and suggestions of the German Corporate Governance Code. The partially adjusted remuneration system for the Supervisory Board was submitted to the annual general meeting 2021 for resolution in accordance with Section 113 (3) AktG and resolved with effect for the fiscal year beginning on January 1, 2021.

The remuneration of Supervisory Board members is governed by Article 15 of the Articles of Association. The remuneration of the members of the Supervisory Board is balanced overall and commensurate with the responsibilities and tasks of the members of the Supervisory Board and the situation of the company, taking into account the remuneration arrangements of other large listed companies. The members of the Supervisory Board receive a purely function-related fixed remuneration in accordance with Clause G.18 of the German Corporate Governance Code. No performance-related remuneration or financial or non-financial performance criteria are provided for. This best reflects the independent supervisory and advisory function of the Supervisory Board, which is not geared to short-term corporate success but to the long-term development of the company.

The fixed annual remuneration is EUR 180,000 for the chairperson of the Supervisory Board, EUR 135,000 for the deputy chairperson of the Supervisory Board and EUR 90,000 for every other member of the Supervisory Board. For their work on the audit committee, members of the Supervisory Board receive an additional fixed annual remuneration of EUR 10,000. The chairperson of the audit committee receives an additional fixed annual remuneration of EUR 50,000.

The respective amount of the fixed remuneration takes into account the specific function and responsibility of the members of the Supervisory Board. In particular, in accordance with Clause G.17 of the German Corporate Governance Code, the higher time commitment of the chairperson and the deputy chairperson of the Supervisory Board as well as of the chairperson and the members of the audit committee is also appropriately taken into account through a corresponding additional remuneration. Attendance fees are not paid.

Supervisory Board members who are members of the Supervisory Board or the audit committee or hold the office of the chairperson or deputy chairperson of the Supervisory Board or of the chairperson of the audit committee for part of a fiscal year only, receive a corresponding proportionate remuneration. The remuneration falls due at the end of the fiscal year for which the remuneration is paid.

In addition to the function-related fixed remuneration, the members of the Supervisory Board are reimbursed for their reasonable out-of-pocket expenses incurred in the performance of the Supervisory Board mandate as well as any value added tax payable on their remuneration and expenses. Furthermore, the members of the Supervisory Board are included in a D&O liability insurance policy for board members maintained by the company in the company's interests that will provide reasonable coverage against financial damages. The premiums for this insurance policy are paid by the company.

The annual general meeting determines the remuneration of the members of the Supervisory Board upon proposal of the Management Board and the Supervisory Board in the Articles of Association or by resolution. The general meeting resolves on the remuneration of the members of the Supervisory Board at least every four years. A resolution confirming the existing remuneration is also permissible in this respect. Should the general meeting not confirm the remuneration system submitted to a vote, a revised remuneration system must be submitted to the following annual general meeting at the latest. In preparation for the resolution of the general meeting, the Management Board and the Supervisory Board each review whether the remuneration, in particular with regard to its amount and structure, continues to be in our interest and is in an appropriate relationship to the tasks of the members of the Supervisory Board and the situation of the company. The Supervisory Board may also carry out a horizontal market comparison for this purpose. In doing so, the Supervisory Board may seek advice from an external remuneration expert. If necessary, the Management Board and the Supervisory Board will propose an appropriate adjustment of the remuneration to the annual general meeting.

In accordance with Section 162 (1) Sentence 1 AktG, the following table shows the remuneration awarded and due (“gewährte und geschuldete Vergütung”) to the members of the Supervisory Board in the fiscal years 2022 and 2021. According to the remuneration system for the members of the Supervisory Board, the remuneration only consists of a fixed component for each member of the Supervisory Board:

Remuneration of the members of the Supervisory Board

IN EUR	2022	2021
Anders Holch Povlsen (since December 9, 2013)	90,000	90,000
Anika Mangelmann (since June 23, 2020)	90,000	90,000
Cristina Stenbeck (since May 22, 2019)	180,000	180,000
Jade Buddenberg (since June 23, 2020)	90,000	90,000
Jennifer Hyman (since June 23, 2020)	90,000	90,000
Jørgen Madsen Lindemann (until May 19, 2021)	–	38,082
Kelly Bennett (since May 22, 2019)	145,000	145,000
Mariella Röhm-Kottmann (since May 22, 2019)	140,000	140,000
Matti Ahtiainen (since June 23, 2020)	100,000	100,000
Niklas Östberg (since May 19, 2021)	100,000	61,918
Remuneration awarded and due according to Section 162 (1) Sentence 1 AktG	**1,025,000**	**1,025,000**

The current and former members of the Supervisory Board did not receive any compensation from other group companies in the fiscal year 2022.

1.2.7 Comparative presentation of the development of the remuneration

In accordance with Section 162 (1) Sentence 2 No. 2 AktG, the following tables show the annual change in remuneration to the current and former members of the Management Board and of the Supervisory Board as well as the annual change in average employee remuneration on a full-time equivalent basis over the last five fiscal years and the company's performance. The remuneration of the Management Board members for the years 2018 and 2019 is based on the amount of "benefits received" as reported in the annual reports 2018 and 2019. The presentation of the average employee remuneration is based on the total workforce employed by Zalando. While the yearly target and fixed average remuneration on a full-time equivalent basis of employees increased year-on-year, the figures below show the remuneration including option exercises in the relevant year. In 2021, a higher amount of equity remuneration was exercised compared to 2022. Taking into account the holding periods over several years for the employee share programs, the figures shown are distorted. The development of the company's net income is shown alongside the development of the revenue of the Zalando group.

Comparative table on the change of remuneration awarded and due according to Section 162 (1) Sentence 1 AktG and company performance

	Annual change 2022 to 2021	Annual change 2021 to 2020	Annual change 2020 to 2019	Annual change 2019 to 2018
Remuneration of the members of the Management Board				
Robert Gentz, Co-CEO	0.4%	0.7%	2.2%	-99.5%
David Schneider, Co-CEO	0.1%	-6.1%	8.1%	-99.5%
Rubin Ritter, Co-CEO (until June 1, 2021)	–	-54.8%	-98.8%	-66.5%
Dr. Sandra Dembeck, CFO (since March 1, 2022)	–	–	–	–
David Schröder, CFO	-96.4%	39.3%	457.8%	–
Dr. Astrid Arndt, CPO (since April 1, 2021)	32.0%	–	–	–
Jim Freeman, CBPO	-56.1%	13.2%	947.5%	–
Company performance				
Net Income of ZALANDO SE	-168.4%	-20.1%	373.5%	7.8%
Revenue of the group	-0.1%	29.7%	23.1%	20.3%
Average remuneration on a full-time equivalent basis of employees				
ZALANDO SE	-3.4%	-3.2%	16.1%	0.8%

Comparative table on the change of remuneration awarded and due according to Section 162 (1) Sentence 1 AktG and company performance

	Annual change 2022 to 2021	Annual change 2021 to 2020	Annual change 2020 to 2019	Annual change 2019 to 2018
Remuneration of the members of the Supervisory Board				
Anders Holch Povlsen (since December 9, 2013)	0.0%	17.0%	-14.5%	0.0%
Anika Mangelmann (since June 23, 2020)	0.0%	164.6%	–	–
Cristina Stenbeck (since May 22, 2019)	0.0%	20.0%	63.2%	–
Jade Buddenberg (since June 23, 2020)	0.0%	164.6%	–	–
Jennifer Hyman (since June 23, 2020)	0.0%	164.6%	–	–
Jørgen Madsen Lindemann (until May 19, 2021)	–	-52.4%	0.0%	0.0%
Kelly Bennett (since May 22, 2019)	0.0%	55.8%	89.9%	–
Mariella Röhm-Kottmann (since May 22, 2019)	0.0%	40.0%	63.2%	–
Matti Ahtiainen (since June 23, 2020)	0.0%	138.9%	–	–
Niklas Östberg (since May 19, 2021)	61.5%	–	–	–
Company performance				
Net Income of ZALANDO SE	-168.4%	-20.1%	374.5%	7.8%
Revenue of the group	-0.1%	29.7%	30.4%	23.6%
Average remuneration on a full-time equivalent basis of employees				
ZALANDO SE	-3.4%	-3.2%	16.1%	0.8%

Berlin, March 6, 2023

Robert Gentz David Schneider James M. Freeman, II

David Schröder Dr. Astrid Arndt Dr. Sandra Dembeck

Cristina Stenbeck Mariella Röhm-Kottmann

Report of the independent auditor on the audit of the content of the remuneration report issued in accordance with Section 162 AktG

To Zalando SE

We have audited the attached remuneration report of Zalando SE, Berlin, prepared to comply with Section 162 AktG ["Aktiengesetz": German Stock Corporation Act] for the fiscal year from January 1 to December 31, 2022 and the related disclosures. We have not audited the content of the disclosures of the remuneration report in sections "1.3.1 Introduction" and "1.3.2 Background" where they go beyond the scope of Section 162 AktG.

Responsibilities of the executive directors and the supervisory board

The executive directors and Supervisory Board of Zalando SE are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of Section 162 AktG. In addition, the executive directors and Supervisory Board are responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report and the related disclosures that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this remuneration report and the related disclosures based on our audit. We conducted our audit in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report and the related disclosures are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the remuneration report and the related disclosures. The procedures selected depend on the auditor's judgment. including the assessment of the risks of material misstatement of the remuneration report and the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report and the related disclosures in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the accounting policies used and the reasonableness of accounting estimates made by the executive directors and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report and the related disclosures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, on the basis of the knowledge obtained in the audit, the remuneration report for the fiscal year from January 1 to December 31, 2022 and the related disclosures comply, in all material respects, with the financial reporting provisions of Section 162 AktG. We do not express an opinion on the content of the abovementioned disclosures of the remuneration report that go beyond the scope of Sec. 162 AktG.

Other matter – formal audit of the remuneration report

The audit of the content of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by Section 162 (3) AktG and the issue of a report on this audit. As we are issuing an unqualified opinion on the audit of the content of the remuneration report, this also includes the opinion that the disclosures pursuant to Section 162 (1) and (2) AktG are made in the remuneration report in all material respects.

Limitation of liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" as issued by the IDW on January 1, 2017, which are attached to this report, are applicable to this engagement and also govern our responsibility and liability to third parties in the context of this engagement.

Stuttgart, March 6, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig Wirtschaftsprüfer [German Public Auditor]	Werling Wirtschaftsprüfer [German Public Auditor]

2.1 Information on our group

2.1.1 Business model

Our vision at Zalando is to be the Starting Point for Fashion. What started as a Berlin-based online shoe store in 2008 has transformed into a leading European online platform for fashion and lifestyle in just a few years. We connect customers and brand partners, offering our customers a one-stop shopping experience with a comprehensive range of current fashion trends. At the same time, we want to inspire through high levels of personalization creating a suitable choice for every customer. Finally, we invest in logistics, payments and customer service for a seamless experience.

As a result, we have a strong reach and engagement, crossing the 50-million active customers mark in 2022 and offering more than 7,000 global and local fashion and lifestyle brands. We offer our customers multiple propositions to address their shopping needs, spanning from Fashion to Beauty, Pre-owned, Designer, Lounge by Zalando[3] or our membership program Zalando Plus.

Our localized offering addresses the distinct preferences of the customers in each of the 25 European markets served: Austria, Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary (new in 2022), Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania (new in 2022), Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom. Our pan-European logistics network with 12 fulfillment centers allows us to serve our customers throughout Europe in a fast and seamless manner.

We are significantly investing in three areas that are essential for the success of our business: customers, partners and infrastructure:

On the customer side, we have tremendous reach in Europe, serving more than 50 million active customers. We continue to invest in acquiring customers across all our markets and strive to build deeper relationships with them through permanent investments in improving our core fashion proposition and elevating distinct propositions, giving our customers even more reasons to visit and shop. In our progress to deepen customer relationships, our loyalty program Zalando Plus more than doubled its membership to more than 2 million paying Plus members in 2022.

Our brand partners profit from our customer base by becoming part of our platform. Via our partner program, brands can integrate their stock directly on our platform. The resulting broader assortment and higher product availability help extend our customer base – which, in turn, draws even more brands to Zalando. Via our Connected Retail program, even physical retailers are able to serve millions of our online customers. In Q4 2022, our Partner share of Fashion Store GMV reached 36%. Our platform provides digital and infrastructure services, for example, analytics, advertising and logistics.

3 Zalando Lounge has been rebranded to Lounge by Zalando.

The foundation for our service offering to customers and partners alike are our investments in infrastructure. Internally developed technology solutions are the backbone of Zalando and drive all our processes. In-house developed analytical tools for data evaluation and the insights gained are of great strategic importance. Additionally, state of the art AI Expertise helps us to drive data based value creation (e.g. Size and Fit). We successfully coordinate our logistic operations and continuously improve the customer experience by expanding our logistics infrastructure. Our expertise in warehousing, delivery, returns and customer service processes, along with content creation, are of fundamental importance to our business.

2.1.2 Group structure

Governance and control

The Zalando group is managed by its ultimate parent company ZALANDO SE, which was founded in 2008. With its registered office in Berlin, Germany, ZALANDO SE bundles all management functions and generates the vast majority of group revenue. In addition to the parent company, Zalando is comprised of 57 subsidiaries that operate, inter alia, in the areas of logistic services, customer service, payments, product presentation, advertising, marketing, software development, integration services and private labels. ZALANDO SE has full control over all subsidiaries, either indirectly or directly. Supplementary information concerning the separate financial statements is presented in 2.7 Supplementary management report to the separate financial statements of ZALANDO SE.

The Management Board of ZALANDO SE consists of six members who are jointly responsible for managing the group. Robert Gentz (Co-CEO, co-founder) is responsible for the company's strategy and corporate affairs, as well as the company's technology and product development. David Schneider (Co-CEO, co-founder) defines and drives the marketing and growth strategy of Zalando's consumer offerings, bringing together markets, propositions and inspiration to excite and retain customers and brand partners. He also leads Zalando's efforts in Sustainability as well as Diversity and Inclusion. Dr. Sandra Dembeck joined the Management Board as new Chief Financial Officer (CFO) in March 2022. She leads the Finance and Corporate Governance teams. David Schröder is Chief Operating Officer (COO) at Zalando and focuses on building and scaling Zalando's unique capabilities to enable the company's growth. Dr. Astrid Arndt is Chief People Officer (CPO) and takes on responsibility for leading and building the People and Organization teams. Jim Freeman completes the Management Board as Chief Business and Product Officer (CBPO), overseeing the development, marketing, and growth of Zalando's consumer offerings.

Consisting of nine members, the Supervisory Board not only appoints but regularly advises the Management Board and monitors its management activities. The Supervisory Board is directly involved in decisions of fundamental importance to the company. In particular, it reviews the financial statements and management reports, and it reports on the audit to the annual general meeting. Our Supervisory Board consists of long-term investors, employees and independent experts.

Group segments

ZALANDO SE's internal management structure is based on a sales channel perspective. Our main sales channel continues to be the segment Fashion Store (Zalando app and website). The Offprice segment includes the sales channels Lounge by Zalando (Lounge by Zalando app and website), brick-and-mortar outlet stores and B2B overstock management. In addition, Zalando's all other segments bundles the emerging businesses Zalando Marketing Services, the integrator business Tradebyte and the publishing arm, creative consultancy and curated commerce platform of Highsnobiety.

Revenue and profitability generated with external business partners as well as the internal transactions between our segments are reported to the Management Board. Due to this, the segment reporting includes a reconciliation column to reconcile the segment figures (including internal and external transactions) to the consolidated group figures (showing only external transactions).

2.1.3 Group strategy

Our starting point vision and platform strategy

Our vision is to be the Starting Point for Fashion. Zalando has enjoyed tremendous growth since it was founded in 2008 and is viewed as a major success story in European e-commerce today. Our goal is to continue to be the destination that customers naturally gravitate to whenever they want fashion, inspiration and content. And we are well on our way to achieving that goal with very strong reach and engagement with more than 50 million active customers.

In order to achieve our long-term vision, we focus on three core strategic dimensions. Firstly, we look to grow our active customer base by being relevant to multiple customer audiences across Europe. To turn our active customer base into loyal customers and fans of Zalando, we constantly strive to deepen customer relationships by playing an indispensable role in their lives, providing an increasing number of compelling propositions and constantly innovating the ways we engage with them. Secondly, we continue to focus on driving our transition towards a true platform business model, enabling business opportunities for brands and retailers by connecting them to consumers across Europe. In addition to offering a standard wholesale model, we are particularly focused on providing brands and retailers with a direct-to-consumer sales channel via our Partner Program and Connected Retail, and supporting them with additional value added partner services like Zalando Fulfillment Solutions (ZFS) and Zalando Marketing Services (ZMS). We thereby connect the products of our brand and retail partners with the European consumer, resulting in flawless choice for our customers and significant business opportunities for our partners. Lastly, we are committed to building a fashion platform with a net-positive impact for people and the planet by leveraging the scale of Zalando and the strong relationships with our partners to become part of a broader industry solution. In order to get there, we are focusing on reducing our own emissions and aiming for a 1.5°C pathway in line with the Paris Agreement, in addition to encouraging our partners to do the same. And we are actively encouraging our brand partners to produce and customers to choose more sustainable products, while continuing to develop existing and new business models which have the capacity to move fashion from being a linear to a more circular industry.

Based on our vision, strategy and strong commitment to being a sustainable fashion platform, there is an immense opportunity ahead of us. We are already one of Europe's leading online destinations for fashion and lifestyle within a total European fashion market which is forecast to reach EUR 450bn in the next few years. As the boundaries between offline and online fashion continue to blur and more and more sales are touched by digital elements, we aspire to serve more than 10% of this total European market opportunity in the longer term. To get there we will pass EUR 30bn GMV at some point. At the same time we reconfirm our adj. EBIT margin corridor of 3-6% with the goal to approach the higher end by 2025. We also strive to increase the share of our Partner Business GMV (Partner Program and Connected Retail) towards 50% of Fashion Store GMV by 2025. We also target achieving a 75% share of items shipped under the Partner Program through ZFS by 2025. Our longer-term target for ZMS is a platform marketing intensity of 3% to 4% of Fashion Store GMV.

In addition to targeting this attractive growth opportunity in front of us, we are increasingly committed to pushing forward with decisive measures and strategic activities to improve the immediate and longer-term profitability of our business. These measures will contribute to Zalando supporting and extending its strategic commitment to investing through the cycle to create more inspiring and engaging customer experiences, to drive longer-term growth and to deliver value for our customers, partners and shareholders.

Market environment

It has been another challenging year for the fashion industry, which has been significantly impacted by inflationary pressures, geopolitical conflicts and supply chain issues. These factors have contributed to a substantial decrease in consumer confidence and impacted discretionary spend on fashion and other relevant categories within the markets in which Zalando operates. In addition, with the eased pandemic environment we have observed a noticeable impact on customer fashion preferences and shopping behavior. For example, it has been apparent that customers are purchasing a higher share of seasonal, occasion-focused and trend-based items than in the past two years. There has also been a partial rebalancing of consumer demand from online to offline channels as Covid-19 lock-downs have ended and brick and mortar retail has reopened. Lastly, return rates have continued to normalize following the temporary benefits which were observed during the pandemic.

Strategic priorities

We are focused on three key strategic priorities to unlock our growth potential in the coming years: (1) growing our active customer base and deepening customer relationships; (2) transitioning to a true platform business model; and (3) building a sustainable fashion platform with a net-positive impact for people and the planet.

Consumers

Customer acquisition

This year, Zalando reached a significant milestone by serving more than 50 million active customers across Europe for the first time. Despite the challenging market environment and weaker consumer sentiment, we added almost 3 million active customers to grow our customer base by 6% year-on-year. We aim to be relevant to a broad audience across Europe and to address a sizable share of the more than 500 million inhabitants in our target markets. With just over 10% of this relevant European population currently being active Zalando customers, it is clear that there is still substantial scope to grow this customer base.

Evolved Marketing Approach

We successfully implemented certain marketing efficiency measures in 2022 to adjust to the lower growth environment and ensure a more attractive return on marketing investments. As a consequence, marketing costs relative to sales decreased 1.3 percentage points to 7.7%, while keeping revenue development stable. A key lever for future growth will be our ability to provide a relevant and local experience for each customer in every market. To enable this, we have evolved our marketing strategy to steer the Zalando brand across propositions, down the customer's purchase funnel de-averaged by Market, maturity, and approach leveraging three pillars: (1) Large-scale campaigns to raise broad-based awareness across markets via efficient media reach; (2) An "Always On" layer to drive consideration for our amplifying propositions; and (3) Market-level activations and local campaigns such that we can connect with and share what is most relevant to our customers in a given market. This allows us to be more effective in our marketing processes, more selective in deploying investment, and more focused in our communications with customers. To date, we have launched five global campaigns, including "Cherish The Moment", "Heart Says Yes" and two large-scale local campaigns, to cater to unique market insights, that with their success were subsequently leveraged in other markets, all of which have returned positive results and cost benefits through scalability.

Country Expansion

Another key lever for customer growth is our ability to add customers in new European markets for Zalando. In 2022, we expanded our geographic footprint with two new market launches for our core Fashion proposition in Hungary and Romania. This follows successful launches in six countries in 2021 in Croatia, Estonia, Latvia, Lithuania, Slovakia and Slovenia. Zalando is now live in a total of 25 markets across Europe and has successfully established itself in Central and Eastern European markets with a combined population of around 100 million people. In addition, we launched Lounge by Zalando in Romania, Slovakia and Lithuania this year to take the Lounge proposition live in a total of 17 markets.

Customer retention by improving our propositions

We continue to strive to find new ways to inspire and engage with our more than 50 million active customers and be their Starting Point for Fashion. It is our goal to create substantially deeper relationships with these and new customers at scale by improving our core fashion experience (relevant choice, seamless convenience, tailored digital experience), in addition to developing our distinct propositions Lounge by Zalando, Beauty, Designer and Pre-owned. Subscriptions to our Zalando Plus loyalty program more than doubled over the past year and more than 2 million customers are now benefiting from this attractive and growing offer. Zalando Plus is now live in 6 markets after launching in Switzerland and Austria in 2022.

Core fashion shopping experience[4]

We have substantially advanced on our mission to offer customers the most inspirational, engaging and relevant assortment and shopping experiences. The number of brands available across Zalando propositions has increased to more than 7,000 this year supported by our transition to a true platform business. Partner contributions to Fashion Store GMV have grown by around 6 percentage points to reach 36%, underlining the attractiveness of the Zalando platform for partners and progress against our strategic objective to grow the partner share of GMV towards 50% by 2025. Zalando and Nike continued to deepen their partnership this year, enabling our customers to shop an expanded and curated selection including Nike member-exclusive products on Zalando. We are also proud to offer our customers one of the largest more sustainable fashion assortments in Europe, with over 180,000 more sustainable articles contributing almost 17% of total Fashion Store GMV. And we have also extended the offering for and from underrepresented communities as we increased the number of Black-owned brands in our assortment to more than 60, and became the first multi-brand fashion platform in Europe to launch an extensive Adaptive Fashion assortment for disabled customers (e.g. those with limited dexterity, mobility or sensory sensitivity). These are just a few examples which highlight Zalando's ongoing commitment to offering our customers an inclusive assortment across price, size and styles.

This year, we increased the investments made in strategic initiatives to improve the onsite and in-app shopping experience and create more inspirational and engaging content for our customers and brand partners. New browsing functionality introduced in October has created a far more visual and intuitive way for customers to find and purchase the products they are interested in. In addition, we continue to substantially increase the volume, quality and relevance of curated and inspirational content and products shown to customers. This initiative is being developed in collaboration with Highsnobiety, which was acquired by Zalando beginning of July this year. Highsnobiety is an influential global fashion and lifestyle media brand and we plan to continue combining its fashion authority, curation and storytelling expertise with Zalando's innovative platform and reach to engage more with relevant audiences and create even deeper emotional bonds with our customers going forward.

Elevating distinct propositions

In 2023, we have to improve and further differentiate our distinct Zalando propositions across Lounge, Beauty, Designer and Pre-owned.

Lounge by Zalando is now live in 17 total markets following the new market launches already referenced. Lounge by Zalando partnered with more than 240 new brands in 2022 spanning global heroes, sustainable brands and substantially more localized assortment. A new Zalando outlet opened in Berlin in March to take the total to 13, and Zalando Pre-owned assortment is now also available in outlets to provide customers with another convenient way to browse and purchase circular fashion articles. Within this challenging market environment, we believe our attractive Lounge and Outlet businesses are both key differentiators enabling Zalando to meet the changing needs of our customers and brand partners.

[4] References related to the 2.1.4 Combined non-financial declaration has been reviewed with separate limited assurance engagement in accordance with ISAE 3000 (Revised).

Zalando Beauty GMV has grown double digit % year-on-year and our Beauty assortment now spans over 35,000 articles from more than 650 brands. We expanded our partnership with Sephora this year to support the launch of more high profile prestige beauty brands, in addition to launching with Sephora in Italy. Replenishment and subscription functionality has also been added to the proposition to enable customers to easily schedule repurchases of their favorite Beauty products.

Zalando Designer has also grown double digit % year-on-year and we have seen a material number of customers trade up to shop our range of attractive brands and assortment at higher price points. We also launched a number of new Designer brands while continuing to elevate the onsite look and presentation of the Designer experience.

Customers also continue to appreciate the Zalando Pre-owned proposition and its quality-checked assortment, fast delivery, convenient payment methods and free returns. Our Pre-owned assortment has expanded significantly this year and we now offer over 400,000 articles vs. 20,000 at launch. In December 2022, we retired the standalone Zircle app, Zalando's secondhand fashion platform, and are focusing on continuing to develop the Pre-owned proposition completely integrated into the Zalando Fashion Store, where we believe we are able to deliver a consistently higher quality customer experience.

Seamless convenience
We continually evaluate how we can raise the bar on convenience levels across payments, delivery and returns processes. For example, in 2022 we increased the flexibility of our Buy Now Pay Later (BNPL) offering. This complements our existing payment by invoice functionality and means Zalando customers are now able to order what they'd like to try on, but only pay for what they decide to keep via bank transfer, credit card, PayPal (or other convenient payment options) up to 14 days after the order is placed. In order to offer customers faster and more convenient delivery and returns, we are also adding more fulfillment centers to further strengthen the existing logistics network. 12 fulfillment centers are currently in operation serving our 25 markets. We opened a new interim fulfillment center in Poland this year to support the expansion of Lounge by Zalando. This will be complemented by a neighboring Lounge by Zalando facility in Bydgoszcz, Poland with a go-live date set for 2024. Construction has also started on new fulfillment centers in Germany and in France.

Partners
The strength of Zalando's brand partnerships and our platform approach have always been an integral part of our business strategy. Over 7,000 globally recognized, locally relevant and emerging brands partnered with Zalando to grow their businesses in 2022. These close partnerships enable us to offer our customers flawless assortment and create substantial benefits for customers, partners and Zalando. We currently list over 1.8m product choices on the platform and continue to find new and innovative ways to connect our customers with the most relevant and curated brands and articles through a combination of our Wholesale and Partner Program businesses.

Wholesale

Back in 2008, Zalando was founded as a wholesale-retail e-commerce business. Wholesale means that we buy inventory from brands and sell it for our own account to customers. Today, our Wholesale business contributed 64% of Zalando Fashion Store GMV by the final quarter of 2022. We view this Wholesale model as an essential pillar in our assortment strategy and one of the strongest tools that we have to secure and to curate "must-have" assortment for our customers across Europe.

Partner Program and Connected Retail

Our Partner Program and Connected Retail programs enable brands and retailers to sell their merchandise via Zalando while maintaining full control over their offer, content, and pricing. Helping our brand and retail partners to grow and internationalize their businesses on Zalando has supported strong Partner Program GMV growth in recent years. Partner Business GMV therefore contributed 36% of Zalando Fashion Store GMV by the final quarter of 2022 (vs. 30% in 2021).

A core contributor to the overall success of our Partner Business is Connected Retail, which enables brick-and-mortar stores to sell directly through Zalando, enabling them to reach millions of online customers. Our customers can thereby access products from their favorite local shops online and benefit from higher availability of key styles. In 2022, we continued to increase the number of active stores in our Connected Retail network. We have also introduced new Connected Retail software, which allows partners to better track their sales and returns data on the platform. In 2023, we plan to further strengthen the platform with software upgrades including logistic and automation improvements as well as launching the Connected Retail app, to increase the efficiency and output of partner stores.

In 2022, we further improved and automated our partner-facing tools and services to make it easier for retailers and brands to access and leverage our platform to drive their own business, particularly through Zalando Fufillment Solutions (ZFS) and Zalando Marketing Services (ZMS) (see below).

Zalando Fulfillment Solutions (ZFS)

Zalando Fulfillment Solutions (ZFS) is a key add-on service to the Partner Program which allows brand partners to leverage our European logistics network across 23 markets to increase customer reach, convenience and customer satisfaction. ZFS also helps to reduce complexity and shipping costs and remove cross-border e-commerce complications for our partners. We saw strong adoption of ZFS translate to a ZFS item share across all Partner Program items shipped of 58% by the final quarter of 2022 (vs 55% in 2021). The launch of Multi-Channel Fulfillment in 2022 mark our first B2B offerings for brand partners, leveraging the strength and capabilities of our European logistics network to provide partners with the option to fulfill orders from their own sales channels, Zalando sales channels and other sales channels.

Zalando Marketing Services (ZMS)

ZMS serves as a holistic data-driven marketing service for fashion and lifestyle brands across many different channels, offering impactful solutions along the entire marketing and sales channel and enabling our partners to connect their brand to more than 50 million active customers at Zalando and beyond. We consult partners on their marketing strategy and offer a wide range of marketing services. Our partners also enjoy access to aggregated consumer insights, allowing them to better understand their customers as well as their relative positioning and performance and integrate these customer and competitive insights in their product design process as well as go-to-market strategy.

This year, we enhanced our advertising offering to make it even easier and more efficient for our brand partners to use by scaling our self-service channel, improving auction design, and introducing automation. We also introduced new offerings around brand followership and customer engagement. This increased range of opportunities is driving improved results and relevance for our customers. In 2022, ZMS revenues represented roughly 2% of Fashion Store GMV (vs 2% in 2021).

People and planet

Diversity & Inclusion

It is our vision to be the Starting Point for Fashion that is welcoming to everyone. We strive to be inclusive by design, bringing to life the diversity of our talents, leaders, customers and partners. In 2021, we published our do.BETTER strategy, reflecting our commitment to build a company in which respect and inclusive behavior are second nature. The strategy defines 12 Diversity and Inclusion (D&I) commitments around four pillars: talent, leadership, customers, and partners. Zalando is committed to creating an inclusive workplace for our talents, accelerating leadership accountability and diversity, providing inclusive experiences and content for our customers, and fostering D&I in the wider fashion industry together with our partners. We published our latest D&I report in November this year and have outlined selected highlights showing our progress against those four pillars below.

Talent

We are working hard to build an inclusive workplace that provides equitable access to opportunities. At the core of our vision is a desire to foster a sense of belonging that enables all of our employees to thrive. This year, we launched our first D&I survey to better understand Zalandos' experiences. We made our buildings more accessible and implemented more inclusive spaces, including adding prayer rooms and all-gender toilets. We facilitated quarterly “D&I Dialogues”, inviting Zalandos to learn about D&I topics and start conversations in their teams. We also launched our pilot Women in Tech Reskilling Program to break down the barriers for women to enter tech careers at Zalando.

Leadership

We are proud that 37.5% of our leadership positions are now occupied by women, toward our target of 40–60% before the end of 2023. We formulated 24 dedicated D&I Action Plans for business units that will help guide leaders in embedding mandates on D&I across the organization. We added new classes to our Inclusive Behavior training and Inclusive Leadership training to our Leadership class roster to translate learning into action.

Customers

We are working to challenge beauty and fashion stereotypes on behalf of more than 50 million customers. However, we know that our business, like many others, reflects unconscious bias in many of its operations and interfaces. Over the past year, we have accelerated our response, aiming to champion Diversity & Inclusion, improve accessibility, and offer a welcoming space for customers to discover and express themselves. We created a more accessible digital experience, including better readability, easier navigation, and a more intuitive layout of our corporate website. We offered dedicated training around accessibility and Adaptive Fashion for our engineers, product designers, specialists, and private label designers. We celebrated our customers' diversity in our content, campaigns, and storytelling.

Partners

Over the past year, we have collaborated with long-standing partners and joined with several more, enabling us to deepen our initiatives and assemble new ideas across our operations. We launched Adaptive Fashion with more than 200 styles in garments and shoes from Zalando's Private Labels, Tommy Hilfiger, and Nike. Our inclusive Beauty assortment expanded by 60% over the past three years. We have also onboarded over 60 Black-owned brands to the Zalando Fashion Store, including collections by Thebe Magugu and Dechase.

Sustainability[5]

In order to win the hearts and minds of our customers, we want to continue building a sustainable fashion platform and be part of the solution for the sustainability challenges we face. In order to achieve this and create impact along the global fashion supply chain, we have set ourselves six specific focus areas with regards to the planet, our products and people in our do.MORE strategy: carbon footprint, packaging, sustainability assortment, circularity, human rights and skilling.

In 2022, we published our second Sustainability Progress Report demonstrating progress as an organization towards achieving our sustainability goals in 2021. We continued to take specific steps forward to improve the fashion industry for the better in 2022, including in collaboration with other industry partners. In January 2022, we announced an investment in material science company Ambercycle Inc. alongside H&M CO:LAB, KIRKBI, Temasek and BESTSELLER. Ambercycle is focused on developing infrastructure and materials to increase circularity in the fashion industry and our investment targets contributing towards our goal of extending the life of more fashion products. On Earth Day 2022, we launched our new Circular Design Criteria with our longstanding partner circular.fashion and leveraging Circular Design Principles published by the Ellen MacArthur Foundation. This will support the ongoing standardization of products designed for circularity by Zalando and our brand partners on the Zalando platform to help customers to discover products which are safer, more durable and recyclable. In July, we announced that Zalando had joined forces with ABOUT YOU and YOOX NET-A-PORTER to take action with a shared aim to reduce carbon emissions within our value chains and across the fashion industry. This includes launching an online learning platform to support our brand partners in setting climate targets aligned with science to target reducing their greenhouse gas emissions. The collaboration forms a critical part of each of our

[5] References related to the 2.1.4 Combined non-financial declaration has been reviewed with separate limited assurance engagement in accordance with ISAE 3000 (Revised).

respective climate journeys, where Zalando has already set itself ambitious targets through the Science Based Targets initiative (SBTi). The Zalando Sustainability Awards in collaboration with Copenhagen Fashion Week also continue to contribute to the goal of encouraging fashion brands to explore alternative approaches to design and production and contribute to a more responsible fashion industry that is less harmful to the environment. ISO.POETISM BY TOBIAS BIRK NIELSEN won the third such Zalando Sustainability Award in February 2022, with RANRA winning the fourth in August 2022.

We continue to commit improving the ways in which we operate and communicate around Sustainability topics. We have been working diligently behind the scenes to ensure that we are ready to comply with all of the relevant legislation and regulations affecting the industry in which we operate, including the new German Supply Chain Act (Lieferkettensorgfaltspflichtengesetz) coming into effect on January 1, 2023. We also made several important changes to our user experience during the year to improve levels of transparency, better communicate sustainability-related product attributes and stories, and enable our customers to make more informed choices when it comes to fashion.

We have made significant progress against our Sustainability goals over the last few years and this is a topic that continues to connect all parts of our business, our supply chain partners and the planet on which we live. We continue to learn a lot from our teams, our partners and the rest of our industry and will implement further improvements over the course of 2023. We will also continue to train internal and external partners on sustainability topics related to the many legislative developments taking place and collaborate with our stakeholders, whether these are brands, customers, NGOs or governments, on our journey to become a more sustainable fashion platform with a net-positive impact for people and the planet.

2.1.4 Combined non-financial declaration[6]

The text presented below is the combined non-financial declaration for ZALANDO SE and the Zalando group in accordance with Section 289b (1) and (3) in conjunction with Section 315b (1) and (3) HGB (German Commercial Code) and Article 8 of the EU Taxonomy Regulation. All information, including relevant key performance indicators (KPIs), is provided separately for ZALANDO SE and the Zalando group wherever possible. Due to the different approaches of the GRI Standards as referenced in the Zalando Sustainability Progress Report and the German implementation of the CSR Directive on Non-Financial Reporting (CSR-RUG) regarding materiality requirements, we have not applied any framework to the non-financial declaration 2022.

The selection of material topics for our non-financial declaration is based on the materiality analysis that we finalized in 2019. In order to identify the material topics for Zalando, we created a shortlist of 18 sustainability topics categorized along three value chain stages (product manufacturing, operations, consumers) and validated and ranked through customer and employee surveys, as well as expert interviews. The shortlist was assessed in terms of the business relevance and impact – positive as well as negative – of our business model on the

6 The non-financial declarationhas been reviewed with separate limited assurance engagement in accordance with ISAE 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information".

corresponding topics. Eight topics were identified as material in accordance with CSR-RUG. Relevant information on each of these topics is set out in the table below.

Overview non-financial declaration 2022

CSR-RUG required aspects	Topic reported	Reported in
Environment	Transportation and delivery	Planet: “Driving down greenhouse gas emissions in line with climate science”
	Packaging and product waste	Planet: “Reimagine packaging, minimize waste”
Human rights	Human rights	People: “Increased focus on ethical standards”
Employee matters	Employee development	People: “Preparing our workforce for the future”
Social matters	Community engagement	People: “Being part of the solution”
Anti-corruption	Anti-corruption	“Corporate governance practices” (see 2.5.8. in the corporate governance statement)
Additional	Sustainability assortment, incl. product design and product transparency	Products: “Driving more informed choices”
	Sustainability services	Products: “Extending the life of fashion”

A description of Zalando’s business model is provided in 2.1.1 Business Model of the combined management report.

In order to prepare for upcoming reporting legislation, we conducted a new materiality analysis in the second half of 2022. The results of this materiality analysis confirm the current material reporting topics that provide the basis for this non-financial declaration 2022.

Sustainability strategy and governance

The materiality analysis conducted in 2019 was further leveraged to prioritize our efforts within the do.MORE strategy. With the introduction of our sustainability strategy do.MORE in October 2019, we aimed for a meaningful transformation of our business in line with our vision to be a sustainable fashion platform with a net-positive impact for people and the planet. Having a net-positive impact means that we aim to run our business in a way that gives back more to society and the environment than we take. We recognize the growing expectations from stakeholders, the necessity to future-proof our business and the obligation to be a part of the solution to global challenges. Our high ambitions that we set out in the do.MORE strategy in the form of six concrete goals covering three strategic pillars affect the entire Zalando group:

Planet

- By 2025, we achieve our science-based targets[7] to reduce carbon emissions in line with the Paris Agreement, including an 80% reduction in emissions of our own operations compared to 2017.
- By 2023, we design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics.

Products

- By 2023, we generate 25% of our GMV (Gross Merchandise Volume) with more sustainable products.
- By 2023, we apply the principles of circularity and extend the life of at least 50 million fashion products.

People

- By 2023, we have continuously increased our ethical standards and only work with partners who align with them.
- By 2023, we have supported 10,000 people in the workforce by providing skilling opportunities that match future work requirements.

An important element to achieving our goals is a corresponding and clear governance structure that allows us to integrate sustainability into all business units. Each of the six goals is managed in a workstream structure with an executive sponsor and multifunctional teams across the business. The sponsors, together with functional representatives, meet every quarter in the Sustainability Forum, which is chaired by Co-CEO David Schneider. The Sustainability Forum serves as the overarching steering committee and keeps the necessary strategic oversight. In addition to the Sustainability Forum, we established the Diversity & Inclusion (D&I) and sustainability committee of the Supervisory Board in 2021 which meets on a biannual basis. It covers the Diversity & Inclusion strategy as well as the Sustainability strategy and supports the Supervisory Board and its committees in its engagement with their implementation and the related reporting. More information about the D&I and sustainability committee is provided in 2.5.5 Supervisory Board[8] of the combined management report.

Our Governance & Risk team identifies, assesses and monitors risks that might impact our business performance in a biannual risk cycle. The scope of the cycle also includes social and environmental risks. As part of the biannual risk cycle and in preparation for our non-financial declaration, the Sustainability and Governance & Risk teams jointly analyzed risks as well as potential negative impacts that emanate from our business and business relationships as well as from our products and services on the material topics identified. As a result, we currently do not consider any net risks assessed to have a high probability and high negative impact on the material topics. We aim at managing potential negative implications through the corresponding teams with adequate due diligence processes and measures.

7 In 2020, we set science-based emissions reduction targets (SBTs) for our Scopes 1, 2 and 3 that are aligned with the criteria of the Science Based Targets initiative (SBTi). In this non-financial declaration, the term "science-based targets" refers to targets in line with the criteria of the SBTi.

8 This part of the combined management report is not a mandatory part of this non-financial declaration and is therefore not covered by the external assurance.

Planet

Driving down greenhouse gas emissions in line with climate science

The world continues to add carbon dioxide and other greenhouse gases to the atmosphere, putting the goal of limiting global warming to well below 2°C compared to pre-industrial levels, and preferably 1.5°C, ever further beyond reach. We strongly support the Paris climate goals and thus have set emissions reduction targets approved by the Science Based Targets initiative (SBTi). To achieve these targets, we need to consider our activities across every link in our value chain, using all the levers at our disposal. Our task is to implement these effectively and to continue to push forward until we achieve our goals:

- To align with a 1.5°C pathway, Zalando commits to reduce Scope 1 and 2 greenhouse gas (GHG) emissions by 80% by 2025 against a 2017 base year. Zalando also commits to increase annual sourcing of renewable electricity from 34% in 2017 to 100% by 2025.
- Zalando commits to reduce Scope 3 GHG emissions from private label products by 40% per million EUR gross profit by 2025 from a 2018 base year. Zalando also commits that 90% of its suppliers (by emissions, including goods and services sold on its platform, packaging and last-mile-delivery partners) will have science-based targets (SBTs) by 2025.

Compared to 2021, our total GHG emissions (Scope 1, 2 and 3) decreased by 5.5% to 5,881,358 metric tons of carbon dioxide equivalent (t CO_2e). When applying the location-based method in Scope 2, our total emissions were 5,948,549 metric tons – a 5.5% decrease from 2021.

We reduced our Scope 1 and 2 GHG emissions by 78% against a 2017 base year (compared to 67% in 2021). This significant progress has been driven by a lower gas consumption in our logistics network, as well as by improved data quality. More specifically, we can now utilize actual refrigerant leakage data rather than industry averages, leading to cooling emissions being significantly lower than previously reported. Additionally, we now have access to supplier-specific emission factors for district heating. These emission factors reflect the switch to lower carbon energy sources for district heating from our suppliers.

Since joining the RE100 initiative in 2020, we have obtained all our electricity from renewable sources, ensuring alignment with RE100 Technical Criteria. We use a combination of procurement tools, primarily green tariffs and onsite power purchase agreements. Our energy management system is certified to the latest ISO 50001 standard and our fulfillment centers and offices have green building certification[9].

The majority of our emissions stem from Scope 3 sources. This includes emissions from manufacturing, packaging, and transportation of the products we sell on our platform. In 2022, Scope 3 emissions accounted for 99.9% of our total emissions.

To minimize the emissions from products we sell through our retailing and platform businesses, we work closely with our brands, logistics and packaging partners to support

[9] The certification is based on LEED (Leadership in Energy and Environmental Design) and BREEAM (Building Research Establishment Environmental Assessment Method) among others.

them in emissions reduction target setting in line with the SBTi criteria. To scale our efforts, we joined forces with online retailers ABOUT YOU and YOOX NET-A-PORTER to launch FASHION LEAP FOR CLIMATE, a learning platform that provides opportunities for peer learning and step-by-step guidance on measuring emissions and setting targets aligned with climate science. Brand, packaging and last-mile delivery partners accounting for around 58% of our 2022 supplier-related emissions had set science-based targets as of end of 2022. In 2021, partners with SBTs accounted for 52% of supplier-related emissions.

The products sold on our platform and via our outlet stores account for 69.5% of our total emissions, with private label products accounting for 8.4% of that total. We continue to work towards reducing emissions generated by our private label products. In 2022, we refined our GHG inventory accounting approach to better account for product weights. This resulted in adjustments to previously calculated emissions reduction targets progress[10], leading to a private labels SBT progress in 2021 of 18% reduction versus the 45% previously reported. In 2022, private label emissions decreased by 14% per million EUR gross profit from a 2018 baseline[11].

In 2022, we conducted a hotspot analysis of our private label product-related emissions. The analysis served as the basis for a roadmap for switching to more sustainable materials and supporting investment in manufacturing energy efficiency and renewable energy, especially in wet processing facilities, where textile substrates are treated with colorants and/or chemicals, which requires significant energy and water.

Greenhouse gas emissions by Scope

In metric tons CO_2 equivalent ($T\ CO_2e$)	2022	2021[12]
Scope 1	5,512	8,320
Scope 2 (market-based)[13]	588	638
Scope 3[14]	5,875,258	6,215,336
Total	5,881,358	6,224,294
Purchased carbon removal credits	419,347	438,931

In addition to the above reduction measures, we compensated emissions from our own operations (Scope 1 and 2) and from packaging[15] and upstream transportation and distribution

10 Both base year emissions and emissions of previous years have been adjusted.

11 Since this is a relative target, it is impacted by changes both in the numerator and the denominator. Compared to the baseline year (2018) the numerator (absolute private label emissions) grew but the denominator (Zalando gross profit) grew at a higher rate than absolute private label emissions, thus leading to a relative reduction of emissions.

12 Numbers differ from 2021 reported data. This is mainly due to methodological changes applied to our GHG inventory accounting as well as improved data quality.

13 The location-based value for Scope 2 emissions in 2022 is 67,779 t CO_2e.

14 Our Scope 3 emissions include the following emission categories: purchased goods and services (Private Labels, Wholesale, Partner Program, Offprice, Recommerce, packaging), purchased goods and services (non-product), capital goods, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, downstream transportation and distribution, use of sold products, end-of-life treatment of sold products, and investments. In 2022, the three main Scope 3 emissions sources were emissions from manufacturing of products that we purchase and commission, the use of sold products and the transportation of products to customers. In 2022, we further updated our methodology for calculating product-related GHG emissions, which included refinements to our approach for managing the weights of products. For calculating emissions from products within the category of purchased goods and services, the main parameters used are the weight and the material composition of such products. As Zalando does not directly purchase or acquire Partner Program products at any stage, and instead provides a marketplace service to partners, the emissions of Partner Program goods can be excluded from the Scope 3 inventory in line with the Greenhouse Gas Protocol. However, in order to give a representative view of our business impacts, we have optionally included Partner Program products in our footprint.

15 Only the emissions from packaging procured by Zalando are considered, not from the packaging that is procured by third-parties.

(incl. deliveries and returns)[16]. We have procured carbon removal credits for 419,347t CO_2e (compared to 438,931 in 2021).

Reimagine packaging, minimize waste

Packaging protects products during preparation for delivery and shipping, but too often the materials are used once and then thrown away. One of our priorities is to move away from a take-make-waste system toward a circular approach to packaging. Finding scalable solutions to eliminate single-use plastic polybags remains our key challenge. In addition, our use of alternative paper-based solutions was constrained in 2022 by supply chain bottlenecks and rising paper costs. We have committed that by 2023, we design our packaging to minimize waste and keep materials in use, specifically eliminating single-use plastics[17].

In 2022, the Zalando group used more than 62,000t of packaging materials (68,000t in 2021), 86% of which stem from recycled input materials (89% in 2021). Moreover, 99% of our total packaging was recyclable[18] (99% in 2021). The volume of single-use plastic packaging per item produced for our private labels[19] increased by 4.9% to an average of 5.4g, compared to 5.1 g in 2021. The procured amount of single-use plastic packaging per item shipped from Zalando group[20] fell by 37.5% to an average of 5.1 g (compared to 8.1 g in 2021).

In our packaging design, we prioritize materials that contain a high proportion of recycled content and materials that are easily recyclable. Our polybags are made of 90% recycled content; comprising 50% pre-consumer waste[21] and 40% post-consumer waste[22]. This year, we tested 100% post-consumer recycled plastic polybags. In our private label packaging we increased recycled content from around 60% in 2021 to around 85% in 2022 by continuing the implementation of 100% recycled shoeboxes and the transition to 100% recycled polybags.

We have continued to test new approaches to reduce our reliance on single-use plastics. Over the past year, we have passed several milestones:

- **Void fill**. Void fill is the plastic matter we insert in boxes, providing stability and protection. In October 2022, we stopped using single-use plastic void fill in our Zalando Fashion Store shipments. In Lounge by Zalando, we have piloted void fill reduction and paper alternatives.
- **From plastic to paper shipping bags.** In the Zalando Fashion Store, we continued to switch from plastic to paper shipping bags. We reduced our use of single-use plastic shipping bags to around 17% at the end of 2022 (compared to 37% in December 2021).
- **Polybags**. Polybags ensure products are protected throughout their lifecycles. To reduce their use, we continue to introduce more efficient folding techniques in our private labels and reduce bag thickness in our Fashion Store. In the Nordics, we also piloted reusable

16 Emissions from transportation and distribution comprise emissions from deliveries to customers including returns as well as network transportation.
17 Single-use plastic packaging is plastic packaging intended to be used only once before being disposed of.
18 Recyclability refers to packaging material that is suitable for high-quality and mechanical recycling as per the German Packaging Act (VerpackG).
19 In scope is all customer-facing single-use plastic packaging procured by Zalando private labels (our own fashion brands).
20 In scope is all customer-facing single-use plastic packaging procured by Zalando group as an online retailer (excl. private labels and items shipped by brand partners).
21 Pre-consumer recycled material includes materials diverted from the waste stream during a manufacturing process.
22 Post-consumer recycled (PCR) content is material generated by households or by commercial, industrial and institutional facilities in their role as end users of the product that can no longer be used for its intended purpose.

polybags with 100% post-consumer recycled content. These are less likely to be damaged when they are opened, meaning they can be returned intact and used again.

Some packaging solutions, such as paper shipping bags, Zalando shopping bags, and cardboard boxes require virgin materials for strength and durability. As a member of Canopy Pack4Good, we are committed to protecting forests in the sourcing of paper-based packaging. We are continuing to work with our packaging suppliers to expand the use of post-consumer recycled content and request FSC® certification[23] where virgin fibers are used.

Products

Driving more informed choices

Our Attitude-Behavior Gap Report[24] has shown that many of our customers want to reflect their sustainability values in their fashion decisions, but struggle to translate their priorities into action. We found that one in two consumers are unclear on what sustainability means in a fashion context. This highlights a need for more specific and reliable product information.

In 2017, we introduced a sustainability flag, which served as a starting point for us to develop our sustainability communications. When we launched our do.More strategy in 2019, we set a target for our sustainability assortment to account for 20% of our Gross Merchandise Volume (GMV) by 2023. We later raised our goal, aiming to generate 25% of our GMV with more sustainable products[25] by 2023.

Since we launched our sustainability flag, the perception of sustainability-related information has changed – from both customers and legislators. We understand this change through regular discourse with stakeholders and take feedback provided to us seriously, using this information to update our processes and methodologies. We started to change our framework to make sustainability-related product information more specific and attribute-based, to meet the growing expectations from all our stakeholders, when it comes to sustainability information.This created a new customer experience through which we would better communicate about the characteristics of products sold on Zalando and their relationship to sustainability. During this period of work, Zalando was the recipient of a greenwashing award from the Norwegian Consumer Council. Following more than a year of work, we stopped using our sustainability flag and in-house criteria, and shifted our focus to third-party standards.

Our new approach is based on the same certifications as the previous criteria, including the Global Organic Textile Standard and trademarked/ licensed fibers, such as TENCEL™, Lyocell and Infinna™. The full list of accepted certified, licensed, and trademark fibers and materials can be found at our Fashion Store. We now require more data from our brand partners which allows us for better substantiation and validation of sustainability information. To support our customers, we make our sustainability-related product information available through tappable icons representing various sustainability attributes. Customers can access information including the percentage of certified material in a product.

23 FSC® N003557
24 Zalando, "It Takes Two: How the Industry and Consumers Can Close the Sustainability Attitude-Behavior Gap in Fashion", 2021
25 Products that fulfill at least one of our Zalando attributes including organic materials and ingredients, recycled materials and packaging, responsibly sourced materials, responsibly sourced ingredients, innovative materials, improved production, designed for circularity, natural ingredients, cruelty free and refillable. The full list of accepted certified, licensed, and trademark fibers and materials can be found at our Fashion Store.

The changes we have introduced bring significant data challenges; both in extracting data from the value chain and sharing it in a standardized format. We continue to collect product-related sustainability information from brands, and we validate information through our weekly enrichment process to check if product data is complete and fulfills criteria such as minimum percentage requirements and minimum certification levels. If we find inaccuracies, we either remove the information or correct the claims.

In 2022, supply chain bottlenecks led to steep increases in the cost of fibers such as organic cotton, while a challenging economic environment put pressure on consumer demand for products with sustainability attributes. This impacted our ability to grow our assortment of products that counted toward our 25% GMV goal. One way we responded was to embrace innovations in the sustainability space. To help grow the supply of organic cotton, we adopted the in-conversion organic standards developed by Global Organic Textile Standard (GOTS) and Organic Content Standard (OCS). We also introduced textile-to-textile recycled fibers such as Cycora®, ECONYL® and NuCycl™. These can be recycled again and again, helping to build a more circular future for fashion.

As of December 31, 2022, we offered our customers more than 180,000 more sustainable products (more than 140,000 in December 2021). With the sale of these products, we generated 17.0% of GMV (21.6% in 2021).[26] The decline was mainly due to adjustments to our criteria, with the aim of using certifications that provide sufficient traceability, in line with EU regulatory guidance. Overall, around 54% of our Fashion Store customers made the decision to buy at least one more sustainable product (almost 60% in 2021).[27]

Extending the life of fashion

Over the past 20 years, production of fashion items has doubled to over 100 billion items per year, while the average number of times an item is worn has halved, resulting in more resources going to landfill and incineration. However, about 82% of fashion items that are thrown away could be cleaned, repaired, and resold.[28] Circular design means that products are made from safe and recycled or renewable inputs, are used more, and are made to be made again.[29] We are on a journey to accelerate circularity in fashion, creating new business models, infrastructure, and technology solutions. Our ambition is to empower consumers to make better choices on how they engage with and access fashion. To get there, we need to take action through our value chain, from designing products with a longer life, to promoting sustainable purchasing decisions, and encouraging repair.

We aim to extend the life of products through four pillars: design and manufacturing, use, reuse, and closing the loop. In 2022, we continued to develop and deliver our circularity strategy, and took steps in each pillar. Since 2020, we have extended the life of more than 4 million fashion products (more than 1.7 million in 2022). Our target for 2023 is to apply the principles of circularity and extend the life of 50 million products.

26 For the Zalando group, after returns
27 For the Zalando Fashion Store, before returns
28 The Renewal Workshop, Leading Circular: Pathways for Evolving Apparel and Textile Businesses from Linear to Circular, 2021
29 Ellen MacArthur Foundation, Vision of a circular economy for fashion, 2017

While we have made progress over the past year, we will not reach our 50 million target by 2023. Our ambition is high, and there is a shortage of scaled infrastructure to support circular solutions. To achieve the scale required, we need to collaborate further with brands, industry partners, and customers. Looking ahead, we will continue to build and scale our initiatives in close collaboration with partners.

Design and manufacture: On Earth Day 2022, we announced the launch of our first Circular Design Criteria, co-developed with our longstanding partner circular.fashion. The criteria are built on three strategies that are aligned with the Ellen MacArthur Foundation’s circular design guidelines. Each of these principles break down into a number of specific sub-elements – for example, limited blending of three or fewer fiber types, or a recycler’s declaration on whether the product contains mainly post-consumer or pre-consumer recycled fibers. In 2022, our private labels designed and produced about 775,000 items in line with the circular design principles, allowing us to test the criteria and encouraging a mindset shift in the design and manufacturing process.

Use: In 2022, we continued our care and repair services pilot with Save Your Wardrobe in Berlin. The pilot has helped us understand more about what our customers need. We learned that flexibility and convenience are important to our customers and that they also appreciate options such as zero-emissions delivery and reusable packaging.

Reuse: To promote reuse, we offer a Pre-owned assortment in 13 markets. The collection is growing by the day and comprises almost 500,000 Pre-owned items. All Pre-owned products are quality-checked and in like-new condition. Pre-owned orders are delivered in plastic-free packaging.

Closing the loop: Building on the foundations we laid with Infinited Fiber Company (IFC) and Ambercycle last year, we invested in Circ, a US-based company that has developed a technology to recycle blended cotton and polyester fabrics in a fully circular textile-to-textile recycling process. Circ’s technology platform can accept a broad spectrum of materials, including cotton, polyester, and polycotton. In addition to focusing on closing the loop solutions for textiles, we have started to explore sorting and recycling solutions for footwear. We support a project launched by the innovation platform CETIA, which aims to unlock scalable technology solutions for automated shoe sorting and dismantling. In addition, we have joined a footwear recycling group run by Fashion for Good and recycler Fast Feet Grinded, which aims to support the development of footwear recycling at scale.

People

Increased focus on ethical standards

An important aspect of our sustainability challenge is to ensure we maintain high ethical standards, both in our own operations and those of our partners around the world. We want to guide positive action on issues such as low pay, inequality, long working hours, and working conditions. To move toward solutions, we are working to maintain an effective due diligence process, both in our own operations and across our sphere of influence. We have aligned our efforts with the German Supply Chain Due Diligence Act[30], which defines a range of requirements for responsible supply chain management.

We set ourselves the following goal: By 2023, we have continuously increased our ethical standards and only work with partners who align with them. Our human rights due diligence program supports our efforts, helping us identify and act on risks in our operations, supply chains, and business partnerships. In 2022, we validated our human rights due diligence practices against the requirements of the German Supply Chain Act and prepared for a more holistic risk management approach in 2023.

The governance of or due diligence program is grounded in our Code of Conduct and our new Policy Statement on Zalando's Human Rights Strategy, which together set out principles we aspire to. The program is built on four cyclical steps:

1. Analyze: Based on the learnings from risk assessments in 2021, we updated our partner risk analysis. From 2023, we plan to assess all our direct suppliers annually on human rights risks[31], based on their location, industry, and our spend with them. The output will be a standardized risk profile (very high, high, moderate or low risk).

2. Prioritize: Based on the risk profiles, we will prioritize prevention and remediation actions, as well as define risk management plans.

3. Manage: Our risk management approach is focused on two dimensions: sector risk mitigation through industry-wide collaboration and supplier-specific risk management through prevention and remediation.

- **Mitigate:** To address identified sector-level risks, Zalando collaborates with other retailers or business partners and participates in industry initiatives. This includes, but is not limited to, our membership of ACT (Action, Collaboration, Transformation) to advocate for a living wage. To combat child labor, we launched a program with Save the Children[32] and joined the Child Rights in Business (CRIB) Working Group.
- **Prevent & Remediate:** We implement our prevention and remediation strategy through three levers: our Code of Conduct, brand self-assessment, and auditing.

30 The German Supply Chain Act (SCA) obliges companies to respect human rights by implementing defined due diligence obligations. It applies to an enterprise's own business area, to the actions of a contractual partner (direct supplier) and – to a limited extent – to the actions of other (indirect) suppliers.

31 Data from Maplecroft's Global Risk Dashboard (GriD) in the categories of: Child Labour, Decent Wages, Decent Working Time, Discrimination in the Workplace, Freedom of Association and Collective Bargaining, Healthcare Capacity, Indigenous People' Rights, Land, Property and Housing Rights, Modern Slavery, Occupational Health and Safety, Poverty, Security Forces and Human Rights, Migrant Workers, Informal Workforce, Young Workers, Women's and Girls' Rights, Right to Privacy, Minority Rights, Food Security, Water Security, Environmental Regulatory Framework, Water Pollution, Air Quality, Waste Generation, Rule of Law.

32 Starting with suppliers in Bangladesh, China, India and Turkey.

Our Code of Conduct: Our Code of Conduct sets out binding principles for ethical, fair and sustainable practices, and is embedded in our supplier contracts. This year we launched a tracking mechanism for and plan to integrate control mechanisms into our annual risk assessments. After becoming aware of violations of our Code of Conduct or other ethical standards, we implement an appropriate Corrective Action Plan with the affected partner. If the partner fails to engage, we will pause and eventually end the relationship. In 2022, eleven cases were satisfactorily remediated[33], two cases led to offboarding (compared to one in 2021). Two investigations were closed because they were out of scope or no violation was confirmed (compared to four in 2021). Twelve investigations are ongoing. In total, we opened 26 new investigations into allegations of violations of our ethical standards in our supply chain (compared to six in 2021[34]).

Brand self-assessment: In 2022, we asked our strategic brand partners[35] to complete a self-assessment using the Sustainable Apparel Coalition's (SAC) Higg Brand & Retail Module (Higg BRM). The assessment covers both social and environmental practices. In the coming year, we will roll out a standardized self-assessment questionnaire for our direct suppliers. The questionnaire will provide insights into their due diligence processes.

Social audits: Our fulfillment centers, premium last mile logistics providers, customer care teams, and private label Tier 1 suppliers provide us with social audits annually or within a timeframe recommended by one of the auditing standards mentioned below. Audits are evaluated against an internal non-compliance matrix, which is based on our Code of Conduct, local legal requirements, and either our Social Standards for logistics and customer care or industry standards including SMETA (Sedex Members Ethical Trade Audit) and BSCI (Business Social Compliance Initiative) for private label suppliers.

Findings of non-compliance are classified as minor, major, critical and zero tolerance, leading to a rating and potential Corrective Action Plan. In 2022, we evaluated 302 audit reports (175 in 2021) from private label suppliers and declined to onboard four factories or suppliers (five in 2021) for not meeting audit requirements.

4. Reporting: We will report on our human rights due diligence in accordance with the German Supply Chain Due Diligence Act.

Preparing our workforce for the future

The world of work is changing fast, and many of the jobs that will be undertaken by the next generation do not yet exist. The OECD estimates that up to 1 billion people need to be reskilled by 2030 to meet demand for new skills.[36] In 2022, we saw a rising demand for expertise in areas such as machine learning and data science, storytelling, and resilience. We need to rise to the challenge by investing in workforce training. That is why we set ourselves the following goal: By 2023, we have supported 10,000 people in the workforce by providing skilling opportunities that match future work requirements. The scope of the goal is split between

33 In 2021, we counted one case as remediated that was in fact at the time still ongoing. The case was subsequently remediated in 2022 and is reflected accordingly in the data.
34 In 2022, we included zero-tolerance audit findings from fulfillment centers, premium last mile logistics providers and customer care for the first time. As we continue to expand and improve our due diligence processes, we expect to investigate and manage an increasing number of allegations in our supply chain.
35 We define strategic brand partners based on their contribution to the total Net Merchandise Volume (NMV).
36 World Economic Forum, "We need a global reskilling revolution – here's why", 2020.

our own workforce, the workforce in our private label supply chain and in our brand partner supply chains.

Since 2020, 5,016 people[37] received skilling training (2,243 in 2022, of which 996 in ZALANDO SE). To support our employees and those working in our supply chain in keeping pace with shifting workplace demands, we offer a range of upskilling and reskilling opportunities. Upskilling means providing additional skills to perform a role where the requirements will change. Reskilling means acquiring new skills. Our skilling programs are divided into three pillars:

- **Skilling opportunities linked to future-of-work megatrends:** We believe the future of work will be defined by six megatrends: i) Working more inclusively, ii) embracing new technologies, iii) working in new environments, iv) working more collaboratively, v) being at the forefront of innovation, and vi) working with more empathy. To prepare Zalando's employees, we foster learning opportunities focused on topics including new technologies, leading hybrid teams, and vital soft skills such as inclusivity and empathy. By the end of 2022, we ran 174 courses.
- **Skilling opportunities linked to changing business needs:** We performed a skilling needs analysis focused on changing business needs in the short- and mid-term. As a result, we have launched programs across the technology, commercial, and operations functions:
  - **Technology.** Our Women in Tech program provides an opportunity for employees from diverse backgrounds to be re-skilled for software engineering roles.
  - **Commercial.** Our Buying and Merchandising Skillhouse program offers operations specialists the opportunity to transition to buying or merchandising roles.
  - **Operations.** With the support of local chambers of commerce, we run several programs for logistic workers, including the option to obtain professional certification ("Fachkraft Lagerlogistik"). We continue to offer dedicated career path development programs.
- **Skilling opportunities linked to our upstream supply chain:** In 2022, we continued to pilot a skilling program with Shimmy Technologies and BSR's HERproject™ in our upstream supply chain in Bangladesh. We trained around 800 people in digital literacy, efficiency training, gender equality, financial literacy, workplace communication, and health and wellbeing.

Being part of the solution
Our Corporate Citizenship program aims to facilitate real world solutions in line with three objectives: a social impact position in Europe, good collaboration with communities in our fulfillment and supply chain, and a willingness to engage, enable and work with our customers to deliver positive change.

In response to Russia's invasion of the Ukraine, we have tried to make a contribution to the humanitarian response. We donated funds and in-kind support to those impacted by the war.

37 Includes ZALANDO SE and Zalando group employees and supply chain workers in private labels.

Zalando, alongside our employees and customers, contributed nearly EUR 1.5m to support humanitarian relief for those impacted by the war and projects supporting Ukrainians in Germany, alongside EUR 255,000 worth of in-kind donations. We have made direct contributions to Polish Humanitarian Action, which provides humanitarian aid including food and other forms of support to refugees fleeing to Poland. We also donated to our NGO partners, namely Red Cross, humedica as well as Save the Children, and matched donations from Zalando employees and customers in 2022.

We helped to fund an SOS Children's Villages worldwide program: A Right to Family – De-Institutionalization to Reform the Child Protection System. The program aims to protect childrens' rights and supports the reform of alternative childcare systems and the de-institutionalization process in the Ukraine. In principle, de-institutionalization comprises two processes: A negotiation process with the government about what de-institutionalization means, followed by the implementation process. Our funding of more than EUR 275,000 covers the project until April 2025.

In addition to in-kind and financial donations, Zalando has supported our local community in Berlin, sponsoring the Ukrainian Pop-Up Charity Market SKRYNYA, organized by Zalando volunteers, the European Academy of Berlin and the many supporters and friends of the Ukraine. The SKRYNYA sponsorship supports Ukrainian creatives, including fashion, jewelry, and home brands. The event took place in July and October. Over 3,000 people visited the events, and more than 50 brands from the Ukraine took part at the event.

Creating the next generation of fashion designers. In 2022, we launched The Design Academy to bring social and economic development into our communities. The program offers training, education, technology and collaboration in sustainable fashion. The academy's mission is to grow knowledge, skills and resources in circular and sustainable fashion, creating social and economic opportunities and solutions to end fast fashion.

In October 2022, we launched our first Design Academy pilot with our partners VORN – The Berlin Fashion Hub, Unity, and Kornit Digital. Through our sponsorship, ten designers received training on the principles of circular and sustainable fashion, digital creation, and interaction design. The resulting designs will be showcased at Berlin Fashion Week 2023. In 2023, we plan to roll out the program across Europe.

Completing our work on refugee migration in Europe. We completed our collaboration with our partner Ashoka on our 2015 initiative Hello Europe. This collaboration launched an accelerator program, aiming to transform the field of migration through a collaborative framework.
The program involved over 130 leaders from 23 countries representing social innovation, government, policy, corporate, academia, and social sectors.

Community investment and volunteering. We support our employees with two volunteering days per year and offer them skill-based volunteering opportunities. The selection of partners and projects is based on our communities' needs and Zalando areas of expertise to ensure we drive meaningful impact.

Since 2015, our partner for corporate volunteering is vostel.de. In 2022, 772 Zalando employees supported 71 projects through 3,381 hours of volunteering. Due to the war in the Ukraine, we worked with vostel.de especially to offer Zalando volunteering opportunities focused on supporting people affected by the war. For example, Zalando employees volunteered on projects in online mentoring for job search and integration in Germany as well as packaging and distributing food for new arrivals.

We donated almost EUR 150,000 to our various community investment programs throughout Europe, such as Sport for Change.

Reporting on the EU Taxonomy Regulation

With the Action Plan on Financing Sustainable Growth published in 2018, the European Commission set the objective to redirect capital flows towards sustainable investment. In this context, a standardized classification system – the EU Taxonomy – was established to define criteria classifying economic activities as being environmentally sustainable. Companies subject to the Non-Financial Reporting Directive (Directive 2014/95/EU) are required to report in line with the EU Taxonomy Regulation (Regulation (EU) 2020/852). According to Article 8 of the regulation, companies have to extend their non-financial disclosures by reporting on how and to what extent the company's activities are associated with economic activities that qualify as environmentally sustainable.

For fiscal year 2021, we reported on the eligibility of economic activities according to the EU Taxonomy Regulation and the corresponding Delegated Acts. Based on our assessment, we identified one material Taxonomy-eligible economic activity within the Zalando group related to the leasing of assets covering our office buildings and warehouses (economic activity 7.7 listed in Annex I of the Climate Delegated Act). For this activity, we reported Taxonomy-eligible capital expenditure (capex) related to the additions to our lease assets from right-of-use assets in 2021 in the amount of EUR 189.7m which represented 35.8% of all additions to right-of-use assets, property, plant & equipment and intangible assets in 2021 according to the definition of the denominator for capital expenditure. Further, we have not identified any additional material capital expenditure (capex) nor Taxonomy-related turnover or operating expenditure (opex) according to Annex I of the Delegated Act.

In this second reporting year, we expand our reporting scope by reporting on Taxonomy-eligible as well as Taxonomy-aligned activities within the Zalando group for fiscal year 2022. According to Article 8 of the Taxonomy Regulation, reporting companies have to disclose the proportion of the company's turnover, capital expenditure (capex) and operating expenditure (opex) for both Taxonomy-eligible and Taxonomy-aligned economic activities. In order to be deemed as Taxonomy-aligned, a Taxonomy-eligible economic activity has to fulfill the following criteria as defined in Article 3 of the Taxonomy Regulation. The economic activity:

- contributes substantially to one or more of the environmental objectives set out in Article 9 in accordance with Articles 10 to 16;
- does not significantly harm any of the environmental objectives set out in Article 9 in accordance with Article 17;
- is carried out in compliance with minimum safeguards laid down in Article 18; and
- complies with technical screening criteria in accordance with Article 10(3), 11(3), 12(2), 13(2), 14(2) or 15(2).

Our approach of assessing economic activities under the Taxonomy Regulation for fiscal year 2022 is explained in more detail below.

Our approach

For our reporting in fiscal year 2022, we have reviewed our prior years' assessment of economic activities as defined in Annex I and Annex II of the Climate Delegated Act. This review has not resulted in a change of our previously identified material Taxonomy-eligible economic activities, hence we still only report on capital expenditure (capex) related to the leasing of our buildings and corresponding operating expenditure (opex) (economic activity 7.7 listed in Annex I of the Climate Delegated Act). We have also calculated total value of operating expenditure (opex) which includes non-capitalized development costs, costs for short-term leases, costs for maintenance and repair as well as costs of day-to-day-servicing of assets.

In fiscal year 2022, Zalando has expanded the number of its leased buildings which led to additions to right-of-use assets of EUR 186.3m. This roughly corresponds to the amount of additions in the prior year. This is material from the group's perspective, and should therefore be reported as Taxonomy-eligible capital expenditure (capex). The additions are related to our new office building and outlet store in Germany as well as two new logistics sites in Poland. This amount also includes additions of EUR 7.8m related to the acquisition of Highsnobiety. Total capital expenditure (capex) for fiscal year 2022 amount to EUR 759.1m. This corresponds to additions disclosed in the notes to the consolidated financial statements under 3.5.7 (11.) Intangible assets, 3.5.7 (12.) Property, plant and equipment and 3.5.7 (13.) Right-of-use assets and lease liabilities.

For our leased buildings we have calculated operating expenditure (opex) of EUR 10.3m for fiscal year 2022 which is related to maintenance and repair as well as day-to-day servicing of those assets. As in the prior year, we have not identified any additional material capital expenditure (capex), operating expenditure (opex) or Taxonomy-related turnover. Hence, turnover disclosed for Taxonomy-non-eligible activities equals total revenue disclosed in the notes to the consolidated financial statements for the Group according to IAS 1.82(a) (see 3.5.7 (1.) Revenue).

Zalando has allocated the calculated capital expenditure (capex) and operating expenditure (opex) only to the environmental objective of climate change mitigation. In addition, only one economic activity was identified for which capital expenditure (capex) and operating expenditure (opex) were calculated. This avoided any double counting.

In addition to the prior year's reporting on capital expenditure (capex) related to Taxonomy-eligible economic activities, we this year also assessed which proportion of this capital expenditure (capex) qualifies as environmentally sustainable and is therefore reported as capital expenditure (capex) related to Taxonomy-aligned economic activities. This assessment was based on the criteria laid down in Article 3 of the Taxonomy Regulation. Because this capital expenditure (capex) is only related to the purchase of output, Zalando does not have all the necessary information to perform the assessment. Therefore, Zalando is dependent on the information regarding the fulfillment of the technical screening criteria provided by external parties, for example the lessors of the buildings.

In a step-wise approach, we first prepared a detailed table including all required evidence to meet the criteria for Taxonomy-alignment. In the following, we reached out to external parties to request the evidence as needed. Despite our efforts, the external parties involved were not able to provide us with sufficient evidence to comply with all criteria laid down in Article 3 of the EU Taxonomy Regulation. As a result, we were not able to qualify Taxonomy-eligible capital expenditure (capex) related to the leasing of our buildings as Taxonomy-aligned capital expenditure (capex) for fiscal year 2022. Further, we were not able to qualify any Taxonomy-aligned turnover or operating expenditure (opex).

Outlook on future reporting

Our reporting approach for fiscal year 2022 reflects the current legislative status of the Taxonomy Regulation. In this second reporting year, we acknowledge that required evidence for qualifying capital expenditure (capex), operating expenditure (opex) or turnover as Taxonomy-aligned is not available at all third parties yet. In collaboration with external parties, we aim at closing the existing information data gaps in the coming reporting years.

Zalando expects that the Environmental Delegated Act covering the four remaining objectives of the Taxonomy Regulation will be published in the course of 2023. We continue monitoring further developments of the regulation and will respond to additional specifications of the regulation in coming reporting periods. We expect our reporting scope to increase based on future publications related to environmental objectives 3-6 as well as related economic activities and will adapt our reporting approach accordingly.

Proportion of Capex from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria					
Economic activities	**Code(s)**	**Absolute Capex (EUR)**	**Proportion of Capex (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and eco-systems (%)**
A. Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Capex of environ-mentally sustainable activities (Taxonomy-aligned) (A.1)		0	–						
A.2 Taxonomy-eligible but not environ-mentally sustainable activities (not Taxonomy-aligned activities)									
Acquisition and ownership of buildings	7.7	186.3m	25						
Capex of Taxonomy-eligible but not environ-mentally sustainable activities (not Taxonomy-aligned activities)		186.3m	25						
Total (A.1 + A.2)		**186.3m**	**25**						
B. Taxonomy-non-eligible Activities									
Capex of Taxonomy-non-eligible activities (B)		572.8m	75						
Total (A + B)		**759.1m**	**100**						

DNSH criteria ('Does Not Significantly Harm')								
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and eco-systems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of Capex, year NET (2022)	Category (enabling or transitional activity)

Proportion of Opex from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria					
Economic activities	**Code(s)**	**Absolute Opex (EUR)**	**Proportion of Opex (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and eco-systems (%)**
A. Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Opex of environmentally sustainable activities (Taxonomy-aligned)		0	–						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Acquisition and ownership of buildings	7.7	10.3m	6						
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)		10.3m	6						
Total (A.1 + A.2)		**10.3m**	**6**						
B. Taxonomy-non-eligible activities									
Opex of Taxonomy-non-eligible activities (B)		156.3m	94						
Total (A + B)		**166.6m**	**100**						

DNSH criteria ('Does Not Significantly Harm')								
Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and eco-systems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of Opex, year NET (2022)	Category (enabling or transitional activity)

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

				Substantial contribution criteria					
Economic activities	**Code(s)**	**Absolute turnover (EUR)**	**Proportion of turnover (%)**	**Climate change mitigation (%)**	**Climate change adaptation (%)**	**Water and marine resources (%)**	**Circular economy (%)**	**Pollution (%)**	**Biodiversity and eco-systems (%)**
A. Eligible Activities									
A.1 Environmentally sustainable activities (Taxonomy-aligned)									
Turnover of environmentally sustainable activities (Taxonomy-aligned)		0	–						
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)									
Turnover of Taxonomy-eligible but not environ-mentally sustainable activities (not Taxonomy-aligned activities)		0	–						
Total (A.1 + A.2)		**0**	**–**						
B. Taxonomy-non-eligible activities									
Turnover of Taxonomy-non-eligible activities (B)		10,345m	100						
Total (A + B)		**10,345m**	**100**						

DNSH criteria ('Does Not Significantly Harm')									
	Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and eco-systems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of turnover, year NET (2022)	Category (enabling or transitional activity)

Berlin, March 6, 2023

Robert Gentz David Schneider James M. Freeman, II

David Schröder Dr. Astrid Arndt Dr. Sandra Dembeck

2.1.5 Management system

Our major financial key performance indicators (KPI) for corporate performance management are GMV (Gross Merchandise Volume), revenue, adjusted EBIT (margin), EBIT (margin) – until 2022, only as performance of operational profitability is sufficiently steered by adjusted EBIT (margin) already – and capex. The Management Board steers the company at a consolidated group level as well as on segment level. GMV is the value of all merchandise sold to customers after cancellations and returns and including VAT. GMV excludes, in contrast to the KPI revenue, the B2B revenue (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions fees) and non-product B2C revenue (e.g. service charges like express delivery fees or Zalando Plus subscription fees). Whereas GMV is recorded at the time of the customer order, revenue is recorded at the point in time when control over the promised goods and services is transferred. In contrast to our EBIT, the adjusted EBIT is EBIT before equity-settled share-based compensation, restructuring costs, acquisition-related expenses and significant non-operating one-time effects. Due to the acquisition of Highsnobiety acquisition-related expenses are adjusted since 2022. There were no material acquisitions in prior years, which would otherwise have been adjusted. Capex is defined as the sum of the payments for investments in fixed assets and intangible assets excluding payments for the acquisition of companies. Moreover, the net working capital is the sum of inventories and trade and other receivables less trade payables and similar liabilities.

In addition to these financial indicators, we also use a range of further key performance indicators to manage our business.

- **Active customers:** We measure our success by the number of active customers. Active customers is defined as the number of customers who have placed at least one order in the last 12 months during the reporting period, irrespective of returns. The number of customers who have completely canceled their orders are excluded.
- **Number of orders:** These are the number of orders placed by customers during the reporting period, irrespective of cancellations or returns. An order is counted on the day the customer places the order. The number of orders placed may differ from the number of orders delivered because the orders at the end of the reporting period may still be in transit or may have been canceled.
- **Average GMV per active customer:** We define the average GMV per active customer as the average value of all merchandise sold to active customers after cancellations and returns and including VAT in the last 12 months of the reporting period.
- **Average orders per active customer:** This is the number of orders placed by active customers during the last 12 months of the reporting period, divided by the number of active customers.
- **Average basket size**: We define the average basket size as the Gross Merchandise Volume after cancellations and returns and including VAT, divided by the number of orders in the last 12 months of the reporting period.

2.1.6 Research and development

We develop key software components of our platform internally. The developments relate to a structured, labor-intensive software development process aimed at adding new functionalities and/or enhancing the existing system landscape by significant system functionalities along the entire value and process chain. This ensures that our technology platform supports the company strategy and is aligned with the operating processes and systems. Development work at Zalando is performed by teams of developers that are organized by the respective function or business unit, for example Fashion Store, including Zalando Plus, Zalando Fulfillment Solutions and Partner Program, Payments, Zalando Marketing Services and Offprice.

In 2022, we recognized capitalizable development costs of EUR 76.6m (prior year: EUR 83.6m), of which EUR 36.3m relate to assets under development (prior year: EUR 44.3m). We continue investing in our technology platform, including ongoing improvements and continued innovation of existing products and processes in pursuit of our vision to be the Starting Point for Fashion.

Zalando does not operate a research and development department in the sense of an industrial company. Our software development departments optimize the existing offers and work on establishing innovative products in the market. Accordingly, research has a subordinate role and consequently research costs were immaterial.

2.2 Report on economic position

2.2.1 Macroeconomic and sector-specific environment

The global economy faced significant challenges throughout 2022. Economic growth slowed, inflation grew quickly across both countries and product categories, and proved surprisingly persistent. In the second half of the year, Central Banks started increasing interest rates in an effort to curb this much higher-than-expected inflation.[38]

Russia's war against Ukraine pushed up prices substantially, especially for energy, adding to inflationary pressures at a time when the cost of living was already rising rapidly around the world. Labor market conditions were tight and wage increases did not keep up with inflation, weakening real incomes despite the actions taken by governments to cushion the impact of higher food and energy prices on households and businesses.

Global GDP growth was projected to be 3.1% in 2022, around half that was seen in 2021 during the rebound from the pandemic, and to slow further to 2.2% in 2023, well below the rate foreseen prior to the war. Held back by high energy and food prices, weak confidence, continuing supply bottlenecks and the initial impact of tighter monetary policy, annual GDP growth in the Euro Area in 2023 is projected to be 0.5%, after managing 3.3% in 2022.[39]

Consumer price inflation in the Euro Area was confirmed at 9.2% year-on-year in December 2022, down from November's 10.1% and October's all-time high of 10.6%. Still, these rates are well above the European Central Bank's target of 2.0%. Consumer confidence in the European Union suffered from these developments, standing at -11.8 points at the beginning of the year, reaching a historic low of -29.5 in September, and recovering slightly to -23.6 points by the end of the year.[40]

In addition to these macroeconomic factors weighing on the fashion industry, the eased pandemic environment has a noticeable impact on the e-commerce sector as consumer demand from online to offline channels rebalanced towards their pre-pandemic levels. As a result, German fashion e-commerce sales fell by -13.7 percent year-on-year in nominal terms.[41]

[38] OECD Economic Outlook, November 2022
[39] OECD Economic Outlook, November 2022
[40] European Commission, January 2023
[41] BEVH press release, December 2022

2.2.2 Business development

2022 has been a challenging year for the fashion industry, which has been significantly impacted by inflationary pressures, lower consumer confidence and supply chain disruptions. Together with the eased pandemic environment these factors had a noticeable impact on online and offline fashion shopping behavior. Against this backdrop and after a challenging first half of the year, we successfully adapted our business to the volatile environment and returned to growth and improved profitability in the second half of the year. As part of our plan, we reduced wholesale order volume for the fall/winter season to reflect revised growth expectations and to tighten inventory control. To improve order economics, a minimum order value was introduced in 15 additional markets at the beginning of June and is live in all 25 markets. In our aim to adjust our cost base, we reduced our marketing spend and drove efficiency improvements across our European logistics network.

As a result, we closed 2022 with a growth of Gross Merchandise Volume of 3.2% year-on-year to EUR 14.8bn (prior year: EUR 14.3bn). The group recorded revenue of EUR 10.3bn (prior year: EUR 10.4bn), with -0.1% broadly flat compared to 2021. For 2022, we recorded an adjusted EBIT of EUR 184.6m (prior year: EUR 468.4m), corresponding to a margin of 1.8% (prior year: 4.5%).

We made great progress on our way to be the Starting Point for Fashion, despite the challenging market environment and weaker consumer sentiment. We reached a significant milestone by serving more than 50 million active customers across Europe. This is the result of our ongoing focus on key strategic priorities to unlock our growth potential. We continued to expand our geographic footprint with two new market launches for our core Fashion proposition in Hungary and Romania. In addition, we launched Lounge by Zalando in Romania, Slovakia and Lithuania this year to take the Lounge proposition live in 17 markets. To turn our active customer base into loyal customers and fans of Zalando, we constantly strive to deepen customer relationships by providing an increasing number of compelling propositions and constantly innovating the ways we engage with them. We increased the investments made in our core fashion shopping experience to improve the onsite and in-app shopping experience and create more inspirational and engaging content for our customers and brand partners. We also enhanced our Beauty proposition by expanding our partnership with Sephora. As a result, we launched more than 60 high profile prestige beauty brands, in addition to launching with the partnership in Italy. Subscriptions to our Zalando Plus membership more than doubled over the past year and more than two million customers are now benefiting from this attractive and growing offer. Zalando Plus is now live in six markets after launching in Switzerland and Austria in 2022.

As a result, our customer base continued to grow by 5.7% year-on-year to 51.2m active customers at the end of 2022 (prior year: 48.5m). Customer order frequency declined by 2.0% to 5.1 orders per customer and average basket size remained broadly flat at EUR 56.7 in 2022. Consequently GMV per active customer slightly decreased by 2.3% to EUR 288.8 as inflationary pressure of soaring energy and food prices weighed on consumer wallets.

Close brand partnerships have always been an integral part of our business strategy. Strong partnerships enable us to connect our customers with the most relevant and curated brands and articles through a combination of our Wholesale, Partner Program and Connected Retail. The resulting substantial increase of choice and availability for Zalando customers moves us closer to our goal of being the Starting Point for Fashion. In 2022, we further improved and automated our partner-facing tools to make it easier for retailers and brands to access our platform, in addition to improving data and analytics to support them in making better assortment decisions. This was done in partnership with two key elements of our partner services offering. Firstly, Zalando Fulfillment Solutions (ZFS) enables partners to ship their merchandise in a customer-centric and cost-efficient way to customers in our international markets. Secondly, Zalando Marketing Services (ZMS), our marketing unit connecting brands to consumers, introduced new offerings around brand followership and customer engagement.

As a result, brand and retail partners continued to grow and internationalize their businesses on Zalando as evidenced by a strong Partner Program GMV growth in 2022 with Partner Program GMV now accounting for 36% of total Fashion Store GMV in Q4 2022 (vs. 30% in Q4 2021). Connected Retail, where we offer brands and retail partners a model that allows them to connect their brick-and-mortar stores to the Zalando platform, continued to grow, albeit at lower growth rates than prior years when stores relied more on our digital consumer access during lockdowns. ZFS item share grew to 58% of all Partner Program items shipped and ZMS revenue reached roughly 2% of our Fashion Store GMV by year-end.

Following our northstar vision to be a sustainable fashion platform with a net-positive impact for people and the planet, we continued to invest in our do.MORE sustainability strategy across the three sustainability pillars planet, products and people. We set a focus to cut our Scope 3 greenhouse gas emissions which account for most of our emissions. To scale our efforts, we joined forces with online retailers ABOUT YOU and YOOX NET-A-PORTER to launch FASHION LEAP for CLIMATE, an online learning platform that supports our brand partners in setting climate targets aligned with science to reduce their greenhouse gas emissions. The platform pays into Zalando's goal to support partners to set science-based targets by 2025. In addition, we have made strides regarding our ambition to apply the principles of circularity. In the design and manufacture stage, we launched our Circular Design Criteria, based on principles set out by the Ellen MacArthur Foundation which we are embedding into our operations. By applying Circular Design Criteria we enable designers to change the way they design products, set a clear framework for brands wanting to sell and promote such products on our platform and help customers to discover products which are safer, more durable and recyclable. Over the past 12 months, we have also started to build an ecosystem of recycling and automated sorting partners. Building on the foundations we laid with Infinited Fiber Company and Ambercycle in the prior year, we invested in Circ, a US-based company that has developed a technology to recycle cotton and polyester in a fully circular textile-to-textile process. These investments will help us establish ourselves in the growing market for high-quality textile-to-textile recycling, improve the management of our waste, and provide access to recycled materials for our private label production and brands.

It is our vision to be the Starting Point for Fashion that is welcoming to everyone and we strive to be inclusive by design, bringing to life the diversity of our talents, leaders, customers and partners. With our D&I strategy do.BETTER we set 12 Diversity and Inclusion (D&I) commitments around these four pillars and we worked towards these commitments in 2022.
We accelerated training in Inclusive Behavior & Inclusive Leadership and came very close to our target to increase the share of women in leadership to 40–60%. We also launched our pilot Women in Tech Reskilling Program to break down the barriers for women to enter tech careers at Zalando. To become the e-commerce channel of choice for underrepresented partners, we onboarded more than 60 black owned brands and launched adaptive fashion in our fashion store with over 200 styles. We also continued to work towards an inclusive customer experience through more inclusive and representative images and a more accessible digital experience including better readability and easier navigation.

2.2.3 Economic situation

Financial performance of the group

2022 has been a challenging year as low consumer confidence, inflationary pressures, fear of a recession as well as supply shortages for selected goods weighed on our financial performance. GMV increased by 3.2% while revenues developed flat with -0.1% on a yearly comparison. Growth was particularly weak in the first half of the year due to above mentioned external factors as well as a post-pandemic normalization of e-commerce adoption. Our growth recovered in the second half of 2022. The strong development of Zalando's Partner Business as well as Lounge by Zalando contributed to the overall growth of the group.

The difference between GMV growth and revenue growth is mainly due to the strong growth of the Partner Program, which is fully reflected in GMV, while revenue only considers the commission income and service fees from partners.

In light of a challenging year 2022, we recorded an adjusted EBIT of EUR 184.6m (prior year: EUR 468.4m), representing a 1.8% margin (prior year: 4.5%) with an increased profitability in the second half of the year compared to the first half of 2022 as our efficiency measures took effect. The full year development was mainly driven by a lower gross margin as we leveraged prolonged sales periods and price investment to reduce excess inventory. Efficiency gains in marketing partly offset cost increases in fulfillment and administrative cost. In 2022, we recorded an EBIT of EUR 81.0m (prior year: EUR 424.7m). Net income came out at EUR 16.8m (prior year: EUR 234.5m).

Condensed consolidated income statement

IN EUR M	Jan 1 – Dec 31, 2022	As % of revenue	Jan 1 – Dec 31, 2021	As % of revenue	Change
Revenue	10,344.8	100.0%	10,354.0	100.0%	0.0pp
Cost of sales	-6,289.3	-60.8%	-6,027.7	-58.2%	-2.6pp
Gross profit	**4,055.5**	**39.2%**	**4,326.2**	**41.8%**	**-2.6pp**
Fulfillment costs	-2,712.6	-26.2%	-2,599.3	-25.1%	-1.1pp
Marketing costs	-794.5	-7.7%	-930.3	-9.0%	1.3pp
Administrative expenses	-480.4	-4.6%	-393.2	-3.8%	-0.8pp
Other operating income	28.1	0.3%	32.8	0.3%	0.0pp
Other operating expenses	-15.1	-0.1%	-11.5	-0.1%	0.0pp
EBIT	**81.0**	**0.8%**	**424.7**	**4.1%**	**-3.3pp**
Share-based payments	72.5	0.7%	57.3	0.6%	0.1pp
Acquisition-related expenses	11.5	0.1%	0.0	0.0%	0.1pp
One-time effects	19.6	0.2%	-13.6	-0.1%	0.3pp
Adjusted EBIT	**184.6**	**1.8%**	**468.4**	**4.5%**	**-2.7pp**

The key performance indicators developed as follows in the reporting period.

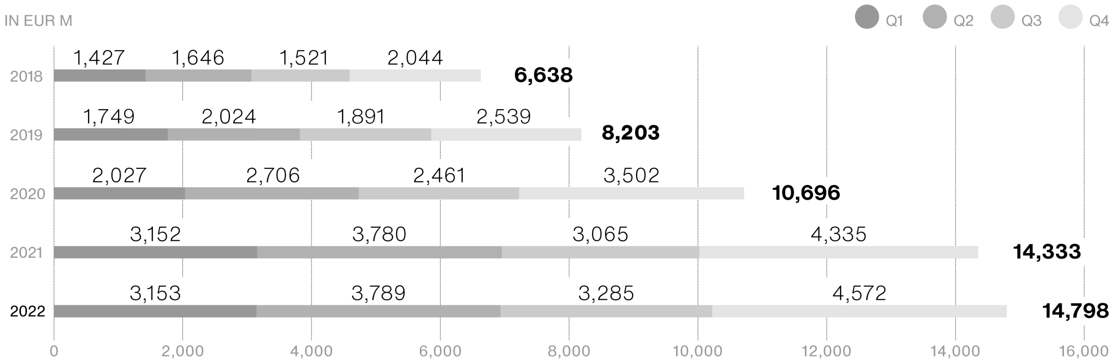
Key figures

	Jan 1 – Dec 31, 2022	Jan 1 – Dec 31, 2021	Change
Key performance indicators			
Gross Merchandise Volume (GMV*) (in EUR m)	14,797.9	14,332.7	3.2%
Revenue (in EUR m)	10,344.8	10,354.0	-0.1%
Adjusted EBIT (in EUR m)	184.6	468.4	-60.6%
Adjusted EBIT margin (as %)	1.8	4.5	-2.7pp
EBIT (in EUR m)	81.0	424.7	-80.9%
EBIT margin (as %)	0.8	4.1	-3.3pp
Capex (in EUR m)	-351.7	-332.9	5.6%
Active customers (in millions)	51.2	48.5	5.7%
Number of orders (in millions)	261.1	252.2	3.5%
Average GMV* per active customer (LTM**) (in EUR)	288.8	295.6	-2.3%
Average orders per active customer (LTM**)	5.1	5.2	-2.0%
Average basket size (LTM**) (in EUR)	56.7	56.8	-0.3%

*) GMV (Gross Merchandise Volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order.
**) Calculated based on the last twelve months (LTM).

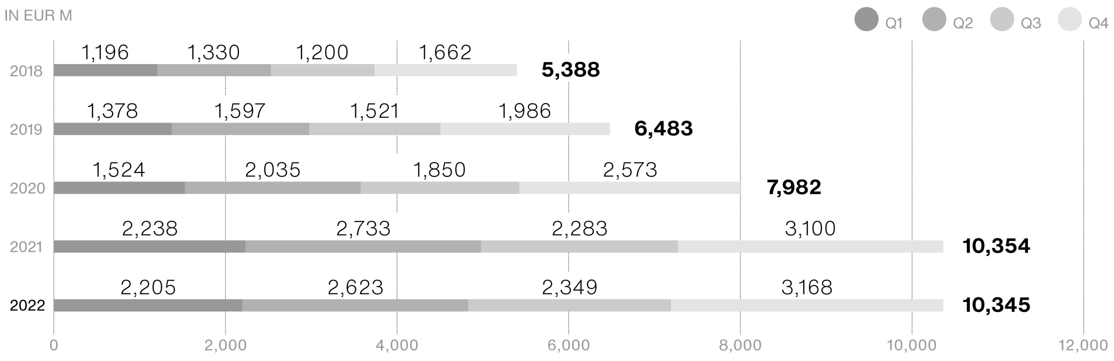
Results of operations[42]

GMV by quarter (2018 – 2022)



[42] The statements on the quarterly development of GMV and revenue are unaudited.

Revenue by quarter (2018 – 2022)



In 2022, GMV increased by EUR 465.1m to EUR 14,797.9m. This corresponds to year-on-year GMV growth of 3.2%, with the majority of growth stemming from the second half of the year. Revenue was flat at EUR 10,344.8m (prior year: EUR 10,354.0m).

In 2022 we continued to make progress in the transition of our platform model, its Partner Business GMV (incl. Partner Program and Connected Retail) grew by 26.1%. In Q4 2022, 36% of our Fashion Store GMV is stemming from our Partner Business (incl. Partner Program and Connected Retail) compared to 30% in Q4 2021. This also explains to a large degree the gap of around 3 percentage points between GMV and revenue growth for the group. Our progress in the Partner Program is also reflected in the rising usage of Partner Services like ZFS and ZMS.

Along with that, we continue to see active customer growth with customers increasingly adopting multiple propositions, defined as Fashion, Beauty, Designer, Lounge and Pre-owned. In 2022 we reached another milestone by surpassing 50m active customers. As of December 31, 2022, the group had 51.2 million active customers compared to 48.5 million active customers as of December 31, 2021, corresponding to an increase of 5.7%.

Overall GMV growth was driven by an increase in the number of active customers across all propositions and was partly offset by reduced spending per customer as the average GMV per active customer decreased by 2.3% to EUR 288.8 on the back of weaker consumer sentiment and inflationary pressure on consumer wallets. Average basket size developed flat while frequency slightly declined by 2.0% to 5.1 orders per year.

In light of a challenging year 2022, we recorded an adjusted EBIT (EBIT before expenses for equity-settled share-based payments, restructuring costs, acquisition-related expenses and non-operating one-time effects) of EUR 184.6m in 2022 (prior year: EUR 468.4m), representing a 1.8% margin (prior year: 4.5%). Profitability was lower compared to last year as mainly the gross margin decreased while fulfillment as well as administrative cost as percentage of revenues increased at the same time. These developments only could be offset partially by implemented efficiency measures which started to bear fruits in the second half of 2022.

In 2022, we recorded EBIT of EUR 81.0m (prior year: EUR 424.7m). EBIT comprises expenses from equity-settled share-based payments of EUR 72.5m (prior year EUR 57.3m), acquisition related expenses in the context of the acquisition of Highsnobiety (EUR 11.5m) as well as other effects of EUR 19.6m resulting from the impairment of lease assets which are no longer planned to be used for our own business but rather partially subleased. In Q2 2021, the other effects eliminated from EBIT comprised income of EUR 13.6m realized due to the commencement of a sublease for office space.

Cost of sales rose by 4.3% year-on-year from EUR 6,027.7m to EUR 6,289.3m, resulting in a year-on-year gross margin decrease to 39.2% (prior year: 41.8%). Reasons for the decline were mainly prolonged sales periods and increased price investment to reduce excess inventory.

The fulfillment cost ratio as a percentage of revenue increased by 1.1 percentage points from 25.1% in 2021 to 26.2% in 2022. Despite a significant improvement in second half of the year the fulfillment cost ratio was negatively affected by cost deleverage on our flat revenue development and inflationary cost increases. These increases in cost could only partly be mitigated by efficiency measures like a Minimum Order Value (MOV), efficient bundling of packages as well as temporary fuel surcharges for ZFS partners. In addition, investments into customer convenience that allow express deliveries, particularly to enable Zalando Plus, increased logistics costs as we continued to roll out our membership program Zalando Plus.

Over the course of 2022, Zalando implemented certain marketing efficiency measures to adjust to the lower growth environment and to ensure attractive return on investments (ROI). As a consequence, marketing spend decreased by EUR 135.8m to EUR 794.5m, reflecting a decline in marketing costs relative to revenues of 1.3 percentage points to 7.7%, while keeping the revenue development stable.

Administrative expenses increased from EUR 393.2m in 2021 to EUR 480.4m in 2022, implying an increase of 0.8 percentage points in proportion to revenue. The higher administrative cost ratio was mostly due to an increase in personnel and IT cost compared to flat revenue growth.

The change of the financial result by EUR 28.2m to EUR -42.2m in 2022 (prior year: EUR -70.5m) is predominantly due to currency effects caused by valuation effects for assets and liabilities in foreign currencies, the discontinuation of negative interest payments on our cash balances as well as fair value adjustments of financial investments.

The income taxes of EUR -22.0m (prior year: EUR -119.7m) mainly comprise current taxes amounting to EUR -22.0m (prior year: EUR -109.7m) with a net income of EUR 16.8m (prior year: EUR 234.5m).

Results by segment

The condensed segment results for 2022 highlight in particular the strong growth in the Offprice segment as well as a broadly flat development in Fashion Store revenues.The development of revenue and earnings reported by the segments of the Zalando group can be summarized as follows:

Segment results of the group 2022

IN EUR M	Fashion Store	Offprice	All other segments	Total	Recon-ciliation	Total group
GMV	13,007.7	1,790.2	0.0	14,797.9	0.0	14,797.9
(prior year)	*(12,689.9)*	*(1,596.2)*	*(46.7)*	*(14,332.7)*	*(0.0)*	*(14,332.7)*
Revenue	9,270.0	1,602.8	373.4	11,246.1	-901.4	10,344.8
(prior year)	*(9,342.3)*	*(1,457.5)*	*(302.8)*	*(11,102.6)*	*(-748.6)*	*(10,354.0)*
thereof intersegment revenue	809.8	5.1	86.0	900.9	-900.9	0.0
(prior year)	*(689.8)*	*(2.3)*	*(56.5)*	*(748.6)*	*(-748.6)*	*(0.0)*
Adjusted EBIT	91.6	56.6	39.8	188.0	-3.3	184.6
(prior year)	*(349.5)*	*(104.8)*	*(9.7)*	*(463.9)*	*(4.4)*	*(468.4)*
Share-based payments	58.2	10.0	4.4	72.5	0.0	72.5
(prior year)	*(45.8)*	*(7.7)*	*(3.8)*	*(57.3)*	*(0.0)*	*(57.3)*
Acquisition-related expenses	0.0	0.0	11.5	11.5	0.0	11.5
(prior year)	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*	*(0.0)*
One-time effects	12.4	6.7	0.6	19.6	0.0	19.6
(prior year)	*(-12.6)*	*(-0.5)*	*(-0.5)*	*(-13.6)*	*(0.0)*	*(-13.6)*
EBIT	21.1	39.9	23.3	84.3	-3.3	81.0
(prior year)	*(316.3)*	*(97.5)*	*(6.5)*	*(420.3)*	*(4.4)*	*(424.7)*

Financial information for the Fashion Store segment, including intersegment transactions, breaks down into the regions DACH and Rest of Europe as follows:

Fashion Store results by region 2022

IN EUR M	DACH	Rest of Europe	Fashion Store
GMV	6,016.9	6,990.7	13,007.7
(prior year)	*(6,018.6)*	*(6,671.2)*	*(12,689.9)*
Revenue	4,056.2	5,213.7	9,270.0
(prior year)	*(4,220.9)*	*(5,121.4)*	*(9,342.3)*
thereof intersegment revenue	291.2	518.6	809.8
(prior year)	*(313.9)*	*(375.8)*	*(689.8)*
Adjusted EBIT	178.7	-87.1	91.6
(prior year)	*(365.7)*	*(-16.3)*	*(349.5)*
EBIT	142.4	-121.4	21.1
(prior year)	*(352.9)*	*(-36.6)*	*(316.3)*

Against the backdrop of the challenging macroeconomic environment GMV in the Fashion store segment increased by 2.5% supported by strong performance of the Partner Business (Partner Program and Connected Retail). Revenues slightly declined by 0.8% reaching EUR 9,270.0m. Profitability weakened because of a decrease in gross margin mainly attributable to prolonged sales periods and increased price investments to reduce excess inventory. EBIT for the year ended at EUR 21.1m compared to EUR 316.3m in 2021 and an EBIT margin of 0.2% in 2022 (3.4% in 2021).

In 2022, the Offprice segment showed strong revenue increase of 10.0% reaching revenues of EUR 1,602.8m. Offprice showed an improving performance throughout the year driven by increasing customer demand for fashion at discounted prices and a more attractive assortment towards the end of the year. Zalando Outlet revenues grew significantly as stores reopened and safety measures were lifted. A new Zalando outlet opened in Berlin. Profitability in terms of EBIT margin reached 2.5%, a decline of 4.2 percentage points driven by a gross margin decline coupled with an unfavorable development of the fulfillment cost ratio.

In all other segments total revenue increased by 23.3% during the year compared to the prior-year period with the main reason being the inclusion of revenues stemming from Highsnobiety from July 1, 2022 onwards and the strong performance of Zalando Marketing Services (ZMS). The EBIT margin in all other segments increased to 6.2% (an increase of 4.1 percentage points) in comparison to 2021.

Cash flows

The liquidity and the financial development of the Zalando group are presented in the following condensed statement of cash flows:

Condensed statement of cash flows

IN EUR M	Jan 1 – Dec 31, 2022	Jan 1 – Dec 31, 2021
Cash flow from operating activities	**459.9**	**616.2**
Cash flow from investing activities	**-476.2**	**-335.9**
Cash flow from financing activities	**-245.9**	**-639.8**
Net change in cash and cash equivalents from cash relevant transactions	-262.2	-359.6
Exchange-rate related and other changes in cash and cash equivalents	-0.9	3.5
Cash and cash equivalents at the beginning of the period	2,287.9	2,644.0
Cash and cash equivalents as of December 31	**2,024.8**	**2,287.9**
Free cash flow	**-18.8**	**283.2**

The cash flow from operating activities of EUR 459.9m in 2022 and also its decrease compared to prior-year period (prior year: EUR 616.2m) is mainly driven by our operational income (considering that our net income comprises higher significant non-cash expenses like depreciation and share-based payments) and additionally also by the positive development of our net working capital.

Cash outflow from investing activities is predominately impacted by capital expenditure (capex), amounting to EUR 351.7m (prior year: EUR 332.9m), primarily consisting of investments in the logistics infrastructure, relating to the fulfillment centers in Germany, Poland, the Netherlands and France, as well as capital expenditures on internally developed software. In addition, the cash flow from investing activities comprises the purchase price paid for the acquisition of Highsnobiety of EUR 123.6m in the fiscal year 2022, which significantly impacted the year-on-year development of the cash flow from investing activities.

As a result, our free cash flow (including the Highsnobiety investment) decreased by EUR 302.0m from EUR 283.2m to EUR -18.8m compared to the prior-year period.

Cash flow from financing activities of EUR -245.9m (prior year: EUR -639.8m) predominately includes the repurchase of treasury shares amounting to EUR 136.2m and payments of the principal portion of lease liabilities amounting to EUR 110.8m. The year-on-year difference of EUR 393.9m was attributable to cash outflows of EUR 375.0m in connection with the repayment of the revolving credit facility (RCF) in the prior year.

Overall, cash and cash equivalents decreased by EUR 263.2m during the year, but remained strong at EUR 2,024.8m as of December 31, 2022.

Credit facility

On May 20, 2022, ZALANDO SE entered into a new revolving credit facility for an amount of EUR 1,250.0m with a group of banks which substitutes the EUR 500.0m revolving credit facility entered into on December 15, 2016. The new facility can be drawn in EUR and utilized for general business purposes (including acquisitions) as well as for guarantees. The facility initially expires on May 20, 2027 but can be extended until May 20, 2029 and can be increased up to an amount of EUR 1,500.0m. As of December 31, 2022 an amount of EUR 113.8m had been utilized for bank guarantees and letters of credit (prior-year period: EUR 110.3m).

Financial position

The group's financial position is shown in the following condensed statement of financial position.

Assets

IN EUR M	Dec 31, 2022		Dec 31, 2021		Change	
Non-current assets	2,342.3	30.7%	1,901.4	27.6%	440.9	23.2%
Current assets	5,283.8	69.3%	4,995.6	72.4%	288.2	5.8%
Total assets	**7,626.1**	**100.0%**	**6,897.0**	**100.0%**	**729.1**	**10.6%**

Equity and liabilities

IN EUR M	Dec 31, 2022		Dec 31, 2021		Change	
Equity	2,199.2	28.8%	2,218.8	32.2%	-19.6	-0.9%
Non-current liabilities	1,760.0	23.1%	1,580.7	22.9%	179.3	11.3%
Current liabilities	3,666.9	48.1%	3,097.5	44.9%	569.4	18.4%
Total equity and liabilities	**7,626.1**	**100.0%**	**6,897.0**	**100.0%**	**729.1**	**10.6%**

Compared to December 31, 2021, Zalando's total assets increased by 10.6% to EUR 7,626.1m. The statement of financial position is dominated by property, plant and equipment, net working capital as well as cash and cash equivalents.

In 2022, the increase in non-current assets was significantly impacted by additions to property, plant and equipment of EUR 304.6m (prior year: EUR 244.6m). The increase primarily relates to the fulfillment centers in Germany, Poland, the Netherlands and France. Further effects resulted from additions to intangible assets of EUR 229.1m in 2022 (prior year: EUR 91.7m), mainly arises from the purchase price allocation in connection with the initial inclusion of Highsnobiety.

Key components of the software used by the group are developed internally. This ensures that the software is aligned with the operating processes and systems in the best possible way. For example, order and fulfillment processes are supported using internally developed software. In fiscal year 2022, additions related to capitalized development costs as well as to prepayments and assets under development amounted to EUR 75.1m (prior year: EUR 87.8m), of which EUR 34.8m is contained in prepayments and assets under development (prior year: EUR 48.5m).

In addition, right-of-use assets had a carrying amount of EUR 679.3m as of December 31, 2022 (prior year: EUR 584.2m). The increase by 16.3% is mainly driven by the commencement of new lease contracts for our new office building and a new outlet store in Germany as well as two new logistic sites in Poland.

The development of current assets was essentially driven by our inventories, which increased by 16.9% to EUR 1,809.5m in the fiscal year (prior year: EUR 1,547.4m). Due to lower wholesale business and Lounge by Zalando inbounds in 2021 impacted by supply chain disruptions, higher stock inbound levels were built up as of December 31, 2022. Trade and other receivables as reported on December 31, 2022 increased to EUR 913.0m (prior year: EUR 727.4m), which is primarily attributable to the higher sales volume at the end of the fiscal year.

Equity remained almost unchanged with a carrying amount of EUR 2,199.2m as of December 31, 2022 (prior year: EUR 2,218.8m). The slight decrease primarily stems from the repurchase of treasury shares (EUR 136.2m) in the share buy-back program, which was almost offset by share-based compensation effects and by our net income in the period. In the reporting period, the equity ratio changed from 32.2% at the beginning of the year to 28.8% as of December 31, 2022.

Non-current liabilities movement was mainly impacted by our lease liabilities which increased by 17.6% to EUR 799.8m as of December 31, 2022 (thereof EUR 670.1m non-current and EUR 129.7m current) resulting from new lease contracts entered in Q1 2022.

The development of current liabilities was mainly driven by our trade payables and similar liabilities which increased by 20.4% to EUR 2,934.1m in 2022 due to the extension and improvement of our reverse factoring program and higher inventory inbounds at the end of the year. As of December 31, 2022, suppliers' claims against Zalando totaling EUR 794.2m were transferred to various factoring providers (prior year: EUR 599.8m). These balances were recognized under current liabilities, i.e. trade payables and similar liabilities.

Net working capital, consisting of inventories and trade and other receivables less trade payables and similar liabilities, decreased from EUR -162.1m in the prior year to EUR -211.6m as of December 31, 2022. The lower net working capital is driven by an increase in trade payables and similar liabilities in fiscal year 2022, partly offset by increasing inventories and trade and other receivables.

Overall assessment

Overall the Management Board is satisfied with the business development in 2022. Despite macroeconomic headwinds, the execution of our Starting Point strategy is progressing well, resulting in continued and sustained improvement of key customer and partner metrics. We hit a key customer milestone, now serving more than 50 million active customers across Europe. At the same time, we further expanded into Eastern Europe, which brought our coverage to 25 markets for Fashion Store and 17 markets for Lounge. Adoption of our Zalando Plus membership more than doubled over the year reaching 2 million members, while our ZFS offering now fulfills almost 60% of all items shipped in our Partner Program.

While we expected a challenging environment in 2022, we experienced a stronger than expected post-pandemic normalization of e-commerce adoption and macroeconomic challenges lasted longer and were more pronounced than initially anticipated. Over the course of the first half of the year, the EU consumer confidence index dropped significantly as the war in Ukraine led to soaring energy and food prices. In addition, pandemic-related disruptions in China exacerbated existing supply chain pressures.

On May 5, 2022, based on anticipated challenges, but also early signs of potential recovery, our guidance for FY 2022 pointed towards the lower end of the guidance disclosed in our Annual Report 2021 (16%–23% for GMV growth, 12%–19% for revenue growth, adjusted EBIT of EUR 430.0m–EUR 510.0m, EBIT of EUR 365.0m–EUR 445.0m and capex of EUR 400.0m–EUR 500.0m). In light of the challenging backdrop and based on the anticipation of ongoing macroeconomic challenges Zalando revised its guidance for the fiscal year 2022 towards the end of June to a GMV growth between 3% and 7%, revenue growth between 0% and 3%, adjusted EBIT of EUR 180m–EUR 260m, an EBIT of EUR 115.0m–EUR 195.0m and capex in the range of EUR 350–400m. Along with the Q3 results, we narrowed the guidance beginning of November pointing to the lower end of the new target ranges.

In response to the challenges, we took decisive actions and successfully adapted our business to the volatile environment returning to growth and improved profitability in the second half of the year. As a result, the company's revised annual targets were achieved in 2022. Targets were met with GMV growth of 3.2% and flat revenue growth. We targeted an adjusted EBIT of EUR 180.0m–EUR 260.0m (EBIT of EUR 115.0m–EUR 195.0m) which we met at the lower end of the range with an adjusted EBIT of EUR 184.6m and due to non-recurring effects (especially acquisition-related expenses and impairment of lease assets) we ended below the revised guidance of EBIT. Capital expenditure amounted to EUR 351.7m and was in line with the lower end of the guided range of EUR 350.0m and EUR 400.0m reflecting our ongoing investments to expand our European logistics network and our technology infrastructure as part of our platform strategy.

While 2022 presented itself to be a challenging year, we moved quickly to adapt to the changing environment and achieved our updated guidance. We continue to be profitable with a strong cash position of over EUR 2 billion at year end.

2.2.4 Employees

The average headcount throughout 2022 increased by 938 employees (up 6%) from 16,060 to 16,999 employees compared to prior year.[43] The headcount continued to grow due to new hires in technology related roles and the acquisition of Highsnobiety beginning of July 2022.

[43] Headcount excludes students & apprentices.

2.3 Risk and opportunity report

- Identifying and quickly acting on opportunities as well as mitigating risks is essential for the continued success of our company.
- We define opportunities and risks as events that, in case they materialize, would result in positive or negative deviations from our business goals.
- In the current forecasting period, we identified no risks or risk clusters that might threaten Zalando as a going concern.

As an international company, we have exposure to macroeconomic, sector-specific, and company-specific risks and opportunities. This risk and opportunity report provides an overview of the implemented risk and opportunity management system and presents the risks and opportunities considered material for Zalando.

2.3.1 Risk and opportunity management system

The Management Board of ZALANDO SE assumes overall responsibility for the development and operation of an effective risk and opportunity management system (RMS) for Zalando.

The Risk Management Team, as the dedicated instrument of the Management Board, has implemented the RMS based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management Standard as well as on the requirements of audit standard IDW PS 981 published by the Institute of Public Auditors in Germany (IDW).

Zalando's Risk Management Policy, complemented with its Risk Management Manual, define the strategic principles for the development, implementation and operation of the RMS of the Zalando group. The RMS determines and provides the organizational roles, responsibilities and authorities, as well as the processes and required documentation to identify, assess, control and report risks and opportunities.

Our RMS consists of the following elements:

RMS elements

The Risk Management System provides the framework for defining and living our risk culture, as well as identification, assessment, control, communication with systematic reporting and monitoring of risks and opportunities. We continuously improve and enhance our RMS, aligning it with COSO, IDW standards and best practices. In this regard, in 2022 we have strengthened the RMS by revising the Risk Bearing Capacity Model (RBC) to provide information regarding the level of risk we can carry as a company with our existing capital and still be considered a "going concern". With the RBC model, the risk information gathered during the risk cycle is used for the systematic comparison of total risk exposure to what the organization's liquidity and equity can accommodate.

RMS objectives

The objective of the RMS is the early identification of risks that could threaten the company as a going concern, to create the necessary transparency about risks and opportunities for decision-makers, to foster the risk and opportunity culture, and to create a common understanding of risks and opportunities throughout the company.

Risk and opportunity identification and monitoring

Using multiple methods, such as workshops and self-assessments, the identification and assessment of risks and opportunities is carried out by both the risk and opportunity owners during day-to-day operations and the Risk Management Team on a bi-annual basis.

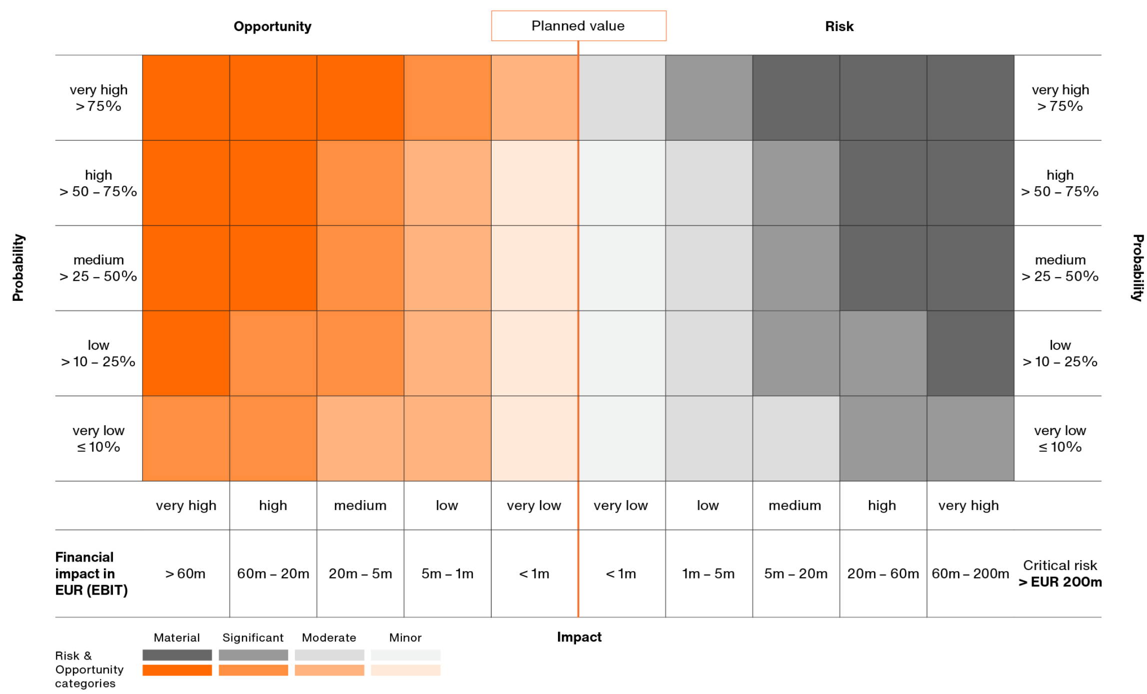
Furthermore, we have implemented an ad-hoc reporting which informs the Risk Management Team and the Management Board about current risk events and major risk changes in materiality level.

The systematic identification and exploitation of opportunities are important elements in ensuring continued success as well as strong and profitable growth.

Risk and opportunity assessment

All identified single risks and opportunities are evaluated with regard to their probability of occurrence and their potential impact. Probability and impact are assessed individually for a three year horizon. The identified single risks and opportunities are finally displayed in 18[44] company-specific clusters and all material and significant risks within each cluster are aggregated using the Monte-Carlo simulation. The outcome of the aggregation of each cluster is displayed using the following risk and opportunity matrix:

Risk and opportunity matrix



[44] The "IT Systems and Infrastructure" cluster has been merged with the "IT Security" cluster starting with this report, resulting in the new cluster "IT Security and Infrastructure". This is due to the fact that attacks and potential weaknesses in the system and IT controls which may be exploited by hackers pose the biggest threat to Zalando's IT assets and services and a combination of the two clusters depicts the correlation between the individual risks contained in both clusters more accurately. The overall assessment of the new cluster "IT Security and Infrastructure" has not changed in comparison to the previous cluster assessment.

The probability of occurrence represents the possibility that a specific impact for a risk or an opportunity may materialize within the one-year time horizon. The impact assessment is conducted on quantitative or qualitative scales. The quantitative scale is updated according to the planned company result and if refers to the potential financial impact on profit (EBIT). The qualitative scale considers the impact on our reputation. We separately track risks that exceed EUR 200m as business critical, since they might threaten us as a going concern. In the assessment of single risks, we consider both gross and net risks. The gross risk represents the inherent risk before risk mitigation. The net risk is the remaining risk after all implemented mitigation measures are considered. Our risk clusters presented in this report only show the net risk assessments.

Based on the respective combination of probability and impact, risks and opportunities are classified as minor, moderate, significant, or material. The material risks and opportunities are described in detail throughout this report.

Risk and opportunity control

Risk and opportunity owners are responsible for developing and implementing effective risk mitigating and opportunity supporting measures within their area of responsibility. Depending on the type and assessment of the risks, different risk strategies, or a combination of strategies could be applied by the risk owners to reduce the risk after considering their costs and benefits. Risk strategies can be risk avoidance, reduction, transfer (to a third party), or acceptance.

System of internal financial and non-financial reporting controls[45]

In addition to the overall RMS, we have implemented a system of internal controls over financial reporting pursuant to Section 315 (4) HGB. The internal control system was expanded in 2022 to cover non-financial aspects, namely, Sustainability, Diversity & Inclusion (D&I), and Performance Management. The internal control system aims to identify, assess, and manage operational risks that could have a significant impact on the appropriate content and presentation of the separate and consolidated financial statements including management reporting, as well as the annual Sustainability and D&I reports. As an integral component of the various reporting processes, the system of internal controls over financial and non-financial reporting comprises preventive, monitoring, and detective control measures, which ensure a methodical process for preparing the aforementioned reports. The internal control system is implemented in the company's various processes which have a significant influence on financial and non-financial reporting.

These processes, the risks relevant for financial and non-financial reporting as well as the controls mitigating these risks are analyzed and documented. A cross-process risk and control matrix contains relevant controls, including a description and type of the control, frequency with which the control is carried out, the mitigated risk and the person responsible. The control mechanisms implemented affect multiple processes and thus frequently overlap. These mechanisms, among other things, include determining principles and procedures, defining processes and controls, introducing approval and testing plans and guidelines.

[45] The system of non-financial controls (namely, Sustainability, Diversity & Inclusion (D&I), and Performance Management) has not been part of the audit of the combined management reporting.

Monitoring and improvement

The internal control system is continuously updated and the control landscape is adapted to the changing processes using a standardized risk and control matrix. The effectiveness of the controls is assessed annually either through a test of controls or a structured self-assessment process, or a combination of both. A detailed risk-based scoping exercise serves as a pre-cursor to this. The Management Board and the Audit Committee have oversight of the ICS, with the results reported at least once every year.

The internal control and risk management systems are subject to monitoring by Internal Audit, which is embedded into the overall process. Furthermore, external quality assessments are also performed on each of these systems periodically.

As a result of these various examinations, assessments, and reportings regarding the internal control and risk management systems, the Management Board is not aware of any circumstances that undermined the appropriateness and effectiveness of these systems.[46]

The German Corporate Governance Code contains recommendations for disclosures on the internal control and risk management system that go beyond the statutory requirements for the management report. The disclosure of these recommendations is not in the scope of the audit of the content of the management report performed by the auditor.

2.3.2 Illustration of risks

Overall, we identified no risks or risk clusters that might threaten ZALANDO SE as a going concern. In 2022, ZALANDO SE's Management Board decided to revise the financial target for the year due to the persistently challenging macroeconomic conditions, decreasing the adjusted EBIT. Consequently, we adapted our risk impact scales accordingly, which resulted in lowered thresholds for all impact categories, meaning that the same risk with the same impact can have a higher effect on risk exposure than before. As a result, the changes that we are witnessing in the overall assessments of the risk clusters do not necessarily imply a negative trend of Zalando's risk situation. The following table provides an overview of our risk clusters and a comparison with 2021.

[46] Section has not been part of the audit of the combined management reporting.

Overview risk clusters

ID – risk cluster	2022 Assessment	2022 Impact	2022 Probability	2021 Assessment	2021 Impact	2021 Probability
Markets, competition and strategy						
1. Competitive environment	Material	High	Medium	Material	High	Medium
2. Investments	Significant	↑ Medium	Low	Moderate	Low	Low
Reputation and sustainability						
3. Brand and image	Significant	Medium	Medium	Significant	Medium	Medium
4. Environmental and social responsibility	Significant	Medium	Medium	Significant	Medium	Medium
Operational						
5. Logistics	Significant	↓ Medium	↓ Low	Material	High	Medium
6. People	Significant	Medium	↓ Medium	Significant	Medium	High
7. Buying & sales	Material	High	Medium	Material	High	Medium
8. Indirect procurement	Significant	↑ Medium	↓ Medium	Moderate	Low	High
9. IT security & Infrastructure	Material	High	Medium	Material	High	Medium
10. User experience	Material	High	Medium	Material	High	Medium
Compliance						
11. Regulatory changes	Moderate	↓ Low	Medium	Significant	Medium	Medium
12. Data protection	Material	↑ Very High	Medium	Material	High	Medium
13. Fraud and bribery	Significant	↑ High	↓ Low	Significant	Medium	Medium
14. Product compliance	Significant	↑ Medium	Medium	Moderate	Low	Medium
15. Competition law	Significant	↑ High	↓ Low	Significant	Medium	Medium
16. Other legal aspects	Significant	↑ Medium	Low	Moderate	Low	Low
Financial						
17. Liquidity, counterparty, currency & interest	Material	High	↑ Medium	Significant	High	Very Low
18. Other financial risks	Significant	Medium	Medium	Significant	Medium	Medium

Compared to the 2021 risk and opportunity report, two changes can be noted in the material clusters assessment. For one, the Logistics cluster reduced in impact and probability. While it remains significant and should be closely monitored, the cluster is no longer assessed as material. Secondly, the financial risks (counterparty risk, liquidity risk as well as currency and interest risk) are now assessed as material. Further details with respect to our material risk clusters are presented below.

The war in Ukraine and the resulting energy supply shortage might have a significant impact on our operations, and we are therefore monitoring potential risks closely and are proactively working on mitigation measures that would need to be activated with immediate effect in case of planned interruptions of electricity by the authorities to avoid excessive loads on the power grid, so-called blackouts. Zalando is prepared to deal with power outages lasting up to four hours affecting our office buildings and, our logistic centers, tech hubs, outlets and studios have developed playbooks to prepare themselves accordingly as well.

Competitive environment

With the reopening of economies, competition from offline and online retail has intensified in 2022. Even though the European online fashion segment continues to grow faster than the overall fashion industry, taking share from the offline segment, the market environment is becoming more challenging with high levels of competition within the online segment as well as potentially increased consolidation efforts. Additionally, we expect increased promotional activities amongst competitors to clear overstock and fierce price competition in the lower and medium price fashion segment.

We believe that our strong customer propositions and partner relationships, together with our strategy to advance sustainability and diversity & inclusion across the industry, are providing us with a competitive advantage in order to continue meeting our ambitious targets.

Despite the challenging environment, Zalando is in a comparably good position with a proven business model, attractive customer propositions, strong relations with our partners and a robust balance sheet. We will continue to invest in intensifying customer relationships while driving cost efficiency and investments initiatives in order to maintain our long-term strategy to become the Starting Point for Fashion.

Buying & Sales

In 2022 local COVID lockdowns in China became commonplace. Different to 2021, factories kept operating and the lockdowns did not cause delays on a general scale. However, other large sourcing countries were hit by natural disasters or the war in Ukraine that led to interruptions of production but did not impact Zalando's overall product supply. Transport congestion in Asian and European ports was resolved but further COVID outbreaks in China after moving away from a zero-COVID policy remain a short-term risk before we expect the situation to improve in the mid-term.

The increase in energy prices due to the Ukraine war is leading to continuous increase in raw material prices as well as transport and operating costs, putting pressure on our profitability resulting in higher purchase prices and partly higher retail prices for our merchandise.

Furthermore, consumer price inflation in the EU has risen to its highest level since the beginning of the Global Financial Crisis (2008), mainly driven by higher energy prices. Consequently, the demand for 2023 remains hard to predict and we expect a very competitive landscape of fashion retailers fighting for a decreasing fashion share of the disposable households incomes.

Our logistic services have benefited from investments made in our logistics network in terms of location, capacities and number of service providers and were thus able to maintain a stable risk profile in comparison to last year's assessment.

We have proactively taken measures to improve the profitability of our partner business, whereas the wholesale business growth is driven by a strong footwear and designer performance.

Apart from the effects described above, we are exposed to regular seasonal effects of the business. We approach this weather-induced uncertainty with more flexible procurement and planning processes as well as expanding our product range in non-seasonal areas and increasing the share of our Partner Business.

IT security and Infrastructure

Providing a secure experience for our customers, partners, and employees is paramount to Zalando and in 2022, we continued to keep data safe by further improving our tools and processes. During the year, we blocked over 19 billion attacks and prevented approximately 500,000 suspicious emails from entering our environment.

The increasing threat sophistication requires ongoing threat intelligence tracking and continual adaptive response to these new and emerging threats in order to protect customers and ourselves. This enables the business teams to offer increasingly relevant services and more flexibility and convenience with Zalando.

To protect the integrity, confidentiality and availability of our assets, systems and data, we continue to take a balanced approach to identifying, detecting, protecting against, responding to and recovering from cybersecurity threats and incidents as part of our Information Security Management System.

User experience

To meet the rising and changing needs and expectations of our customers and realize market opportunities, innovative adjustments to the user experience as well as new and enticing messaging to customers are constantly required. Neglecting the necessary changes or inadequate implementation of such measures can lead to customer migration away from Zalando, followed by revenue losses.

Our digital experience teams identify and suggest relevant developments and coordinate the corresponding implementation with other teams. Examples of constant innovations in 2022 included enhancements in the product experience for customers searching for beauty products, and the initiatives around sustainability, focused on helping customers understand Zalando's sustainability-related criteria and how a Zalando product meets such criteria as well as initiatives around adaptive fashion, focused on making fashion more inclusive. In the section 2.3.3 Illustration of opportunities, we describe one measure taken to positively influence the user experience on the Zalando platform (Hyped products and new high-end assortment).

Data protection

Data protection remains a focus area at Zalando. Millions of customers entrust us with their personal data and it is our duty to handle this data responsibly and protect it from unauthorized access. Accordingly, Zalando is subject to numerous laws and regulations on data protection and privacy on EU and national levels. This includes, in particular, the GDPR[47] but extends to local legal frameworks and changes pertaining to the German TTDSG[48], the ePrivacy Directive as well as the proposed ePrivacy Regulation, or the related guidelines on the implementation of the GDPR, as jointly published by the EU and German Data Protection Authorities.

To mitigate risks of potential violations, our Privacy Teams continuously monitor data protection requirements, help to create and implement corresponding measures and processes and provide advice, expertise, and training. This oversight comprises close cooperation and alignment in particular with IT Security teams and supporting the implementation of adequate technical and organizational measures to protect personal data of customers as well as partners and employees. We also work with external partners and law firms to ensure that we correctly interpret the legal requirements and respond with appropriate actions.

Financial risks

The financial risks related to “Liquidity, Counterparty, Currency, Interest” emerge as material during this risk assessment. This new assessment is mainly due to significant challenges the global economy faced 2022 (see 2.2.1 Macroeconomic and sector-specific environment). In particular, rising interest levels are generally putting pressure on payment providers, especially with the buy now-pay later concept. Therefore, the increased credit default risk of individual customers is putting pressure on Zalando.

Furthermore, we have changed our factoring model, to provide all customers and partners on the Zalando Platform with the most convenient and trusted payment experience in all relevant markets. For our payment services provider Zalando Payments GmbH (ZPS) it means that it enters directly into contractual relationships with merchants, causing ZPS to deal with thousands of factoring clients, instead of previously just one (ZSE). The change in our factoring model does not have a significant impact on the risks on group level.

2.3.3 Illustration of opportunities

Given the definition of an opportunity as a positive deviation from planned values, we identified no material opportunity that could help us significantly overachieve our ambitious long-term goals. Going beyond the materiality boundary, our major initiatives such as deepening customer relationships and enabling partners on our platform continue to be key drivers that put us in a position to seize opportunities and support our growth targets and our vision of becoming the “Starting Point for Fashion”.

47 General Data Protection Regulation.
48 Telekommunikation-Telemedien-Datenschutz-Gesetz.

Multi-channel fulfillment: logistics as a service for our business partners

We are launching a new value proposition to our business partners that aims to deepen our partner relationships and contribute to partners' growth ambitions, while at the same time contributing to the success of our Zalando customer propositions. By providing a 'Logistics as a Service' solution, we offer our partners access to our unique capabilities in the logistics service network for the Fashion and Lifestyle industry, enabling them to scale their direct-to-consumer business in a sustainable, flexible, and economical manner on multiple channels across Europe, on and even beyond Zalando, without the need to split up their stocks. We want to expand our services from offering logistics services solely to our partners selling items via Zalando to enabling them to grow on their own channels. In doing so, we expect to attract new partners with a new assortment which will ultimately benefit our customers as the product variety on Zalando further increases.

Hyped products and new high-end assortment

Zalando is putting a stronger focus on promoting products with increasing customer relevance, e.g. the "streetwear" product portfolio which has grown significantly over the last year. Creating an improved customer experience for purchasing hyped products at Zalando will not only allow us to secure our current business with brands, but also unlocks additional business opportunities.

On the one hand, offering a best in class solution to selling hyped products, while supporting our top partners will gain their trust to choose Zalando as their preferred partner to bring these products to market. With this, we provide our partners meaningful growth and customer love and loyalty opportunities, while at the same time, providing an opportunity to deepen our customer relationships.

On the other hand, we have the possibility to make use of the full marketing potential of our hyped products as existing and new customer magnets and source of cross-selling opportunities. Hyped releases show a higher share of new and younger customers, positively impact the new followers for a brand, show higher engagement, bigger reach and higher average follower increase.

We work on creating brand safe environments where brands can create excitement around their top tier and hype assortment. At the same time, we enhance our customers' experience with inspiration from the latest products, trends and brands to give them fresh fashion ideas and engaging ways to see what's new and what's coming up.

2.4 Outlook

- The post-pandemic recovery of the fashion retail sector in Europe is expected to continue in 2023, yet macroeconomic uncertainty remains.
- Zalando's ambition remains to continue to outgrow the online fashion segment and to further increase our market segment share.

- For 2023 we expect GMV growth of 1% to 7%, revenue growth forecast to be in a -1% to 4% corridor; adjusted EBIT expected between EUR 280m and EUR 350m.
- Our 2023 outlook reflects our increased focus on profitable growth and efficiencies in a demand constrained and inflationary cost environment.

2.4.1 Future overall economic and industry-specific situation

The global economy is facing exceptionally challenging conditions in 2023 driven by the deteriorating macroeconomic environment throughout 2022. Tighter monetary policy and higher real interest rates, continued high inflation, persistent high energy prices, weak real household income growth and declining confidence are all expected to weaken global economic growth. According to OECD, world GDP growth is expected to decelerate to 2.2% year-on-year in 2023 and bounce back moderately to 2.7% in 2024, with Europe and North America being particularly affected. Europe's GDP growth is expected to be only 0.5% in 2023 and 1.4% in 2024. Furthermore, in Germany, uncertainty is high amidst highly volatile energy prices. Germany's GDP is expected to contract by 0.3% in 2023 and recover to grow 1.5% in 2024. On top of weak GDP growth, high inflation is reducing real incomes and savings, thereby dampening private consumption.[49]

Inflation in the Euro Area was 8.3% in 2022 and is expected to stay elevated at 6.8% in 2023, before moderating to 3.4% in 2024. Unless wages keep up, an unlikely development that would itself pose long-run inflation risks, this will lead to a contraction of real disposable income in 2022 and 2023, and a continuing slowdown of private consumption growth.[50]

The table below shows OECD actual (through 2022) and forecast (2023–2024) private consumption growth rates for the period 2020 through 2024.[51]

49 Source: OECD Economic Outlook, November 2022
50 Source: OECD Economic Outlook, November 2022
51 Percentages changes, volume (2015 prices); source: OECD Economic Outlook, November 2022

Private consumption growth per country

	Historical data			Forecast projection	
	2020	2021	2022	2023	2024
Euro Area	-7.8	3.8	3.7	0.3	1.0
Germany	-5.9	0.4	4.5	-0.2	0.7
Switzerland	-4.2	1.7	3.7	0.7	0.8
Spain	-12.2	6.0	2.0	1.3	1.4
France	-6.8	5.3	2.5	0.4	1.0
Italy	-10.4	5.1	3.4	0.2	0.5

The global fashion industry is expected to see a continued recovery in 2023. However, the outlook remains uncertain as in 2023 there are continued headwinds from elevated inflation rate, geopolitical instability and low private consumption growth rates.[52]

Turning to the online fashion segment e-commerce penetration is projected to gradually increase again over time after its dip in 2022.[53]

2.4.2 Future development of the group

Zalando is driven by its vision to be the Starting Point for Fashion and the fundamental conviction that our business model is key to our success: Growing our active customer base, building deep relationships with fashion customers and becoming a sustainable fashion platform for people and the planet will make Zalando even more relevant for our brand partners. In close partnership with our brand partners, we want to excite customers through inspirational stories about our offer and how to experience us. We want to leverage our portfolio of propositions for frequent engagement with our customers. We aim to continue to outgrow the online fashion segment and to further increase our market segment share as we remain convinced that this represents the value-maximising strategy for the company in the long term.

In 2022, we have experienced challenging macroeconomic conditions driven by inflationary pressures, geopolitical conflicts and supply chain issues. These factors have contributed to a substantial decrease in consumer confidence and discretionary spend on fashion and other relevant categories within the markets in which Zalando operates. Against this challenging post pandemic backdrop we successfully adapted our business to the volatile environment and returned to growth and improved profitability in the second half of the year.

For fiscal year 2023, Zalando expects to grow GMV in the range of 1% to 7% (EUR 14.9bn–EUR 15.8bn). In line with our platform transition strategy and increasing share of the Partner business, we expect revenue growth to trail GMV growth, resulting in revenue growth of -1% to 4% (EUR 10.2bn–EUR 10.8bn).

52 Source: McKinsey, The state of fashion 2023
53 Source: McKinsey: The state of fashion 2023

For 2023 Zalando expects to improve profitability and drive efficiency across the company, and therefore expects an adjusted EBIT of EUR 280m–EUR 350m, implying an adjusted EBIT margin of 2.7%–3.3% (fiscal year 2022: adjusted EBIT of EUR 184.6m).[54]

The company will continue to invest into logistics and technology to enable its long term growth ambition and plans capital expenditure of around EUR 300m–EUR 380m in 2023 (fiscal year 2022: EUR 351.7m).

2.4.3 Overall assessment by the Management Board of ZALANDO SE

Overall the Management Board is satisfied with the business development in 2022. Despite macroeconomic headwinds, the execution of our Starting Point strategy is progressing well, resulting in continued and sustained improvement of key customer and partner metrics. We hit a key customer milestone, now serving more than 50 million active customers across Europe. At the same time, we further expanded into Eastern Europe, which brought our coverage to 25 markets for Fashion Store and 17 markets for Lounge. Adoption of our Zalando Plus membership more than doubled over the year reaching 2 million members, while our ZFS offering now fulfills almost 60% of all items shipped in our Partner Program.

Zalando has a clear vision and strategy to be the destination that customers gravitate to for all their fashion needs. Through capitalizing the learnings of the past years and months, especially in adapting to a volatile environment, and elevating the relationships with customers and partners, Zalando is confident to serve more than 10% of the fashion market in the long-term. In 2023, Zalando expects to continue its strong business performance and deliver increased profitability despite the macroeconomic backdrop.

The comments on future developments in this management report are made by the Management Board to the best of their knowledge and belief based on estimates made at the time these financial statements were prepared. The statements are by nature subject to a series of risks and uncertainties. The actual results may therefore deviate from these forecasts should one of these or other uncertainties arise or the assumptions on which the statements are made prove to be inaccurate.

[54] In February 2023, we announced a program that will remove several hundred overhead roles. The estimated costs will be in the range of EUR 25m – EUR 45m in fiscal year 2023 and will be reported outside of adjusted EBIT. Resulting annual savings will partially compensate these costs in 2023 and have been considered in our adjusted EBIT outlook.

2.5 Corporate governance statement[55]

In this statement, our Management Board and Supervisory Board report on the corporate governance at our company pursuant to Sections 289f and 315d HGB (German Commercial Code) and as stipulated in Principle 23 of the German Corporate Governance Code.

2.5.1 Corporate governance

Corporate governance describes the system how a company is managed and supervised. It comprises the structure of all relevant regulations, processes and practices.

We believe that good corporate governance is the basis for our corporate success. It ensures that our company is managed transparently, effectively and responsibly towards sustainable prosperity. Good corporate governance creates trust in our company by our shareholders, partners, employees and all other stakeholders.

Our sustainability efforts including our efforts to foster diversity and inclusion (D&I) form an integral part of our corporate governance. More information on the company's sustainability and D&I activities can be found in our Sustainability Progress Report and in our D&I Report which are available on our corporate website under https://corporate.zalando.com/en. The Sustainability Progress Report 2022 will be published in April 2023.

We are constantly monitoring our corporate governance efforts and consider the recommendations and suggestions set out in the German Corporate Governance Code.

2.5.2 Declaration of conformity

The Management Board and Supervisory Board of ZALANDO SE issued the following declaration regarding the recommendations of the Government Commission German Corporate Governance Code in accordance with Section 161 AktG (German Stock Corporation Act) in December 2022 and published it on the company's website:

The last annual declaration of conformity by the Management Board and Supervisory Board of ZALANDO SE with the recommendations of the "Government Commission German Corporate Governance Code" was published in December 2021. At that time, the German Corporate Governance Code as amended on December 16, 2019 (GCGC 2019) was applicable. On April 28, 2022, the Government Commission German Corporate Governance Code presented a new version of the Code, which came into force upon publication in the official section of the Federal Gazette on June 27, 2022 (GCGC 2022).

The Management Board and the Supervisory Board of ZALANDO SE declare the following pursuant to Section 161 of the German Stock Corporation Act (AktG):

ZALANDO SE has acted in conformity with the GCGC 2019 since issuing its last annual declaration of conformity in December 2021, with the exception of recommendation G.7

[55] The statements on corporate governance in accordance with Sections 289f and 315d HGB are an unaudited part of the combined management report.

explained below. ZALANDO SE is acting and will continue to act in conformity with the GCGC 2022 with the exception of recommendation G.7 explained below.

Deviation from recommendation G.7 of the GCGC 2022 (and GCGC 2019)

Pursuant to recommendation G.7, sentence 1 of the GCGC 2022 (and GCGC 2019), referring to each forthcoming financial year, the Supervisory Board shall establish performance criteria for each Management Board member covering all variable remuneration components; such performance criteria mainly being, besides operating targets, strategic targets.

The new remuneration system for the Management Board which has been approved by the Supervisory Board in March 2021 and by the annual general meeting in May 2021, became effective as of June 1, 2021. The new remuneration system provides for a total compensation consisting of cash and of variable components. The variable components include a long-term incentive plan ("LTI") which accounts for the largest share in the total compensation. The LTI is share-based and is linked to strategic performance targets including financial and ESG criteria. Next to the LTI component, the new remuneration system for the Management Board as well as the remuneration granted to the member of the Management Board Dr. Astrid Arndt appointed as of April 1, 2021, Dr. Sandra Dembeck appointed as of March 1, 2022 and David Schröder reappointed with effect from April 1, 2023, further include a second variable component which incorporates the equity plan for the next leadership levels under the Management Board, the Zalando Ownership Program ("ZOP"), in order to align the remuneration system for the Management Board with the Company's overall compensation framework. The ZOP is also a share-based remuneration component and as such linked to the share price increase to ensure the alignment with the shareholders' interest. The ZOP component provides inter alia for the possibility to issue virtual options similar to restricted stock units ("ZOP Shares") which are commonly used to compensate executives on the international talent market and allow the Company to be internationally competitive. The Supervisory Board deems the combination of the performance link in the LTI component and the share price link in the ZOP component to be suitable to promote the sustainable and long-term development of the Company. However, as no specific performance targets are set for the ZOP component, we declare a deviation from recommendation G.7, sentence 1 of the GCGC 2022 (and GCGC 2019).

2.5.3 Two-tier board system

Our company is organized as a European stock corporation (Societas Europaea – SE) with its registered office in Berlin, Germany. In accordance with the applicable German and European stock corporation law, our company has a two-tier board system with a Management Board and a Supervisory Board.

The management of our company is exclusively assigned to the Management Board. The Supervisory Board monitors the work of the Management Board, advises and appoints the members of the Management Board. Both bodies are strictly separated from each other in terms of competencies and members. They work, however, closely together in a spirit of trust for the benefit of the company.

The composition, competencies and processes of our boards are defined primarily by the German Stock Corporation Act, the SE Act, the European SE regulation, our articles of association and the respective board's rules of procedure. The articles of association of the company and the rules of procedure for the Supervisory Board are available on our corporate website.

2.5.4 Management Board

In the fiscal year 2022, Robert Gentz and David Schneider continued to lead our company as Co-CEOs. Dr. Astrid Arndt (CPO), Jim Freeman (CBPO) and David Schröder also continued to be members of the Management Board during the reporting period. When Dr. Sandra Dembeck newly joined our Management Board as of March 1, 2022, she took over the position as CFO from David Schröder who became the company's COO.

Composition of the Management Board

Name	Title	Last appointment as of	Appointed until
Robert Gentz	Co-Chief Executive Officer (Co-CEO)	December 1, 2018	November 30, 2023
David Schneider	Co-Chief Executive Officer (Co-CEO)	December 1, 2018	November 30, 2023
Dr. Sandra Dembeck	Chief Financial Officer (CFO)	March 1, 2022	February 28, 2025
David Schröder	Chief Operating Officer (COO)	April 1, 2023*	March 31, 2027
Dr. Astrid Arndt	Chief People Officer (CPO)	April 1, 2021	March 31, 2025
Jim Freeman	Chief Business and Product Officer (CBPO)	April 1, 2019	March 31, 2023

*) The Supervisory Board resolved upon David Schröder's reappointment in December 2022.

Composition

The Supervisory Board appoints the members of our Management Board and ensures that all members of our Management Board shall have the knowledge, skills and professional expertise required to duly fulfill their 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.

Diversity is understood in a broad sense as the combination of individual identities and experiences. These identities and experiences include gender, nationality, ethnicity, life experience, 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 e-commerce 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 December 31, 2023 in accordance with Section 111 (5) AktG (see 2.5.6 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).
- A Management Board member should not be older than 65 years when elected.

In the reporting period, the share of female representatives in the Management Board has been increased from 20% to currently 33.33%. We see this as a significant step towards the target of balanced gender representation in the Management Board. The other criteria of the company’s diversity concept are fulfilled by the current composition of the Management Board.

Our Supervisory Board and Management Board work together closely to ensure a long-term succession planning for the composition of the Management Board. The Supervisory Board aims to fill Management Board positions with the most suitable candidates. It is in continuous contact with the Management Board, monitors senior management personnel within Zalando as well as respective talent on the market in order to identify and develop candidates to fill Management Board positions.

Since May 2022, Jim Freeman has been a member of the board of directors of SoftwareONE Holding AG, Switzerland. Apart from that, the members of the Management Board of ZALANDO SE are not members of a statutory supervisory board or members of a comparable controlling body in Germany or abroad.

Tasks

The Management Board is overall responsible to independently and diligently manage our company’s business with the goal of achieving sustainable growth. The Management Board develops the strategic direction of our company, coordinates it with the Supervisory Board and ensures its implementation. This includes the company’s sustainability strategy with the vision of being a sustainable fashion platform with a net-positive impact for people and the planet.

The Management Board prepares the company’s quarterly statements and half-year financial report, the annual separate financial statements of ZALANDO SE, the consolidated financial statements of Zalando group and the combined management report of ZALANDO SE and Zalando group. In addition, the Management Board has established an internal control system and risk management system as further detailed out in 2.3 Risk and opportunity report. Further, it ensures compliance with statutory provisions and the company's internal policies and works towards their group-wide observance (compliance).

The Supervisory Board has set up rules of procedure for the Management Board that further specify the collaboration within the Management Board and distribute the responsibility for the different business areas between the members of the Management Board. Notwithstanding their joint responsibility for managing the company, each member of the Management Board has sole responsibility for the business area allocated to him/her.

Our two co-chairpersons of the Management Board Robert Gentz and David Schneider jointly coordinate all responsibilities of the Management Board. They act to ensure that the management of all business areas is uniformly guided by the objectives set and approved as a whole by the Management Board. All members of our Management Board work collaboratively together and inform each other constantly about any significant measures and events within their areas of responsibility.

The Management Board meets regularly, typically every week. There is a constant and constructive exchange between the Management Board and the Supervisory Board members. In particular, the chairperson of the Supervisory Board is informed regularly, typically every week, on the progress of our business and the situation of the company and other group entities and the Management Board consults with her on our strategy, planning, business development and risk management. Further, our CFO and the chairperson of the Supervisory Board's Audit Committee have a regular monthly exchange with regard to Audit Committee related matters. 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 our company, the Management Board will inform the chairperson of the Supervisory Board immediately.

The Management Board supports structures that foster a constructive and open exchange with the company's employees and their representatives to the benefit of our company and our employees.

Conflict of interests

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 and are published to the extent legally required.

Remuneration

The remuneration report for the fiscal year 2022, the opinion of the auditor pursuant to Section 162 AktG and the currently valid remuneration system for the Management Board are published on our website here: https://corporate.zalando.com/en. The remuneration report for the fiscal year 2022 is contained in 1.3 Remuneration report of this financial report.

2.5.5 Supervisory Board

Our Supervisory Board consists of nine members, six of which are shareholder representatives and three are employee representatives. The representatives of the shareholders in the Supervisory Board are elected by the annual general meeting without being bound to election proposals. The participation of representative of employees in the Supervisory Board and the appointment procedure in this respect are determined by the applicable statutory provisions as well as a co-determination agreement concluded in accordance with the provisions of the SEBG.

Composition

Our Supervisory Board has set targets for its composition. In December 2022, these targets were revised and refined to better connect them with the ‘Our Founding Mindset’ principles of the company. Further, the Supervisory Board has introduced a broader definition of the term diversity that adequately corresponds with the variety of relevant factors.

From a general point of view, our Supervisory Board 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 shall have the knowledge, skills and professional experience required for her or him to duly fulfil its tasks and responsibilities and shall make sure that she or he 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, innovation and sustainability. The members of the Supervisory Board as a group shall be familiar with the sector in which the Company is operating. At least one member of the Supervisory Board must have expertise in the field of accounting and at least one further Supervisory Board member must have expertise in the field of auditing accounts.

In addition, the Supervisory Board also considers further core competences of its members in the company’s present and future business models. While qualification shall still be the decisive criterion, our Supervisory Board strives to adequately consider the international character of the company’s business. At the same time, the Supervisory Board pays attention to diversity, in particular to variety as regards professional experience and expertise, cultural and educational background as well as age. In order to accommodate the international character of the Company, the Supervisory Board shall as a rule have no less than two international members. The Supervisory Board members should not be older than 70 years when elected.

Our Supervisory Board members shall not be members of governing bodies of, or exercise advisory functions at significant competitors of our company in the area of online platforms. No more than two former members of the Management Board shall be members of the Supervisory Board. Further, no less 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 and no less 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. In the view of the Supervisory Board, this is an adequate number of independent shareholder representatives.

The Supervisory Board aims for a balanced gender representation in the Supervisory Board and has resolved on a target until December 31, 2023 in accordance with Section 111 (5) AktG (see 2.5.6 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).

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 our Supervisory Board shall be twelve years. The Supervisory Board is convinced that such a composition ensures an 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 for the election of Supervisory Board members.

The composition of our Supervisory Board in fiscal year 2022 met the composition targets it had set itself in all respects; in particular, the required expertise is represented in the Supervisory Board and the targets of the diversity concept are met.

The following overview shows the profile of skills and expertise of our Supervisory Board as well as the evaluation on independence of the shareholder representatives.

Composition of the Supervisory Board

Name of Supervisory Board member	Nationality	Profession	Industry	Finance	Strategy	Super-vision	Inno-vation	Sustain-ability	Indepen-dence
			Profile of skills and expertise						
Cristina Stenbeck	Swedish	Investor and public company director			✓	✓	✓	✓	✓
Kelly Bennett	Canadian	Executive Advisor	✓		✓		✓	✓	✓
Jennifer Hyman	US-American	CEO, Chair of the Board and Co-founder of Rent the Runway Inc.	✓		✓	✓	✓	✓	✓
Niklas Östberg	Swedish	CEO and Co-founder of Delivery Hero SE	✓	✓	✓		✓		✓
Anders Holch Povlsen	Danish	CEO of Bestseller A/S	✓		✓	✓		✓	
Mariella Röhm-Kottmann	German	SVP/Head of Corporate Accounting of ZF Friedrichshafen AG		✓*		✓		✓	✓
Matti Ahtiainen	Finnish	Employed at Zalando Finland Oy	✓	✓**					***
Jade Buddenberg	German	Employed at ZALANDO SE	✓		✓		✓	✓	***
Anika Mangelmann	German	Employed at ZALANDO SE	✓						***

*) Expertise according to Sec. 107 (4) 3, 100 (5) German Stock Corporation Act (AktG) in the field of auditing and accounting
**) Expertise according to Sec. 107 (4) 3, 100 (5) German Stock Corporation Act (AktG) in the field of accounting
***) In accordance with the German Corporate Governance Code, as a principle, the Supervisory Board does not take the independence of employee representatives into consideration.

The following overview lists all of the companies and enterprises in which the members of our Supervisory Board are currently members of a statutory supervisory board of such 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	Memberships in supervisory boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises
Cristina Stenbeck (chairperson)	Spotify Technology S.A., Luxembourg (member of the Board of Directors)
Kelly Bennett (deputy chairperson)	–
Jennifer Hyman	The Estée Lauder Companies Inc., USA (member of the Board of Directors)
Niklas Östberg	trivago N.V., Germany (member of the Supervisory Board)
Anders Holch Povlsen	Heartland A/S and various entities of the Heartland group (including entities in the Bestseller group and Intervare A/S and subsidiaries) as well as entities with a family connection (member of the Board of Directors) J.Lindeberg Holding (Singapore) Pte. Ltd. and subsidiaries, Singapore (member of the Board of Directors) Donau Agro ApS. (member of the Board of Directors) until July 2022 Donau Agro Invest P/S (member of the Board of Directors) since July 2022
Mariella Röhm-Kottmann	ZF Services España, S.L., Spain (member of the Board of Directors) ZF India Pvt. Ltd. (chairperson of the Board) Compagnie Financière de ZF SAS, France (chairperson of the Supervisory Board)
Matti Ahtiainen	–
Jade Buddenberg	–
Anika Mangelmann	–

Tasks

Our Supervisory Board advises and monitors the Management Board on the management of our company. The Management Board consults with the Supervisory Board on strategy, planning, business development, risk situation, risk management and compliance of our company. The Supervisory Board works with the company's best interest in mind in close and trusting collaboration with the Management Board. It is committed to the company's culture and its founding mindset.

The Supervisory Board examines and approves the annual financial statements and consolidated financial statements as well as the combined management report of ZALANDO SE and Zalando group taking into account the report of the independent auditors. In addition, the Supervisory Board approves the Management Board's proposal for the appropriation of distributable profit and the Report of the Supervisory Board to the annual general meeting. Further, it monitors observance with statutory provisions and the company's internal policies (compliance).

The Supervisory Board appoints the members of the Management Board and determines the remuneration of the Management Board on the basis of the remuneration system approved by the general meeting.

The Supervisory Board has adopted rules of procedure that are published on our corporate website. They govern the procedures and allocation of duties of the Supervisory Board and its committees. Our Supervisory Board holds at least one meeting per quarter. Further meetings are convened as necessary. Our Supervisory Board meets regularly without the Management Board.

Committees

In the fiscal year 2022, the Supervisory Board had four regular committees in accordance with its rules of procedure – the audit committee, remuneration committee, nomination committee and D&I and sustainability committee. In addition, the Supervisory Board formed one ad hoc committee, the share buyback committee (SBB). These committees comprise at least three members each. The chairperson of each committee reports regularly to the Supervisory Board on the activities of the committee.

Audit committee

The audit committee monitors the accounting and the financial reporting process. It deals intensely with the annual financial statements and, the consolidated financial statements, both including the combined management report. On the basis of the independent auditors' report, it makes recommendations with respect to the approval of the annual financial statements and the consolidated financial statements. Further, it makes recommendations to the Supervisory Board with regard to the resolution on the appropriation of distributable profit. The audit committee also reviews and discusses the annual, half-year and quarterly financial reports and the auditor's review of the annual and half-year financial report prior to publication.

Further, the audit committee monitors the effectiveness of the internal control system including the internal accounting control system and the risk management. It is also competent for matters of strategic importance provided that the Supervisory Board has delegated the authority to the audit committee accordingly.

The audit committee supervises the auditing process and is competent in particular for the selection of the statutory auditor and for monitoring the audit quality. It discusses the audit reports with the auditor as well as its findings and provides recommendations in this respect to the Supervisory Board. The chairperson of the audit committee discusses regularly the progress of the audit with the auditor and reports thereon to the audit committee. The audit committee consults with the auditor on a regular basis without the Management Board.

Members of the audit committee
Mariella Röhm-Kottmann (chairperson)
Matti Ahtiainen
Kelly Bennett
Niklas Östberg

According to Sections 107 (4) and 100 (5) AktG, at least one member of the Audit Committee must have expertise in the field of accounting and at least one further Audit Committee member must have expertise in the field of auditing accounts. As it follows from Recommendation D.3 of the German Corporate Governance Code, the expertise in the field of accounting shall consist of special knowledge and experience in the application of accounting principles and internal control and risk management systems, and the expertise in the field of auditing shall consist of special knowledge and experience in the auditing of financial statements. Accounting and auditing also include sustainability reporting and its audit and assurance.

The chairperson of our Audit Committee, Mariella Röhm-Kottmann, has the required expertise in the area of accounting and auditing. She has passed the certified German chartered accountant exam (*Wirtschaftsprüfer*) and has many years of professional experience as an auditor. In her current position as Senior Vice President, Head of Corporate Accounting at ZF Friedrichshafen, she is regularly involved in a high variety of accounting and auditing topics. Mariella Röhm-Kottmann is an independent member of the Supervisory Board representing the shareholders.

The member of the Audit Committee, Matti Ahtiainen, has the requisite expertise in the area of accounting. After graduating from Helsinki School of Economics, Matti Ahtiainen has started his professional career as accountant. Over the last years, he has held various responsible positions in finance departments of different companies. In these positions, Matti Ahtiainen acquired special knowledge and experience in the application of accounting principles and internal control and risk management systems.

To further strengthen their expertise in the fields of auditing, Mariella Röhm-Kottmann and Matti Ahtiainen attended a training tailored to the financial experts of the Audit Committee and provided by an external international audit company with specific focus on non-financial reporting (see below under Trainings).

Remuneration committee

The remuneration committee deals with all questions related to the Management Board's remuneration. This includes in particular the responsibility for the company's remuneration system for the Management Board as well as the amount and appropriateness of the Management Board remuneration. The remuneration committee reviews the performance of the Management Board members on a regular basis. It also supports the Supervisory Board regarding the annual position planning for the two management levels below the Management Board and material changes thereto as well as the corresponding compensation framework for these positions. The remuneration committee provides recommendations as a basis for decision-making by the Supervisory Board.

Members of the remuneration committee
Cristina Stenbeck (chairperson)
Anika Mangelmann
Anders Holch Povlsen

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

Nomination committee

The nomination committee is exclusively composed of shareholder representatives. It prepares the proposals of the Supervisory Board to the annual 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, the nomination committee creates a shortlist of available candidates with whom it conducts structured inter-views. In these interviews it seeks to determine whether the candidate in question is suitable and will have sufficient time available to perform the duties on the Supervisory Board with due care. It then recommends a candidate to the Supervisory Board for its approval including an explanation of its recommendation.

Members of the nomination committee
Kelly Bennett (chairperson)
Anders Holch Povlsen
Cristina Stenbeck

D&I and sustainability committee

Our D&I and sustainability committee supports the Management Board and Supervisory Board in measures related to Diversity & Inclusion as well as sustainability and to ensure the close involvement of the Supervisory Board in these areas.

This committee deals with the diversity & inclusion strategy as well as the sustainability strategy of the company and supports the Supervisory Board and its committees in its engagement with their implementation and the related reporting. In addition to this, it supports the Remuneration Committee in preparation for setting the ESG targets for the remuneration of the Management Board.

Members of the D&I and sustainability committee
Kelly Bennett (chairperson)
Jade Buddenberg
Jennifer Hyman

Share buy-back committee

The share buy-back committee discussed the contemplated share buy-back program as well as its conditions and approved thereof in January 2022. The committee took essential decisions regarding the execution of the share buy-back program.

Members of the share buy-back committee
Cristina Stenbeck (chairperson)
Mariella Röhm-Kottmann
Matti Ahtiainen

Trainings

We believe that good corporate governance requires a high level of awareness for the statutory requirements. Therefore, we conducted trainings with our Supervisory Board members that dealt with a variety of legal and compliance topics: In the fiscal year 2022, there was a tailored training for members of the Audit Committee, in particular for its financial experts. The training was held by an external international audit company and had a specific focus on non-financial reporting. Further, Cristina Stenbeck as chairperson of the Supervisory Board was briefed in depth in a virtual session concerning her governance roadshow. And last but not least, an in person training session on Corporate Governance matters was conducted by the General Counsel for the Supervisory Board members, including but not limited to corporate bodies' roles, personal suitability, key tasks and personal liability as well as a discussion on the specific mandate of the Supervisory Board of Zalando.

Self-Assessment

Our Supervisory Board regularly assesses the effectiveness of its own activities and those of its committees.

In November 2022, a questionnaire was sent to the Supervisory Board members to monitor the level of efficiency in a self-assessment. The questionnaire focuses 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 structure of the Supervisory Board, its succession planning as well as the level of information on specific focus topics the Supervisory Board has been involved with. No noteworthy shortcomings were identified in the self-assessment.

Conflicts of interest

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 should resign from office.

Remuneration

The remuneration report for the fiscal year 2022, the opinion of the auditor pursuant to Section 162 German Stock Corporation Act and the latest resolution of the general meeting regarding the remuneration of the Supervisory Board pursuant to Section 113 German Stock Corporation Act are published on our corporate website. The remuneration report for the fiscal year 2022 is included in this financial report.

2.5.6 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

We attach great importance to Diversity & Inclusion throughout Zalando and we are 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 & Inclusion strategy, please refer to our Diversity & Inclusion report 2022 which can be found on our corporate website.

We aim for a more balanced gender representation in our leadership positions. 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 for the representation of women have been determined as follows:

- at least 40% women and at least 40% men for the Supervisory Board (which corresponds to a minimum number of four female and four male members);
- 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.

We have determined the deadline for target achievement in each case to be December 31, 2023.

As of December 31, 2022, 55.6% women are represented on the Supervisory Board, 33.3% women are represented on the Management Board.

At the four management levels below the Management Board, the representation of women is as follows:

- 33.3% at the first management level below the Management Board,
- 37.5% at the second management level below the Management Board,
- 34.5% at the third management level below the Management Board and
- 38.8% at the fourth management level below the Management Board.

2.5.7 Annual general meeting and Investor Relations

Our shareholders can exercise their rights at the annual general meeting that takes place within the first six months of a business year. Every shareholder is entitled to attend the annual general meeting, to speak on items on the agenda and to ask relevant questions and propose relevant motions. Each share has one vote. Since the COVID pandemic, the annual general meeting may – under certain circumstances – take place as a virtual meeting.

The general meeting decides in particular on the appropriation of distributable profit, the discharge of the Management Board and the Supervisory Board, the election of Supervisory Board members and the appointment of the auditor. In addition, it decides on all amendments of the articles of association. The general meeting generally adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, on the actual remuneration of the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year. The Management Board presents to the annual general meeting the annual financial statements and the consolidated financial statements, both including the combined management report of ZALANDO SE and Zalando group.

The next annual general meeting will take place on May 24, 2023 as a virtual meeting. The convocation and all relevant documents will be published on our corporate website.

We focus on a continuous, transparent and trustworthy exchange with all capital market participants. Our investor relations team informs on our corporate website regularly on all relevant business developments. All relevant dates can be found on the corporate website in our financial calendar. The investor relations team can be contacted via email at investor.relations@zalando.de in case of any capital market related questions.

2.5.8 Corporate governance practices

Zalando's Compliance & Business Ethics Team is responsible for monitoring, managing, documenting and reporting on compliance risks deriving from breaches of the law, group policies and ethical standards in business on a group-wide level. Our compliance management system encompasses policy management, a help desk function, whistleblowing management (including internal investigations where required), business partner due diligence and compliance-related training.

Our group wide policy landscape is built around two fundamental guidelines which are the Code of Ethics and the Code of Conduct.

The Zalando Code of Ethics outlines the standards to which we as a company adhere. Based on fundamental values of honesty, respect, trust, and fairness, the code forms the basic guideline of our work-related interactions. It sets mandatory standards and clear expectations for professional, ethical, and responsible behavior. Our Code of Ethics requires all employees to follow the law and also sets our expectations with regard to Diversity & Inclusion, respectful behavior and avoidance of conflicts of interest. Fostering a speak-up culture so that employees actively participate and raise concerns or report potential 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. The Code of Ethics has been communicated to all employees in various languages and is available on our corporate website. It 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, as well as collecting, processing, and using the data in accordance with the law is fundamental to Zalando because it is essential not just for our employee and partner-related data but especially for our customers and their trust in our products and services. This customer trust is the basis for long-term customer relationships. Therefore, Zalando ensures regular employee privacy training and has designed actionable privacy principles to create awareness and guardrails for privacy compliant business design and conduct. For our employees we have a dedicated online resource with guidance on how Zalando handles employee data and sets out rights employees have in relation to personal data they share with Zalando. Specialized privacy roles support all business divisions with guidelines and standards to ensure proper safeguards are implemented across the company and its group entities. Zalando is regulated under European and national data protection regulations and we closely monitor changes in legislation in order to properly adopt regulatory requirements.

In the reporting period, we launched an initiative to onboard local enablers outside the headquarters to serve as a compliance multiplicator (“AmbaZador”) and, vice versa, local contact point to the centralized compliance team. This ensures a better understanding of local challenges and helps driving well informed solutions by removing (potential) barriers when seeking for compliance assistance. In line therewith, we approach sites in scope directly to offer onsite training for every employee, regardless of an existing leadership responsibility. The aim is to promote the local Compliance AmbaZador as part of the training and facilitate personal contact with the central Compliance and Business Ethics team. Each mandatory training course is followed by mandatory refresher courses every other year. Employees receive an automatic reminder to fulfill their training obligations. If the employees do not fulfill their obligations, the lead will be informed and reminded repeatedly until the training is completed.

Making ethical behavior a naturalness internally also leads to comparable expectations towards external partners. Therefore, the Zalando Code of Conduct outlines the standards to which we hold our business partners accountable. It covers the areas of Human Rights and Labour Rights, Environmental Protection, Fair and Ethical Business Practices, Monitoring and Complaints. Our Code of Conduct is published on our corporate website. It applies to all business partners – including suppliers, service providers, platform partners, distributors, consultants and agents of ZALANDO SE and all its subsidiaries. We rolled out an updated version in 2022 and therein included a section on corporate digital responsibility and highlighted the importance of a digitally inclusive and sustainable future. We encourage all business partners to recognize their own digital responsibility in line with the Corporate Digital Responsibility Code. We expect every business partner to acknowledge the standards set out in our Code of Conduct and require appropriate management systems and due diligence processes to be in place.

Zalando carries out business partner due diligence reviews (sanction list screening and compliance database and adverse media checks, followed by an in-depth review carried out by the Compliance & Business Ethics Team if any findings are made) for defined groups of business partners and in cases where potential compliance risks are apparent.

In preparation for the German Supply Chain Due Diligence Act which came into force on January 1, 2023, we have – as required by law – appointed a Human Rights Officer.

Our compliance training entails our Code of Ethics, Code of Conduct and group policies, including anti-corruption related policies such as our group policy benefits, gifts, events & expenses. We train colleagues with leadership responsibility in person, respectively, as a proven concept during the ongoing pandemic situation, via video chat solutions. In the training sessions we discuss in detail all questions related to the relevant topics. We aim for a high level of knowledge of our leaders in particular about our internal guidelines as these colleagues with leadership responsibility should be role models. Employees without leadership responsibility are made aware of our compliance relevant regulations via e-learning courses. 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).

In the reporting period, 46 compliance basics face-to-face training courses (including Compliance AmbaZador onboardings) were carried out. Compared to 2021 (27) we raised the number of training courses as it was again partly possible to travel and conduct face to face trainings outside Berlin which we made use of via dedicated onsite sessions with limited number of participants, compared to the video chat format. The combination of both training formats (live and video chat) led to a training number comparable to pre-pandemic years. 4,988 employees completed the compliance basics e-learning courses (2021: 5,409), among them 2,785 employees of ZALANDO SE (2021: 2,995).

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. Reported cases which qualify as a potential compliance violation are managed by the Compliance & Business Ethics Team; if a reported scenario qualifies as a potential serious case, a compliance panel takes over decision making. The panel consists of senior executives and our Chief People Officer.

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.

Suggestions of the German Corporate Governance Code

Our company voluntarily complies with the suggestions of the German Corporate Governance Code, with only the following exception:

According to suggestion A.8 of the German Corporate Governance Code, the Management Board should convene an extraordinary general meeting in the event of a take-over offer at which shareholders will discuss the takeover offer and may decide on corporate actions. We do not consider strict adherence to this suggestion being in the best interest of the company and its stakeholders. Convening an extraordinary general meeting is an organizational challenge and may delay the implementation of necessary corporate actions to respond to a take over offer. Therefore, we would only convene an extraordinary general meeting on a case-by-case basis in appropriate situations.

2.6 Takeover law disclosures pursuant to Sections 289a (1), 315a (1) HGB and explanatory report[56]

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 Equity of the Notes.

Restrictions relating to voting rights or the transfer of shares

At the end of the reporting year, ZALANDO SE had 4,558,107 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 2022, Baillie Gifford & Co and Anders Holch Povlsen 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 1.4 The Zalando share – 2022 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. Re-appointments 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 (1) 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 Article 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.

[56] 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 statement with the declaration of conformity.

According to Article 12 (5) of the Articles of Association, the Supervisory Board is entitled to make changes 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.

Authority of the Management Board to issue shares or acquire treasury shares

After partial exercise of a corresponding authorization granted by the annual general meeting on June 23, 2020 based on resolutions of the Management Board and the Supervisory Board on June 13, 2022, our Management Board is authorized to increase the registered share capital of the company until June 22, 2025, with the consent of the Supervisory Board, once or several times, by up to a total of EUR 99,254,719 by issuing up to 99,254,719 new no-par value bearer shares against contributions in cash and/or in kind (Authorized Capital 2020). 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. 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 annual general meeting of June 23, 2020. 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 new shares participate in profits from the start of the fiscal year in which they are issued. To the extent legally permissible, however, the Management Board may, subject to the consent of the Supervisory Board determine that the new shares shall bear dividend rights from the beginning of an already past fiscal year for which no resolution of the general meeting regarding the appropriation of the net profit had been passed at the time when they were issued.

The share capital of ZALANDO SE is conditionally increased by up to EUR 2,445,140 by issuing up to 2,445,140 new 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 our Management Board in connection with the Stock Option Program 2013 in accordance with the resolution of the annual general meeting of December 18, 2013, as amended by the annual general meetings of June 3, 2014, July 11, 2014, and of June 23, 2020. The conditional capital increase will be implemented only to the extent that such subscription rights have been issued in accordance with the Stock Option Program 2013, the holders of the subscription rights exercise their rights and Zalando 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 our Management Board.

The share capital of the ZALANDO SE is conditionally increased by up to EUR 3,297,193.00 by issuance of up to 3,297,193 new no-par value bearer shares (Conditional Capital 2014). The Conditional Capital 2014 may only be used to fulfil the subscription rights which have been granted to our 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 annual general meeting of the company on June 3, 2014, as amended by the company's annual general meeting of July 11, 2014, of June 23, 2020 and of May 18, 2022. The conditional capital increase will only be implemented to the extent that such subscription rights have been issued in accordance with the Stock Option Program 2014 as resolved by the annual general meeting on June 3, 2014, as amended by the Company's annual general meeting of July 11, 2014, of June 23, 2020 and of May 18, 2022, 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 of ZALANDO SE is conditionally increased by up to EUR 3,089,010.00 against contribution in cash and in kind by the issuance of up to 3,089,010 new no-par value bearer shares with a pro-rata share in the share capital of EUR 1.00 to fulfil subscription rights for shares of the company (Conditional Capital 2016). The Conditional Capital 2016 may only be used to fulfil the subscription rights which have been granted once or several times – partly as a component of stock appreciation rights – in accordance with the resolution of the annual general meeting of the company of May 31, 2016, as amended by resolution of our annual general meeting of May 18, 2022. The new shares shall be 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 authorization of the annual general meeting of May 31, 2016, as amended by resolution of our annual general meeting of May 18, 2022. The conditional capital increase will be implemented only to the extent that subscription rights or stock appreciation rights with subscription rights have been issued in accordance with the resolution of the annual general meeting of May 31, 2016, as amended by resolution of the company's annual general meeting of May 18, 2022, 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 subscription shares will be issued at the lowest issue price of EUR 1.00.

ZALANDO SE's share capital is conditionally increased by up to EUR 1,522,269.00 by the issuance of up to 1,522,269 new bearer shares with no par value (Conditional Capital 2019). The Conditional Capital 2019 exclusively serves the purpose to service subscription rights granted to members of the company's Management Board in connection with the Long Term Incentive 2018 in accordance with the resolution of our annual general meeting on May 22, 2019 under agenda item 7, as amended by resolution of our annual general meeting of May 18, 2022. 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 the company and the company grants no treasury shares or cash payments to fulfil the subscription rights. The new shares under the conditional capital will be issued for the minimum issue amount pursuant to Section 9 para. 1 AktG.

The share capital is conditionally increased by up to EUR 75,199,787 by issuing up to 75,199,787 new no-par value bearer shares (Conditional Capital 2020). The exclusive 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 22, 2025, by the company or any subordinate group company of the company pursuant to the authorization on which a resolution was passed by the annual general meeting on June 23, 2020, under agenda item 11 lit. b) 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 new shares from the Conditional Capital 2013, the Conditional Capital 2014, the Conditional Capital 2016, the Conditional Capital 2019 and the Conditional Capital 2020, 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 22, 2025, by resolution of the annual general meeting of June 23, 2020, to acquire treasury shares for any permissible purpose totaling up to 10% of its registered capital as of the date of the resolution or as of the date on which the authorization is exercised if the latter value is lower. 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 22, 2025, 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 8 and 9 of our annual general meeting agenda for June 23, 2020, which was published in the Federal Gazette on May 15, 2020, 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, the Long-Term Incentive LTI 2019 and the Long-Term Incentive LTI 2021 and the Long-Term Incentive 2021/2022 allow for a replacement of option rights held by the Management Board 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, LTI 2019, LTI 2021 and LTI 2021/2022 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, the convertible bonds 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. In the event of a change of control, each bondholder is entitled to call all or any of its bonds that have not yet been converted or redeemed. If a bondholder cancels the bonds, we must repay the bonds on the control acquisition date.

2.7 Supplementary management report to the separate financial statements of ZALANDO SE

The management report of ZALANDO SE as a separate entity and the group management report have been combined. The following notes are based on the annual financial statements of ZALANDO SE, which were prepared in accordance with the provisions of HGB ["Handelsgesetzbuch": German Commercial Code] and the AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with Art. 61 EU CR 2157/2001.

2.7.1 Business activity

ZALANDO SE is the parent company of the Zalando group. Its registered office is the corporate headquarters in Berlin. The company runs a European online fashion and lifestyle platform and connects customers, brands and partners. Its operating activities mainly include the development, sourcing, marketing, the retail and commission sale of various types of goods, in particular clothing and shoes, as well as related consumer and partner facing services. Other responsibilities include management of online destinations, HR management, IT, finance management and risk management.

As the parent company of the group, ZALANDO SE is represented by its Management Board, which sets the direction of the group and defines the corporate strategy.

The financial statements of ZALANDO SE are prepared in accordance with HGB.
The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU. This gives rise to differences in recognition and measurement policies. The differences primarily relate to provisions, fixed assets, financial instruments and deferred taxes.

In addition, ZALANDO SE has extensive supply and service relationships with its subsidiaries. The services provided essentially encompass fulfillment and distribution services, content creation and customer service as well as procurement services, administrative, payment and IT services.

2.7.2 Economic situation of ZALANDO SE

The results of ZALANDO SE's operations are presented in the following condensed income statement and are broken down by type of expense within the company. In 2022 financial performance was negatively impacted by inflationary pressures, lower consumer confidence and supply shortages. This resulted in slightly decreased revenues and a negative operating result. Growth was particularly weak in the first half year due to above mentioned external factors as well as a post-pandemic normalization of e-commerce adoption and recovered slightly in the second half of 2022.

Income statement of ZALANDO SE
according to the german commercial code (short version)

IN EUR M	Jan 1 – Dec 31, 2022	As % of sales	Jan 1 – Dec 31, 2021	As % of sales	Change in percentage points
Revenue	10,125.0	100.0%	10,229.0	100.0%	0.0 pp
Own work capitalized	54.4	0.5%	57.4	0.6%	0.0 pp
Other operating income	239.7	2.4%	150.6	1.5%	0.9 pp
Cost of materials	-5,596.4	-55.3%	-5,558.9	-54.3%	-0.9 pp
Gross profit	**4,822.7**	**47.6%**	**4,878.1**	**47.7%**	**-0.1 pp**
Personnel expenses	-614.5	-6.1%	-511.0	-5.0%	-1.1 pp
Amortization and depreciation	-72.4	-0.7%	-64.2	-0.6%	-0.1 pp
Other operating expenses	-4,266.2	-42.1%	-4,084.7	-39.9%	-2.2 pp
Operating result	**-130.4**	**-1.3%**	**218.3**	**2.1%**	**-3.4 pp**
Financial result	**28.0**	**0.3%**	**4.2**	**0.0%**	**0.2 pp**
Result from ordinary business activities	**-102.5**	**-1.0%**	**222.5**	**2.2%**	**-3.2 pp**
Income taxes	8.8	0.1%	-83.0	-0.8%	0.9 pp
Other taxes	-1.1	0.0%	-0.9	0.0%	0.0 pp
Net income for the year	**-94.7**	**-0.9%**	**138.5**	**1.4%**	**-2.3 pp**
Operating result margin	-1.3%	0.0%	2.1%	0.0%	-3.4 pp

In the reporting period, revenue slightly declined by EUR 103.9m to EUR 10,125.0m. The 1.0% decrease in revenue was largely impacted by low consumer confidence, inflationary pressures, fear of a recession as well as supply shortages. Growth was particularly weak in the first half year due to above mentioned external factors as well as a post-pandemic normalization of e-commerce adoption.

In the current fiscal year, the DACH countries generated 43.0% of total revenue. At the same time, revenue recorded in the other European countries increased.

Revenue of ZALANDO SE by geographical region

IN EUR M	2022		2021		Changes	
DACH*	4,356.4	43.0%	4,530.7	44.3%	-174.3	-3.8%
Rest of Europe**	5,768.7	57.0%	5,698.3	55.7%	70.4	1.2%
Total	**10,125.0**	**100.0%**	**10,229.0**	**100.0%**	**-103.9**	**-1.0%**

*) The DACH region is comprised of Germany, Austria and Switzerland.
**) The Rest of Europe region is comprised of Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Other operating income mainly results from income from foreign currency translation and group recharges.

The cost of materials slightly increased by EUR 37.6m to EUR 5,596.4m, in line with the development of business. Overall, the company generated a gross profit of EUR 4,822.7m in fiscal year 2022 (prior year: EUR 4,878.1m).

Personnel expenses rose by EUR 103.5m to EUR 614.5m, driven by the rise in the number of employees. In 2022, the average headcount increased by 737 on the prior year from 5,868 to 6,605 employees.

Amortization and depreciation increased by EUR 8.2m.

Other operating expenses primarily include fulfillment costs as well as marketing expenses. The increase of EUR 181.5m is primarily due to an increase in logistic costs. The logistic costs were negatively impacted primarily by inflationary cost increases, partly mitigated by efficiency measures like a Minimum Order Value (MOV), and efficient bundling of packages. In addition, investments into customer convenience that allow express deliveries, particularly to enable Zalando Plus, increased logistics costs as we continued to roll out our membership program Zalando Plus. The increase was partly offset by a decrease in marketing expense as a result of adjusted expenditures in both performance and brand marketing due to the lower growth environment.

The operating result for the year of EUR -130.4m decreased by 3.4 percentage points of revenue and became negative, mainly due to higher other operating expenses and personnel costs.

The financial result mainly comprises interest expense of EUR 42.2m (prior year: EUR 32.0m) and interest income of EUR 32.8m (prior year: EUR 22.3m), as well as income from profit transfers of EUR 37.4m (prior year EUR 13.9m) during the reporting period.

Income taxes include the deferred taxes and current income taxes paid or payable. They comprise trade tax, corporate income tax and a solidarity surcharge. As in the prior year, the statutory corporate income tax rate, including solidarity surcharge, for the assessment period 2022 was 15.8%. The applicable trade tax rate was 14.8% as in the prior year.

Current and deferred taxes are presented in the following table.

Income taxes

IN EUR M	Jan 1 – Dec 31, 2022	Jan 1 – Dec 31, 2021
Deferred taxes	2.4	7.7
Current taxes in Germany	6.4	-90.7
Total	**8.8**	**-83.0**

Net assets and financial position

The net assets of ZALANDO SE are shown in the following condensed balance sheet.

Assets

IN EUR M	Dec 31, 2022		Dec 31, 2021		Changes
Non-current assets	2,106.7	33.7%	2,089.4	34.1%	17.3
Current assets	4,089.2	65.4%	3,992.6	65.1%	96.6
Prepaid expenses	22.1	0.4%	16.2	0.3%	5.9
Deferred tax assets	34.4	0.6%	32.0	0.5%	2.4
Total assets	**6,252.4**	**100.0%**	**6,130.3**	**100.0%**	**122.2**

Equity and liabilities

IN EUR M	Dec 31, 2022		Dec 31, 2021		Changes
Equity	1,833.6	29.3%	1,952.6	31.9%	-119.0
Provisions	677.8	10.8%	605.3	9.9%	72.5
Liabilities	3,729.3	59.6%	3,566.6	58.2%	162.8
Deferred income	11.6	0.2%	5.8	0.1%	5.9
Total equity and liabilities	**6,252.4**	**100.0%**	**6,130.3**	**100.0%**	**122.2**

The total assets of ZALANDO SE slightly rose by 2.0%. The assets of ZALANDO SE mainly consist of financial and current assets, specifically securities and cash, shares in affiliated companies as well as inventories and receivables. Equity and liabilities comprise equity and current and non-current liabilities and provisions.

In fiscal year 2022 additions to non-current assets mainly related to intangible assets (EUR 59.7m) and financial assets (EUR 351.9m), relating mainly to shares in affiliated companies (EUR 298.2m). Disposals mainly related to loans to affiliated companies (EUR 343.1m). Investments in financial assets included the acquisition of the majority stake in Highsnobiety. Furthermore, investments were primarily made to finance infrastructure investments and the expansion of business in subsidiaries.

The increase in current assets in fiscal year 2022 was mainly driven by inventories (EUR 243.2m), trade receivables (EUR 79.8m), and intercompany receivables (EUR 89.9m), partly offset by the decrease in cash (EUR -148.7m) and securities (EUR -191.2m). Increase in inventories reflects our rising stock inbound levels that were built up, receivable's increase is primarily attributable to the higher sales volume at the end of the fiscal year. Inventories mainly comprised merchandise used in the core operational business of ZALANDO SE.

The equity ratio stood at 29.3% (prior year: 31.9%).

Provisions and liabilities increased by EUR 235.3m to EUR 4,407.2m impacted by increased intercompany liabilities and other provisions. As of December 31, 2022, this item mainly pertains to the convertible loan, trade payables, intercompany liabilities, and provisions for product return claims and outstanding invoices for fulfillment and marketing expenses.

Under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 794.2m were transferred to various factors as of December 31, 2022 (December 31, 2021: EUR 599.8m). These are recognized in the statement of financial position under trade payables and similar liabilities.

Regarding the liquidity and the financial development of ZALANDO SE we refer to the financial development of the Zalando group. The financial development of the Zalando group basically reflects the financial development of ZALANDO SE. Furthermore, ZALANDO SE is responsible for the cash management of the Zalando group.

In fiscal year 2022, Zalando generated a negative cash flow from operating activities of EUR 169.1m (prior year: positive cash flow of EUR 615.4m). In addition to the negative net income of EUR 94.7m operating cash flow was also largely impacted by increased inventory and trade receivables.

The cash flow from investing activities in fiscal year 2022 was mainly driven by capital increases in subsidiaries that were used to invest in the fulfillment infrastructure, as well the investment in Highsnobiety.

The cash flow from financing activities mainly contains cash outflows from share buybacks. Cash and cash equivalents consist of cash on hand and bank balances as well as fixed-term deposits at financial institutions and in money market funds due within three months. ZALANDO SE was able to meet its financial obligations at all times in the past financial year.

2.7.3 Risks and opportunities

The business development of ZALANDO SE is subject to essentially the same operating risks and opportunities as the group. ZALANDO SE fully participates in the operating risks of its subsidiaries. Statements made by the Management Board on the overall assessment of the group's risk situation thus also summarize the risk situation of ZALANDO SE. The description of ZALANDO SE's accounting-related internal control system and risk management system stipulated in Section 289 (5) HGB is provided in the risk and opportunity report of the group.

2.7.4 Outlook

The statements made on market trends, the development of revenue and the results for the group also apply here by virtue of the close ties between ZALANDO SE and the group companies and its weight within the group. The statements also reflect the expectations for the parent company in terms of trends and intensity of the expected developments of the main key performance indicators.

Berlin, March 6, 2023

Robert Gentz	David Schneider	James M. Freeman, II
David Schröder	Dr. Astrid Arndt	Dr. Sandra Dembeck

3.1 Balance sheet as of December 31, 2022

Assets

IN EUR M		Dec 31, 2022	Dec 31, 2021
A.	**Fixed assets**		
I.	**Intangible assets**		
1.	Internally generated software	78.3	63.6
2.	Industrial rights and similar rights and assets and licenses in such rights and assets	20.0	21.2
3.	Prepayments and internally generated software under development	35.6	45.6
		133.8	**130.4**
II.	**Property, plant and equipment**		
1.	Buildings on third-party land	1.0	1.4
2.	Plant and machinery	17.5	15.2
3.	Other equipment, furniture and fixtures	42.2	36.8
4.	Prepayments and assets under construction	2.1	4.5
		62.9	**57.9**
III.	**Financial assets**		
1.	Shares in affiliated companies	1,350.2	1,052.0
2.	Loans to affiliated companies	559.4	848.8
3.	Equity investments	0.4	0.4
		1,910.0	**1,901.2**
		2,106.7	**2,089.4**
B.	**Current assets**		
I.	**Inventories**		
1.	Raw materials and supplies	17.4	19.2
2.	Merchandise	1,653.4	1,408.3
3.	Prepayments and internally generated software under development	0.0	0.0
		1,670.8	**1,427.6**
II.	**Receivables and other assets**		
1.	Trade receivables	173.1	93.2
2.	Receivables from affiliated companies	632.6	542.7
3.	Other assets	156.6	133.1
		962.3	769.1
III.	**Securities**	**864.6**	**1,055.8**
IV.	**Cash on hand and bank balances**	**591.5**	**740.2**
		4,089.2	3,992.6
C.	**Prepaid expenses**	**22.1**	**16.2**
D.	**Deferred tax assets**	**34.4**	**32.0**
Total		**6,252.4**	**6,130.3**

Equity and liabilities

IN EUR M		Dec 31, 2022	Dec 31, 2021
A.	**Equity**		
I.	**Subscribed capital**	**263.5**	**262.0**
Less nominal value of treasury shares Conditional capital: EUR 85.6m (prior year: EUR 92.3m)		-4.6	-3.3
		259.0	258.7
II.	**Capital reserve**	**1,161.3**	**1,185.8**
III.	**Unappropriated profit**	**413.4**	**508.1**
		1,833.6	**1,952.6**
B.	**Provisions**		
1.	Tax provisions	6.0	10.2
2.	Other provisions	671.8	595.1
		677.8	**605.3**
C.	**Liabilities**		
1.	Bonds thereof convertible: EUR 1000m (prior year: EUR 1,000.0m)	1,000.0	1,000.0
2.	Prepayments received on account of orders	48.2	40.3
3.	Trade payables	1,829.0	1,803.6
4.	Liabilities to affiliated companies	618.9	468.3
5.	Other liabilities thereof for taxes: EUR 169.3m (prior year: EUR 158.2m)	233.2	254.3
		3,729.3	**3,566.6**
D.	**Deferred income**	**11.6**	**5.8**
Total		**6,252.4**	**6,130.3**

3.2 Income statement

Statement of profit and loss for the year ending December 31, 2022

IN EUR M		2022	2021
1.	Revenue	10,125.0	10,229.0
2.	Other own work capitalized	54.4	57.4
3.	Other income thereof income from currency translation: EUR 136.7m (prior year: EUR 79.4m)	239.7	150.6
		10,419.1	10,437.0
4.	Cost of materials		
	a) Cost of raw materials, consumables and supplies and of purchased merchandise	-5,493.4	-5,475.1
	b) Cost of purchased services	-103.0	-83.7
5.	Personnel expenses		
	a) Wages and salaries	-535.6	-445.0
	b) Social security, pension and other benefit costs thereof pension costs: EUR 0.4m (prior year: EUR 0.3m)	-78.9	-66.0
6.	Amortization of intangible assets and depreciation of property, plant and equipment	-72.4	-64.2
7.	Other operating expenses thereof expenses from currency translation: EUR 142.8m (prior year: EUR 96.8m)	-4,266.2	-4,084.7
		-10,549.6	-10,218.7
8.	Income from profit transfers	37.4	13.9
9.	Other interest and similar income thereof from affiliated companies: EUR 26.8m (prior year: EUR 15.0m)	32.8	22.3
10.	Interest and similar expenses thereof to affiliated companies: EUR 16.1m (prior year: EUR 6.3m)	-42.2	-32.0
		28.0	4.2
11.	Income taxes thereof income resulting from changes in deferred taxes: EUR 2.4m (prior year: EUR 7.7m)	8.8	-83.0
12.	Earnings after tax	-93.6	139.5
13.	Other taxes	-1.1	-0.9
14.	Net loss/profit for the year	-94.7	138.5
15.	Unappropriated profit from the prior year	508.1	369.6
16.	**Unappropriated profit**	**413.4**	**508.1**

3.3 Notes to the financial statements

3.3.1 General disclosures on content and classification of the financial statements

The company is a large listed corporation pursuant to Section 267 (3) HGB ["Handelsgesetzbuch": German Commercial Code].

The annual financial statements for the fiscal year were prepared in accordance with the accounting provisions for businessmen of Section 238 et seq. HGB and the supplementary provisions for public companies (Section 264 et seq. HGB). The provisions of the AktG ["Aktiengesetz": German Stock Corporation Act] in conjunction with Article 61 EU CR 2157/2001 on preparing annual financial statements were also observed. The annual financial statements were prepared on a going concern basis pursuant to Section 252 (1) No. 2 HGB.

The income statement was prepared using the nature of expense method in accordance with Section 275 (2) HGB. Due to rounding, it is possible that individual figures may not add up exactly to the total stated, and the percentages presented may not precisely reflect the figures they correspond to.

The company is based in Berlin and is registered as ZALANDO SE in the commercial register at district court Charlottenburg (HRB 158855 B).

3.3.2 Accounting policies (section 284 (2) No. 1 HGB)

The accounting policies applied comply with the provisions of the HGB (Sections 238 to 263 HGB) as well as the relevant provisions of the AktG in conjunction with Article 61 EU CR 2157/2001. Furthermore, the company observed the supplementary provisions governing the accounting and valuation methods that apply to large corporations (Sections 264 to 289f HGB).

The company made use of the option pursuant to Section 248 (2) Sentence 1 HGB to capitalize internally generated intangible assets and amortizes these assets. Amortization is charged using the straight-line method over an average estimated economic useful life of three years. The cost of internally generated intangible assets includes direct costs as well as a proportionate share of overheads.

Intangible assets purchased from third parties are recognized at cost and are amortized if they have a limited useful life. Amortization is charged using the straight-line method over an economic useful life of three to five years.

Property, plant and equipment are recognized at cost and depreciated. Depreciation of property, plant and equipment is charged pro rata temporis using the straight-line method. Depreciation is charged over the following useful lives:

Useful lives

	Years
Leasehold improvements	7 – 15
Plant and machinery	4 – 20
Other equipment, furniture and fixtures	2 – 15

Low-value assets (acquisition or production cost of between EUR 250.01 and EUR 1,000.00) are recorded in a collective item and depreciated over five years. Assets with an acquisition cost not exceeding EUR 250.00 are expensed upon acquisition.

With regard to financial assets, shares in other entities are recognized at the lower of cost or, if an impairment is expected to be permanent, net realizable value. The attributable values were calculated based on the capitalized earnings value of the respective investment in accordance with IDW AcP HFA 10.

Raw materials and supplies as well as merchandise are recognized at cost using the weighted average value pursuant to Section 240 (4) HGB or at fair value if it is lower (market prices). Apart from customary retention of title, no inventories have been pledged as security to third parties. Prepayments are stated at their nominal value.

Receivables and other assets are stated at their nominal value. Impairments in the value of trade receivables due from customers are recognized using portfolio-based specific allowances calculated with the help of country-specific allowance rates based on how long they are past due and other factors with an impact on value.

Customer returns that had not yet been completely processed, but were under the control of the company by the reporting date, are deducted from receivables.

Specific bad debt allowances were recognized for the full amount of uncollectible receivables.

Securities classified as current assets are recognized at acquisition cost or, if applicable, at the listed or market prices if they are lower on the reporting date in accordance with Section 253 (4) HGB.

Cash and cash equivalents are recognized at nominal value.

Prepaid expenses include payments made prior to the reporting date that relate to expenses for a particular period after this date.

Deferred taxes stem from temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax accounts and from unused tax losses. Deferred taxes are measured using a tax rate of 30.6% (prior year: 30.6%). This comprises corporate income tax, trade tax and the solidarity surcharge of ZALANDO SE including their controlled companies and subsidiaries. Deferred tax assets and liabilities are offset against each other.

Zalando granted options to management that entitle the beneficiaries to purchase shares in the company after working for the company for a certain period of time (equity-settled share-based payment awards). Zalando recognizes share-based payment awards in accordance with the provisions of IFRS 2 and recognizes the personnel expenses incurred in the fiscal year at an equal amount in the capital reserve under equity.

The expenses for share-based payment awards are mainly calculated using graded vesting. This means that the plan expense decreases constantly over the course of the vesting period.

Tax provisions and other provisions account for all recognizable risks and uncertain liabilities that relate to the past fiscal year and were identified by the date on which the financial statements were finalized. They are recognized at the settlement value deemed necessary according to prudent business judgment.

Revenue recognition from the sale of goods was adjusted to reflect an appropriate provision for expected returns. Provisions are recognized using the effective gross method according to which the cost of materials for expected returns is deducted from revenue in addition to the profit share attributable to returns. In addition, a provision is also recognized for the expected handling costs of returns.

Liabilities are recorded at the settlement value.

Liabilities from the sale of gift vouchers are recorded in the full amount upon receipt and adjusted to reflect the estimated utilization over time.

The company controls the liquidity risk by means of ongoing planning and monitoring of liquidity. To optimize the terms of payment, reverse factoring agreements have been entered into with various suppliers and with factors. Under these agreements, the factor purchases the respective supplier receivables due from Zalando. They are disclosed under trade payables on the face of the balance sheet.

Deferred income includes payments received prior to the reporting date that relate to income for a particular period after this date.

Receivables and liabilities in foreign currency are translated at the mean closing rate in accordance with Section 256a HGB. The realization principle (Section 252 (1) No. 4 Clause 2 HGB) and cost method (Section 253 (1) Sentence 1 HGB) were applied for receivables and liabilities with a remaining period of more than one year.

ZALANDO SE strategically counters foreign exchange risks. For this purpose, foreign exchange risks from future purchases in USD and GBP as well as future sales in foreign currency in CHF, GBP, NOK, PLN, CZK and SEK were hedged. Under the hedging concept set out by management, ZALANDO SE uses portfolio hedges for some pending transactions for purchasing goods.

Derivative financial instruments with matching amounts and maturities were used as hedges. The hedging instruments have a term of up to fourteen months. Derivative financial instruments relate to pending transactions. Forward exchange contracts and the corresponding cash flows from orders qualify as hedges as defined by Section 254 HGB. However, only the spot component of the market value development is included in the hedge.

Pending purchase and sale transactions and the corresponding spot development of the forward exchange contracts are initially accounted for using the net hedge method. Changes in the value are therefore not recognized as they are offset by changes in the value of the underlying. Once a liability or receivable has been recognized, the changes in the value of liabilities/receivables and forward exchange contracts are accounted for using the gross method. Changes in the value of hedged transactions and the opposite spot developments in the value of forward exchange contracts are then recognized through profit or loss.

The market value of the forward exchange contracts is based on the ECB reference rates taking into account the forward discounts and premiums customary for the market. If an ineffective portion is identified or expectations regarding the hedged transaction occurring change, the negative market value of the corresponding derivative financial instrument is recognized in the provision for potential losses through profit and loss. The positive market value of the corresponding instruments is not recognized.

In addition, forward exchange contracts were agreed upon in order to safeguard against short-term liquidity shortages. No hedges were designated for these transactions. Furthermore, since only the spot component was included in the hedge, the interest component is free-standing. If the derivative financial instruments have negative market values, a provision for potential losses from pending transactions is recognized through profit or loss.

3.3.3 Notes to the balance sheet

Fixed assets

The development of the individual fixed asset items, including depreciation and amortization for the fiscal year, is shown in the statement of changes in fixed assets (attachment A to these notes).

Development costs for internally generated intangible assets of EUR 54.1m (prior year: EUR 57.3m) were capitalized in the fiscal year. As in the prior year, development costs were solely incurred for the development of software. No research costs were incurred.

List of shareholdings classified as fixed financial assets

On July 1, 2022, Zalando acquired 86.83% of all shares of Titel Media GmbH, Berlin (“Highsnobiety”). Highsnobiety is an influential global fashion and lifestyle media brand that comprises a publishing company, creative consultancy and a curated commerce platform. In turn, Titel Media GmbH holds 100% of the shares in Highsnobiety Incorporated, New York, USA, and Highsnobiety Metaverse GmbH, Berlin, and 50% of the shares in GATEZERO GmbH, Berlin.

The company held shareholdings in the following affiliated companies and equity investments as of December 31, 2022:

List of shareholdings

No.	Company	Company domicile	Currency
Subsidiaries			
1	zLabels GmbH[2]	Berlin	EUR
2	Zalando Operations GmbH	Berlin	EUR
3	Zalando Logistics SE & Co. KG[3]	Erfurt	EUR
4	Zalando Logistics Mönchengladbach SE & Co. KG[3]	Mönchengladbach	EUR
5	Zalando Logistics Süd SE & Co. KG[3]	Berlin	EUR
6	Zalando Logistics Operations France SAS	Paris, France	EUR
7	Zalando Customer Care DACH SE & Co. KG[3]	Berlin	EUR
8	Zalando Customer Care International SE & Co. KG[3]	Berlin	EUR
9	Zalando Lounge Service GmbH[2]	Berlin	EUR
10	Zalando Outlets GmbH[2]	Berlin	EUR
11	Zalando Ireland Ltd.	Dublin, Ireland	EUR
12	Zalando Finland Oy	Helsinki, Finland	EUR
13	BREAD & butter GmbH & Co. KG	Berlin	EUR
14	Portokali Property Development III SE & Co. KG[3]	Berlin	EUR
15	Zalando Studios Berlin GmbH	Berlin	EUR
16	Mobile Fashion Discovery GmbH	Berlin	EUR
17	Zalando Marketing Services GmbH[2]	Berlin	EUR
18	BREAD & butter tradeshow Verwaltungs GmbH	Berlin	EUR
19	zLabels Trading Ltd.	Hong Kong, Hong Kong	HKD
20	zLabels China Trading Co. Ltd.	Dongguan, China	CNY
21	ifansho Holding GmbH	Berlin	EUR
22	nugg.ad GmbH	Berlin	EUR
23	Zalando Logistics Operations Polska sp. z o.o.[4]	Gardno, Poland	PLN
24	Tradebyte Software GmbH[2]	Ansbach	EUR
25	Zalando Lounge Logistics SE & Co. KG[3]	Berlin	EUR
26	Zalando Logistics Operations Spain S.L.U.	Elche, Spain	EUR
27	zLabels LP GmbH	Berlin	EUR
28	Zalando Payments GmbH	Berlin	EUR
29	Zalando Switzerland AG	Zurich, Switzerland	CHF
30	Connected Retail GmbH	Berlin	EUR

Share of equity held by[1]	Share in capital as % 2022	Net income/loss for 2022 (in EUR m)	Equity (in EUR m)
Directly	100.0	1.7	43.2
Directly	100.0	-2.1	145.5
Directly 2	99.0 1.0	6.2	82.9
Directly 2	99.0 1.0	5.2	109.6
Directly 2	99.0 1.0	4.6	92.0
Directly	100.0	0.0	12.0
Directly 2	99.0 1.0	2.6	7.5
Directly 2	99.0 1.0	2.4	7.2
Directly	100.0	0.6	0.0
Directly	100.0	0.0	13.2
Directly	100.0	15,0	92,5
Directly	100.0	4,5	27,8
Directly	100.0	-0.2	2.8
Directly 2	99.9 0.1	0.1	14.0
Directly	100.0	2.5	4.0
Directly	100.0	-0.1	0.3
Directly	100.0	34.3	21.0
13	100.0	0.0	0.0
1	100.0	0,1	0,9
19	100.0	0.0	0.5
Directly	100.0	0.2	15.7
17	100.0	0.9	2.8
2	100.0	2.6	77.0
Directly	100.0	0,9	1,3
Directly 2	99.0 1.0	0.9	9.4
1	100.0	0.1	7.8
1	100.0	0.0	0.0
Directly	100.0	34.3	262.9
Directly	100.0	3.4	10.3
Directly	100.0	1.5	1.9

No.	Company	Company domicile	Currency
31	Zalando Beauty Store GmbH	Berlin	EUR
32	Zalando Lounge Logistics Polska sp. z o.o.[4]	Olsztynek, Polen	PLN
33	Tradebyte Software Ltd.	Cheltenham, United Kingdom	GBP
34	Anatwine, Inc.	New Castle, Delaware, USA	USD
35	Zalando OpCo Polska Sp. z o.o.[4]	Gluchow, Poland	PLN
36	zLabels Creation & Sales GmbH & Co. KG	Berlin	EUR
37	zLabels Platform Services GmbH & Co. KG	Berlin	EUR
38	Zalando Logistics Operations Italy S.R.L.	Bolzano, Italy	EUR
39	Zalando Logistics Operations Netherlands B.V.	Bleiswijk, Netherlands	EUR
40	Zalando Lounge Content Solutions SE & Co. KG[3]	Berlin	EUR
41	Zalando Customer Care Central Services SE & Co. KG[3]	Berlin	EUR
42	Zalando Stores GmbH & Co. KG	Berlin	EUR
43	Fashion Circle GmbH	Berlin	EUR
44	Zalando Logistics Gießen SE & Co. KG[3]	Berlin	EUR
45	Zalando BTD 003 GmbH	Berlin	EUR
46	Zalando BTD 007 SE & Co. KG[3]	Berlin	EUR
47	Zalando Lounge Operations Bydgoszcz Polska Sp. z.o.o.	Olsztynek, Poland	PLN
48	Zalando BTD 009 SE & Co. KG[3]	Berlin	EUR
49	Zalando BTD 010 SE & Co. KG[3]	Berlin	EUR
50	Zalando BTD 011 SE & Co. KG[3]	Berlin	EUR
51	Zalando UK Ltd.	Cheltenham, United Kingdom	GBP
52	Zalando Netherlands B.V.	Bleiswijk, Netherlands	EUR
53	DGQ Slovakia s.r.o.	Bratislava, Slovakia	EUR
54	Titel Media GmbH[4]	Berlin	EUR
55	Highsnobiety Incorporated[4]	New York, USA	USD
56	Highsnobiety Metaverse GmbH[7]	Berlin	EUR
57	Zalando Sweden AB	Malmö, Sweden	SEK

Share of equity held by[1]	Share in capital as % 2022	Net income/loss for 2022 (in EUR m)	Equity (in EUR m)
Directly	100.0	0.0	1.0
Directly	100.0	1.7	56.1
Directly	100.0	–1,1	–14,2
33	100.0	0.0	0.0
2	100.0	2.3	61.3
1 27	99.0 1.0	0.0	2.1
1 27	99.0 1.0	0.0	2.3
Directly	100.0	4,1	119,8
Directly	100.0	12.1	140.0
Directly 9	99.0 1.0	0.6	3.0
Directly 2	99.0 1.0	0.0	1.9
10 2	99.0 1.0	14.1	23.8
Directly	100.0	0,0	0,4
Directly 2	99.0 1.0	-1.0	48.4
Directly	100.0	0.0	0.0
Directly 2	99.0 1.0	0.0	0.0
Directly	100.0	0.1	44.6
Directly 2	99.0 1.0	0.0	0.0
Directly 2	99.0 1.0	0.0	0.0
Directly 2	99.0 1.0	0.0	0.0
Directly	100.0	0.0	0.0
Directly	100.0	0.0	0.0
Directly	100.0	0.0	0.0
Directly	86.8	4.9	28.6
54	100.0	3.9	0.6
54	100.0	—	—
Directly	100.0	0.0	0.0

No.	Company	Company domicile	Currency
Equity investments			
58	Le New Black S.A.S.[5]	Paris, France	EUR
59	GATEZERO GmbH[6]	Berlin	EUR
60	Moncalieri Logistics S.r.l.[7]	Turin, Italy	EUR

1) The numbering refers to the number of the company.
2) Net income for 2022 before profit transfer.
3) ZALANDO SE is general partner.
4) As of Dec 31, 2021.
5) As of Jun 30, 2022.
6) For the short fiscal year Sept 1, 2021 to Dec 31, 2021.
7) Company founded in 2022. Statutory financial statements for 2022 not finalized yet.

	Share of equity held by[1]	Share in capital as % 2022	Net income/loss for 2022 (in EUR m)	Equity (in EUR m)
	21	33.2	0.1	0.1
	54	50.0	0.0	1.9
	38	50.0	–	–

Inventories

Inventories include goods, primarily consisting of shoe and textile product groups.

Receivables and other assets

Most of the receivables due from affiliated companies are receivables from intercompany factoring of EUR 434.8m (prior year: EUR 488.8m) and trade receivables of EUR 196.7m (prior year: EUR 53.9m).

Other assets mainly consist of income tax refund claims, VAT refund claims, creditors with a debit balance and customs credit.

As in the prior year, all receivables and other assets have a remaining term of less than one year.

Equity

Subscribed capital

As of the reporting date, 263,531,672 (prior year: 262,022,094) no-par value registered shares (Stückaktien) are outstanding. Each share represents an imputed share of subscribed capital of EUR 1.00 and entitles the bearer to one vote at the company's annual general meeting.

During fiscal year 2022, subscribed capital was increased by a total of EUR 1.5m to EUR 263.5m by making partial use of conditional capital 2013, 2014 and 2016. Subscribed capital is fully paid in.

As of the reporting date, authorized and conditional capital comprise the following components:

Authorized and conditional capital

	Amount in EUR m	Number of no-par value shares (Stückaktien)	Purpose
Authorized capital 2020	99.3	99,254,719	Cash or non-cash capital increases until June 22, 2025
Conditional capital 2013	2.4	2,445,140	Servicing of subscription rights from SOP 2013
Conditional capital 2014	3.3	3,297,193	Servicing of subscription rights from SOP 2014
Conditional capital 2016	3.1	3,089,010	Servicing of subscription rights from EIP 2016
Conditional capital 2019	1.5	1,522,269	Servicing of subscription rights from LTI 2018
Conditional capital 2020	75.2	75,199,787	Servicing of subscription rights from convertible bonds and/or bonds with warrants or a combination of these instruments until June 22, 2025

Content of the authorizing resolution on the authorized capital 2020
By resolution of the annual general meeting on June 23, 2020, the Management Board is authorized to increase the registered share capital of the company until June 22, 2025, with the consent of the Supervisory Board, once or several times, by up to a total of EUR 100,266,384 by issuing up to 100,266,384 new no-par value bearer shares against contributions in cash and / or in kind (authorized capital 2020). The shareholders are, in principle, entitled to subscription rights. In fiscal year 2022, with the consent of the Supervisory Board, the Management Board created 1,011,665 new shares making partial use of authorized capital 2020 in return for a contribution in kind. The contribution in kind comprises a portion of the shares acquired in Titel Media GmbH on July 1, 2022.

In addition, the Management Board is authorized, subject to the consent of the Supervisory Board, to preclude the subscription right of the shareholders on one or several occasions in certain cases. The total of the shares issued under the authorization with the exclusion of subscription rights from capital increases in return for contributions in cash and/or in kind may not exceed 20% of the share capital. This applies to the share capital existing both at the time the authorization becomes effective and when it is exercised.

In addition, 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.

Treasury shares
In 2022, ZALANDO SE transferred a total of 944,754 treasury shares to employees under employee option programs. As part of the share buyback program 2022, 2,200,000 shares in the company were reacquired. The buyback began on January 21, 2022 and ended on March 1, 2022. The shares acquired serve to meet ZALANDO SE's obligations arising from stock option programs for employees of the Zalando Group and for members of the Management Board of ZALANDO SE. In total, the company holds 4,558,107 treasury shares (notional share in share capital of EUR 4,558,107) as of the reporting date, and thus 1.73% of the share capital.

Share-based payments
The company uses Long Term Incentives (LTI 2018, LTI 2019, LTI 2021 and LTI 2021/2022), Employee Incentive Plans (EIP 2016, 2017, 2018, 2019) as well as Stock Option Plans (SOP 2014), Virtual Stock Option Plans (VSOP 2018), Zalando Ownership Plans (ZOP 2019, ZOP 2021 and ZOP 2021/2022) for stock-based compensation, which are granted to members of the Management Board and selected employees in managerial positions.

The stock option plans are as follows:

Stock option plans

Program	Outstanding options	Weighted average exercise price (in EUR)	Waiting period
LTI 2018: Management Board	4,296,949	47.44	4 – 5 years
LTI 2019: Management Board	339,256	21.43	1 – 4 years
LTI 2021 and LTI 2021/2022: Management Board	236,417	48.53	4 years
ZOP 2021 and ZOP 2021/2022: Management Board	19,424	1.00	0 – 2 years
SOP 2014: Employees	614,541	23.97	4 years
EIP 2016, 2017, 2018, 2019: Employees	2,701,574	37.83	4 years
ZOP 2019: Employees	3,588,378	29.21	0 – 2 years
VSOP 2018: Employees	60,000	29.84	2 – 5 years

Capital reserve

The capital reserve amounts to EUR 1,161.3m (prior year: EUR 1,185.8m). In the fiscal year, the capital reserve included an amount of EUR 83.7m stemming from share-based equity-settled payment awards (prior year: EUR 45.5m). Furthermore, the capital reserve was increased by EUR 0.9m in a capital increase from conditional capital 2014 and 2016. On the other hand, the capital reserve decreased by EUR 109.0m due to the purchase of treasury shares (less the issue of treasury shares under option programs).

The capital reserve includes an amount of EUR 338.3m (prior year: EUR 229.3m) pertaining to treasury shares.

Unappropriated profit

Unappropriated profit

IN EUR M	2022	2021
As of Jan 1	508.1	369.6
Net loss/profit for the year	-94.7	138.5
As of Dec 31	**413.4**	**508.1**

Voting rights notifications

Pursuant to Section 160 (1) No. 8 AktG, an entity must disclose information regarding shareholdings. Please refer to attachment B to these notes for the shareholdings subject to the notification requirements pursuant to Section 33 (1) or (2) WpHG [“Wertpapierhandelsgesetz”: German Securities Trading Act] and Section 40 (1) WpHG of which the company has been notified.

Provisions

Provisions totaling EUR 677.8m were recognized (prior year: EUR 605.3m). They primarily relate to outstanding invoices for fulfillment expenses (EUR 260.3m; prior year: EUR 234.0m), expected returns (EUR 154.6m; prior year: EUR 144.1m), marketing expenses (EUR 109.9m; prior year: EUR 114.6m), potential losses from pending transactions (EUR 39.8m; prior year: EUR 6.1m) as well as other outstanding invoices (EUR 25.8m; prior year: EUR 42.5m).

Liabilities

The bonds consist of two tranches of convertible bonds placed in 2020 for a total amount of EUR 1.0bn; EUR 500m each (prior year: EUR 1.0bn). The terms of the tranches are until August 6, 2025 and August 6, 2027.

Furthermore, under reverse factoring agreements, suppliers' claims against Zalando totaling EUR 794.2m were transferred to various banks as of December 31, 2022 (December 31, 2021: EUR 599.8m). They were disclosed under trade payables on the face of the balance sheet.

Liabilities to affiliated companies primarily comprise cash pool liabilities of EUR 321.4m (prior year: EUR 269.8m) and trade payables of EUR 297.4m (prior year: EUR 183.5m).

Other liabilities of EUR 233.2m (prior year: EUR 254.3m) relate mainly to taxes (EUR 169.3m; prior year: EUR 158.2m) and liabilities related to gift vouchers (EUR 60.4m; prior year: EUR 58.8m).

As in the prior year, all liabilities are due in less than one year, apart from the bond. The liabilities are not secured by liens or any other similar rights.

Deferred taxes

Zalando discloses deferred tax assets and liabilities in the balance sheet as a net amount. This results in a net deferred tax asset of EUR 34.4m (prior year: EUR 32.0m). The deferred tax assets of EUR 81.3m (prior year: EUR 70.0m) are mostly comprised of investments held in subsidiaries, the differing valuations of current foreign currency receivables and payables (as a result of unrealized exchange rates) as well as the differing valuations of provisions (such as restoration obligations, potential losses, vacation) and the share-based payment programs.

Deferred tax assets are counterbalanced by deferred tax liabilities of EUR 46.9m (prior year: EUR 38.0m) that mainly result from the capitalization of internally generated intangible assets.

Deferred taxes break down as follows:

Deferred tax assets and liabilities

IN EUR M	Deferred tax assets		Deferred tax liabilities		Net balance	
	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Intangible assets	0.0	0.0	-35.6	-33.0	-35.6	-33.0
Property, plant and equipment and financial assets	38.1	27.8	-0.8	-1.2	37.3	26.6
Receivables and other assets	1.6	0.0	-9.9	-3.7	-8.3	-3.7
Provisions and other liabilities	24.2	9.9	-0.6	-0.1	23.6	9.8
Share-based payments	17.4	32.3	0.0	0.0	17.4	32.3
Total	**81.3**	**70.0**	**-46.9**	**-38.0**	**34.4**	**32.0**
Netting	-46.9	-38.0	46.9	38.0	0.0	0.0
Total recognized deferred tax assets and liabilities	**34.4**	**32.0**	**0.0**	**0.0**	**34.4**	**32.0**

3.3.4 Notes to the income statement

Revenue

In fiscal year 2022, around 43.0% of revenue related to the Germany/Austria/Switzerland (DACH region) (see following table).

Revenue of ZALANDO SE by geographical region

IN EUR M	2022		2021		Changes	
DACH*	4,356.4	43.0%	4,530.7	44.3%	-174.3	-3.8%
Rest of Europe**	5,768.7	57.0%	5,698.3	55.7%	70.4	1.2%
Total	**10,125.0**	**100.0%**	**10,229.0**	**100.0%**	**-103.9**	**-1.0%**

*) The DACH region is comprised of Germany, Austria and Switzerland.
**) The Rest of Europe region is comprised of Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, France, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Norway, Poland, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom.

Revenue stems from the sale of merchandise (EUR 8,501.3m), the provision of third-party services (EUR 1,347.5m), as well as revenue from intercompany charges (EUR 276.3m).

Income and expenses relating to other periods

Other income contains income relating to other periods of EUR 29.2m (prior year: EUR 26.7m), mainly from the reversal of provisions. Other expenses contain expenses relating to other periods of EUR 0.0m (prior year: EUR 2.5m).

Income taxes

Income taxes include the deferred taxes and current income taxes paid or payable. They comprise trade tax, corporate income tax and solidarity surcharge. As in the prior year, the statutory corporate income tax rate, including solidarity surcharge, for the assessment period 2022 was 15.8%. The applicable trade tax rate was 14.8% as in the prior year.

Current and deferred taxes are presented in the following table.

Current and deferred taxes

IN EUR M	Jan 1 – Dec 31, 2022	Jan 1 – Dec 31, 2021
Deferred taxes	2.4	7.7
Current taxes in Germany	6.4	-90.7
Total	**8.8**	**-83.0**

Restrictions on distribution pursuant to Section 268 (8) HGB

The recognition of internally generated intangible assets less the deferred tax liabilities recognized thereon and the excess of deferred tax assets over deferred tax liabilities result in a restricted amount of EUR 141.2m (prior year: EUR 132.4m).

3.3.5 Other notes

Number of employees

An annual average of 6,605 (prior year: 5,868) persons were employed by the company in the fiscal year:

Average number of employees

	2022	2021
Commercial	2,155	1,809
Technology	2,224	2,005
Other	2,225	2,054
Total	**6,605**	**5,868.0**

Group affiliation

As the German parent company, ZALANDO SE prepares consolidated financial statements. The consolidated financial statements of ZALANDO SE, Berlin, are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (Section 315e HGB). The consolidated financial statements are published in the Bundesanzeiger [German Federal Gazette].

Audit fees

The company has opted not to disclose audit fees in accordance with Section 285 No. 17 last clause HGB. They are disclosed in the consolidated financial statements of ZALANDO SE.

Subsequent events

In February 2023, we announced a program that will remove several hundred overhead roles across many of our teams to reduce complexity and increase our ability to act fast.
We estimate the associated cost of this program to be in the range of EUR 25m-EUR 45m in financial year 2023. These non-recurring costs will be reported outside of our adjusted EBIT.

No further significant event occurred between the reporting date (December 31, 2022) and the date the annual financial statements and management report are authorized for issue by the Management Board (March 6, 2023) that could have a material impact on the presentation of the assets, liabilities, financial position and financial performance of the company.

Members of the Supervisory Board

Members of the Supervisory Board

Supervisory Board	Profession	Member of the Supervisory Board since
Cristina Stenbeck (Chairperson)	Investor and public company director	May 22, 2019
Kelly Bennett (Deputy chairperson)	Executive Advisor	May 22, 2019
Jennifer Hyman	CEO, Chair of the Board and Co-founder of Rent the Runway Inc.	June 23, 2020
Niklas Östberg	CEO and Co-founder of Delivery Hero SE	May 19, 2021
Anders Holch Povlsen	CEO of Bestseller A/S	December 12, 2013
Mariella Röhm-Kottmann	SVP/Head of Corporate Accounting of ZF Friedrichshafen AG	May 22, 2019
Matti Ahtiainen	Employed at Zalando Finland Oy	June 23, 2020
Jade Buddenberg	Employed at ZALANDO SE	June 23, 2020
Anika Mangelmann	Employed at ZALANDO SE	June 23, 2020

The remuneration of the Supervisory Board is governed by Article 15 of ZALANDO SE's Articles of Association and comprises fixed annual payments. The amount is based on the responsibilities and scope of the activities carried out by the respective Supervisory Board member as well as the company's economic situation.

According to the Articles of Association, the members of the Supervisory Board received remuneration of EUR 1.0m in fiscal year 2022 (prior year: EUR 1.0m). The remuneration of the Supervisory Board members falls due after the annual general meeting in which the consolidated financial statements for the fiscal year for which the remuneration is paid or their approval is decided on.

Reference is also made to the remuneration report, which is included in the Annual Report 2022.

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	**Memberships in statutory supervisory boards or comparable controlling bodies of enterprises in Germany or abroad**
Cristina Stenbeck (chairperson)	Spotify Technology S.A., Luxembourg (member of the Board of Directors)
Kelly Bennett (deputy chairperson)	–
Jennifer Hyman	The Estée Lauder Companies Inc., USA (member of the Board of Directors)
Niklas Östberg	trivago N.V., Germany (member of the Supervisory Board)
Anders Holch Povlsen	Heartland A/S and various entities of the Heartland group (including entities in the Bestseller group and Intervare A/S and subsidiaries) as well as entities with a family connection (member of the Board of Directors) J.Lindeberg Holding (Singapore) Pte. Ltd. and subsidiaries, Singapore (member of the Board of Directors) Donau Agro ApS. (member of the Board of Directors) until July 2022 Donau Agro Invest P/S (member of the Board of Directors) since July 2022
Mariella Röhm-Kottmann	ZF Services España, S.L., Spain (member of the Board of Directors) ZF India Pvt. Ltd. (chairperson of the Board) Compagnie Financière de ZF SAS, France (chairperson of the Supervisory Board)
Matti Ahtiainen	–
Jade Buddenberg	–
Anika Mangelmann	–

Members of the Management Board

The Management Board of ZALANDO SE is made up as follows:

Members of the Management Board

Management Board	Profession
Robert Gentz	Management Board member responsible for the company's strategy and corporate affairs as well as the company's technology and product development
David Schneider	Management Board member responsible for defining and driving the marketing and growth strategy of Zalando's consumer offerings and for Sustainability as well as Diversity & Inclusion
Dr. Sandra Dembeck (since March 1, 2022)	Management Board member responsible for finance and corporate governance
David Schröder	Management Board member responsible for building and scaling Zalando's unique capabilities
Dr. Astrid Arndt	Management Board member responsible for people & organization
James M. Freeman, II	Management Board member responsible for the adoption of an updated operating model

Since May 2022, Jim Freeman has been a member of the board of directors of SoftwareONE Holding AG, Switzerland. Apart from that, the members of the Management Board of ZALANDO SE are not members of a statutory supervisory board or members of a comparable controlling body in Germany or abroad.

The members of the Management Board were employed on a full-time basis.

The remuneration of the Management Board totaled EUR 5.4m in fiscal year 2022 (prior year: EUR 5.5m). Under LTI 2021/2022, ZOP 2021 and ZOP 2021/2022, the members of the Management Board were also granted 0.2 million new option rights (total fair value: EUR 2.4m) in fiscal year 2022. Under LTI 2021 and ZOP 2021, the members of the Management Board were granted 0.1 million new option rights (total fair value: EUR 3.5m) in the prior year.

Contingent liabilities as defined by Section 251 HGB

Contingent liabilities as defined by Section 251 HGB as of the reporting date:

Contingent liabilities

IN EUR M	Dec 31, 2022	Dec 31, 2021
Contingent liabilities from rental guarantees	43,5	34,6
thereof to affiliated companies	(43,5)	(34,6)
Contingent liabilities from payment guarantees	2,6	2,7
thereof to affiliated companies	(2,6)	(2,7)
Total	**46,1**	**37,3**

Furthermore, ZALANDO SE has entered into obligations towards various companies to provide their subsidiaries within the group presented in the table with financial resources so that they are in a position to settle their liabilities from rental agreements mentioned below and to assume personal limited and unlimited liability where necessary:

Contingent liabilities from subsidiaries' rental agreements

Subsidiary	Agreement/location
Zalando Logistics SE & Co. KG	Rental agreement, Brieselang fulfillment space
Zalando Logistics SE & Co. KG	Rental agreement, fulfillment space in Erfurt
Zalando Logistics SE & Co. KG	Rental agreement, fulfillment space in Erfurt
Zalando Logistics Mönchengladbach SE & Co. KG	Rental agreement, fulfillment space in Mönchengladbach
Zalando Logistics Mönchengladbach SE & Co. KG	Rental agreement, fulfillment space in Mönchengladbach
Zalando Logistics Süd SE & Co. KG	Rental agreement, fulfillment space in Lahr
Zalando Logistics Operations Polska sp. z.o.o.	Rental agreement, fulfillment space in Szczecin (PL)
Zalando OpCo Polska sp. z.o.o.	Rental agreement, fulfillment space in Lodz (PL)
Zalando Lounge Logistics Polska sp. z.o.o.	Rental agreement, fulfillment space in Olsztynek (PL)
Zalando Logistics Operations Italy S.r.l.	Rental agreement, fulfillment space in Verona (IT)
Zalando Logistics Operations Italy S.r.l.	Rental agreement, fulfillment space in Verona (IT)
Zalando Logistics Operations Italy S.r.l.	Rental agreement, fulfillment space in Verona (IT)
Zalando Logistics Operations Netherlands B.V.	Rental agreement, fulfillment space in Bleiswijk (NL)
Zalando Lounge Content Solutions SE & Co. KG	Rental agreement, office space in Berlin, Zeughofstraße
Zalando Lounge Operations Bydgoszcz Polska sp. z.o.o.	Rental agreement, fulfillment space in Bydgoszcz (PL)
Zalando Logistics Operations Netherlands B.V.	Rental agreement, fulfillment space in Bleiswijk (NL)
Zalando Lounge Logistics Bydgoszcz Polska sp. z o.o.	Rental agreement, fulfillment space in Bydgoszcz (PL)

Furthermore, ZALANDO SE has entered into obligations towards various companies to provide their subsidiaries within the group presented in the table with financial resources so that they are in a position to settle their liabilities from agreements mentioned below and to assume personal limited and unlimited liability where necessary:

Contingent liabilities from subsidiaries' other agreements

Subsidiary	Agreement/location
zLabels GmbH	Agreement for fulfillment services
zLables Trading Limited	AirPlus company account
Zalando Logistics Operations Italy S.r.l.	Service agreement at fulfillment space in Verona (IT)
Zalando Lounge Logistics Polska sp z.o.o.	Warehouse equipment
Zalando Logistics Operations Italy S.r.l.	Agreement for fulfillment services
Zalando Logistics Operations Netherlands B.V.	Agreement for fulfillment services
Zalando Logistics Operations Polska sp. z o.o.	Agreement for fulfillment services
Zalando Logistics SE & Co. KG	Framework service agreement for conveyor systems
Zalando Logistics Mönchengladbach SE & Co. KG	Framework service agreement for conveyor systems
Zalando Logistics Süd SE & Co. KG	Framework service agreement for conveyor systems
Zalando Lounge Logistics SE & Co. KG	Framework service agreement for conveyor systems
Zalando Logistics Gießen SE & Co. KG	Framework service agreement for conveyor systems
Zalando Logistics Operations Italy S.r.l.	Framework service agreement for conveyor systems
Zalando Logistics Operations Netherlands B.V.	Framework service agreement for conveyor systems
Zalando Logistics Operations Spain S.L.U.	Framework service agreement for conveyor systems
Zalando Logistics Operations France S.A.S.	Framework service agreement for conveyor systems
Zalando Logistics Operations Polska sp. z o.o.	Framework service agreement for conveyor systems
Zalando OpCo Polska sp. z o.o.	Framework service agreement for conveyor systems
Zalando Lounge Logistics Polska sp. z o.o.	Framework service agreement for conveyor systems
Zalando Logistics Gießen SE & Co. KG	Agreement for fulfillment services
Zalando Logistics Süd SE & Co. KG	Agreement for fulfillment services
Zalando Logistics Operations France SAS	Agreement for fulfillment services
Zalando Logistics Gießen SE & Co. KG	Agreement for fulfillment services

In addition, ZALANDO SE guaranteed Swiss Re International SE to hedge all claims from the surety insurance policies of Zalando Payments GmbH with Swiss Re International SE and the bank guarantees of a maximum amount of EUR 210m issued as part of this surety insurance policy.

Based on the economic situation and the forecasts available, ZALANDO SE deems the risk of claims being made from these contingent liabilities to be low.

Other financial obligations pursuant to Section 285 No. 3a HGB

There were other financial obligations from rental and lease agreements of EUR 419.6m (prior year: EUR 249.1m) (thereof to affiliated companies: EUR 0.0m (as in the prior year)) as of the reporting date.

These obligations relate to the following items:

Other financial obligations

IN EUR M	
Rental agreements	418.4
Lease agreements	1.2
Total	**419.6**

Rental and lease agreements have a residual term of up to 10 years.

There is also a purchase obligation for merchandise for the 2023 spring/summer season as of the reporting date.

Derivative financial instruments

As of the reporting date, forward exchange contracts totaled EUR 2,037.5m (prior year: EUR 2,716.5m), some of which displayed a positive market value of EUR 43.2m (prior year: EUR 34.4m) while others displayed a negative market value of EUR 68.4m (prior year: EUR 72.9m).

The designation and accounting of valuation units according to HGB was done in the following cases as of the reporting date:

The gross method was used to combine trade payables in USD with a volume of EUR 22.5m (prior year: EUR 42.0m) with forward exchange contracts (positive market value: EUR 2.7m (prior year: EUR 2.9m)); negative market value: EUR 0.0m (prior year: EUR 0.0m)) in several portfolio hedges in order to hedge the currency risk. The gross method was used to combine receivables from the sale of goods to customers in CHF and SEK with a volume of EUR 113.3m (prior year: EUR 108.2m) with forward exchange contracts (positive market value: EUR 2.5m (prior year: EUR 0.0m)); negative market value: EUR 7.0m (prior year: EUR 3.6m)) in several portfolio hedges in order to hedge the currency risk. The effectiveness is measured prospectively using the critical terms match method and retrospectively using the dollar offset method. All value changes in derivatives are expected to be fully compensated in the future, as the critical features of underlying hedged items and hedging instruments match.

The net method was used to combine expected sales of goods to customers in CHF, GBP, NOK, PLN, CZK and SEK with a volume of EUR 1,522.7m (prior year: EUR 2,229.0m) with forward exchange contracts (positive market value: EUR 26.0m (prior year: EUR 12.8m)); negative market value: EUR 55.3m (prior year: EUR 69.3m)) in several portfolio hedges in order to hedge the currency risk. The net method was used to combine expected orders of goods in USD and GBP with a volume of EUR 268.1m (prior year: EUR 336.6m) with forward exchange contracts (positive market value: EUR 10.2m (prior year: EUR 18.8m); negative market value: EUR 1.8m (prior year: EUR 0.1m)) in several portfolio hedges in order to hedge the currency risk. The effectiveness is measured prospectively using the critical terms match method and retrospectively using the dollar offset method. All value changes in derivatives are expected to be fully compensated in the future, as the critical features of underlying hedged items and hedging instruments match.

In addition, CHF, CZK, GBP, NOK, SEK and USD forward exchange contracts were entered into for which the hedges were either ended due to changed expectations regarding the occurrence of the hedged transaction or which were intended for short-term liquidity bottlenecks and which as such are not part of a valuation unit within the meaning of Section 254 HGB as of the reporting date. These forward exchange contracts have a volume of EUR 110.8m (prior year: EUR 0.7m) (positive market value: EUR 1.7m (prior year: EUR 0.0m); negative market value: EUR 4.3m (prior year: EUR 0.1m)). Furthermore, the interest components of all hedging instruments are not classified as part of a valuation unit, positive market value: EUR 5.0m (prior year: EUR 9.1m), negative market value: EUR 28.0m (prior year: EUR 6.0m). A corresponding provision for potential losses from pending transactions was recognized equivalent to the negative freestanding market value.

Related parties disclosures

Related parties are legal or natural persons that can influence ZALANDO SE or that are subject to the control or significant influence of ZALANDO SE.

Transactions with related parties were mainly concluded with subsidiaries of ZALANDO SE. Business transactions with related parties are conducted at arm’s length.

Appropriation of profits

The Supervisory Board and the Management Board propose that the unappropriated profit of ZALANDO SE for the past fiscal year of EUR 413,374,327.15 be carried forward in full.

Corporate governance declaration

The declaration of conformity of the Management Board and Supervisory Board on the German Corporate Governance Code pursuant to Section 161 AktG from December 2022 is published on the company's website (https://corporate.zalando.com/sites/default/files/media-download/Zalando_SE_Declaration_of_Conformity_2022.pdf).

Signing of the 2022 financial statements

Berlin, March 6, 2023

The Management Board

Robert Gentz	David Schneider	James M. Freeman, II
David Schröder	Dr. Astrid Arndt	Dr. Sandra Dembeck

3.3.6 Attachment A to the notes

Statement of changes in fixed assets for fiscal year 2022

IN EUR M	Acquisition and production cost				
	Jan 1, 2022	Additions	Disposals	Reclassifications	Dec 31, 2022
Intangible assets					
Internally generated software	255.4	29.4	-8.0	28.3	305.1
Industrial rights, similar rights and assets and licenses in such rights and assets	82.0	3.7	-2.3	4.6	87.9
Prepayments and internally generated software under development	47.0	26.6	-5.0	-32.9	35.6
	384.3	59.7	-15.4	0.0	428.7
Property, plant and equipment					
Buildings on third-party land	1.9	0.0	0.0	0.0	1.9
Plant and machinery	24.7	6.4	-0.3	2.1	32.8
Other equipment, furniture and fixtures	99.8	19.9	-12.8	1.7	108.6
Prepayment and assets under construction	4.5	1.6	-0.1	-3.9	2.1
	130.8	27.9	-13.3	0.0	145.4
Financial Assets					
Shares in affiliated companies	1,128.5	298.2	0.0	0.0	1,426.8
Loans to affiliated companies	851.0	53.7	-343.1	5.7	567.3
Equity investments	2.5	0.0	0.0	0.0	2.5
	1,981.9	351.9	-343.1	5.7	1,996.5
	2,497.0	439.6	-371.7	5.7	**2,570.6**

		Accumulated amortization, depreciation and write-downs				Carrying amounts	
	Jan 1, 2022	Additions	Disposals	Reclassifications	Dec 31, 2022	Dec 31, 2022	Dec 31, 2021
	191.7	43.0	-7.9	0.0	226.8	78.3	63.6
	60.8	8.7	-1.7	0.2	68.0	20.0	21.2
	1.4	0.0	-1.2	-0.2	0.0	35.6	45.6
	253.9	51.7	-10.8	0.0	294.9	133.8	130.4
	0.5	0.4	0.0	0.0	0.8	1.0	1.4
	9.5	6.1	-0.3	0.0	15.3	17.5	15.2
	63.0	14.2	-10.8	0.0	66.4	42.2	36.8
	0.0	0.0	0.0	0.0	0.0	2.1	4.5
	72.9	20.7	-11.1	0.0	82.5	62.9	57.9
	76.6	0.0	0.0	0.0	76.6	1,350.2	1,052.0
	2.2	0.0	0.0	5.7	7.9	559.4	848.8
	2.0	0.0	0.0	0.0	2.0	0.4	0.4
	80.8	0.0	0.0	5.7	86.5	1,910.0	1,901.2
	407.6	72.4	-21.9	5.7	**463.8**	**2,106.7**	2,089.4

3.3.7 Attachment B to the notes

Disclosures pursuant to Section 160 (1) No. 8 AktG

The company was notified pursuant to Section 33 (1) or (2) WpHG of shareholdings held in it and published such in accordance with Section 40 (1) WpHG:

Allianz Global Investors GmbH, Frankfurt/Main, Germany, informed us on April 1, 2022 that its share of voting rights pursuant to Sections 33 and 34 WpHG came to 4.86% (corresponding to 12,733,118 voting rights) on March 31, 2022. On this day, its share of voting rights through instruments according to Section 38 (1) No. 2 WpHG came to 0.12% (corresponding to 313,279 voting rights). Its share of voting rights subject to notification pursuant to Section 33 WpHG therefore totaled 4.98% on March 31, 2022 (corresponding to 13,046,397 voting rights).

BlackRock, Inc., Wilmington, Delaware, USA, informed us on January 4, 2023 that its share of voting rights exceeded the threshold of 3% of the voting rights pursuant to Sections 33 and 34 WpHG on December 30, 2022 and came to 3.51% (corresponding to 9,250,531 voting rights) on this day. On this day, its share of voting rights through instruments according to Section 38 (1) No. 1 WpHG came to 1.11% (corresponding to 2,931,038 voting rights). Its share of voting rights subject to notification pursuant to Section 33 WpHG therefore totaled 4.62% on December 30, 2022 (corresponding to 12,181,569 voting rights).

T. Rowe Price Group, Inc., Baltimore, Maryland, USA, informed us on January 10, 2023 that its share of voting rights fell below the threshold of 5% pursuant to Sections 33 and 34 WpHG on January 31, 2023 and came to 4.98% (corresponding to 13,130,867 voting rights) on this day.

Morgan Stanley, Wilmington, Delaware, USA, informed us on February 15, 2023 that its share of voting rights pursuant to Sections 33 and 34 WpHG came to 4.13% on February 9, 2023 (corresponding to 10,883,001 voting rights). On this day, its share of voting rights through instruments according to Section 38 (1) No. (1) WpHG came to 1.01% (corresponding to 2,673,273 voting rights), its share of voting rights through instruments pursuant to Section 38 (1) No. 2 WpHG came to 0.41% (corresponding to 1,072,717 voting rights). Its share of voting rights subject to notification pursuant to Section 33 WpHG therefore totaled 5.55% on February 9, 2023 (corresponding to 14,628,991 voting rights).

Generation Investment Management LLP, United Kingdom, informed us on February 16, 2023 that its share of voting rights fell below the threshold of 5% of the voting rights pursuant to Sections 33 and 34 WpHG on February 13, 2023 and came to 4.89% (corresponding to 12,883,293 voting rights) on this day.

4.1 Responsibility statement by the Management Board

We assure to the best of our knowledge and in accordance with the applicable reporting principles that the financial statements give a true and fair view of the assets, financial and earnings position of the company, and that the management report, which is combined with the group management report, includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Berlin, March 6, 2023

The Management Board

Robert Gentz David Schneider James M. Freeman, II

David Schröder Dr. Astrid Arndt Dr. Sandra Dembeck

4.2 Independent auditor's report

To ZALANDO SE

Report on the audit of the annual financial statements and of the management report

Opinions

We have audited the annual financial statements of ZALANDO SE, Berlin, which comprise the balance sheet as at December 31, 2022, and the income statement for the fiscal year from January 1 to December 31, 2022 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of ZALANDO SE, which is combined with the group management report, for the fiscal year from January 1 to December 31, 2022. In accordance with the German legal requirements, we have not audited the content of the parts of the management report specified in the appendix to the auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the company as at December 31, 2022 and of its financial performance for the fiscal year from January 1 to December 31, 2022 in compliance with German legally required accounting principles, and
- the accompanying management report as a whole provides an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the parts of the management report referred to in the appendix to the auditor's report.

Pursuant to Section 322 (3) Sentence 1 HGB ["Handelsgesetzbuch": German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the annual financial statements and of the management report" section of our auditor's report. We are independent of the company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the fiscal year from January 1 to December 31, 2022. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Occurrence and measurement of revenue from the delivery of merchandise taking into account expected returns

Reasons why the matter was determined to be a key audit matter

When selling merchandise to customers, the company typically satisfies its performance obligation when the merchandise is delivered, i.e., the date on which the significant risks and rewards of ownership and control of the merchandise are transferred to the customer. ZALANDO SE customers have the option to return merchandise free of charge within the revocation period stipulated by law and, in addition to that period, the return periods granted by ZALANDO SE. ZALANDO SE's executive directors calculate expected returns, for which no revenue is recognized. This calculation is based on assumptions and judgments in particular on country-specific, payment method-specific and month-specific rates of returns, taking seasonal influences into account. Revenue has a significant influence on the net income of the company and is one of the most important performance indicators for ZALANDO SE.

Due to the high transaction volume of the sales of merchandise and the generally possible risk of fictitious revenue and the uncertain estimate of expected returns, we consider the occurrence and measurement of revenue from the delivery of merchandise to be a key audit matter.

Auditor's response

In the course of our audit, we traced the process of revenue recognition for merchandise from the order through to payment receipt on the basis of the process documentation provided to us. We also tested the effectiveness of the internal controls in place. This approach includes in particular the operating effectiveness of IT-supported controls. In order to identify anomalies regarding revenue and the development of revenue, we developed a forecast of revenue from the sale of merchandise based on historical daily, weekly and monthly financial and non-financial data points and compared it with the revenue recognized in the reporting period. In addition, we examined the posting ledger for any revenue entries that were entered manually and analyzed the respective contra accounts.

Moreover, as part of the substantive audit procedures, we obtained documentation (delivery slips, invoices and payment receipts) for a test of sales based on mathematical-statistical assumptions regarding the existence of revenue in order to determine whether the revenue recognized was based on a corresponding delivery of merchandise. We also verified the clerical accuracy of the expected returns as determined by the executive directors of ZALANDO SE. We compared the assumed month-specific, payment method-specific and country-specific return rates with actual historical return rates, taking seasonal influences into account and analyzed them. In order to evaluate the assumed month-specific, payment method-specific and country-specific return rates, we also compared this to the merchandise actually returned according to the financial accounting by the time we concluded our audit.

Our procedures did not lead to any reservations relating to the measurement of revenue from the dispatch of merchandise, taking expected returns into account.

Reference to related disclosures
With regard to the accounting policies applied for the recognition of merchandise revenue, we refer to the company's disclosures in notes 3.3.2 (Accounting policies) and 3.3.4 (Notes to the income statement) in the notes to the financial statements.

2) Subsequent measurement of merchandise inventory

Reasons why the matter was determined to be a key audit matter
The company's merchandise inventory is continuously subject to risks associated with existing and potential future excess stocks, which are sold at a high discount through distance retail or are disposed of outside of distance retail. Write-downs on existing excess stocks are calculated as of the reporting date and recognized in the annual financial statements.

ZALANDO SE's executive directors calculate excess stocks based on the expected future sell-through for various sales channels and seasons. Future sell-through and the resulting estimated net realizable value are based on planning assumptions subject to judgment, which are determined using figures observed in the past.

We consider the subsequent measurement of merchandise inventory to be a key audit matter due to the high volume and heterogeneity of merchandise as well as the judgment used in calculating excess stocks and estimating the future net realizable value.

Auditor's response
We evaluated the compliance of the accounting policies ZALANDO SE's executive directors applied in calculating the merchandise inventory and the timely recognition of write-downs. We also analyzed the process used by ZALANDO SE's executive directors regarding the subsequent measurement of merchandise and gained an understanding of the process steps. Within the scope of the valuation model, the executive directors consider the expected sell-through of merchandise for various sales channels and seasons. We used past data to compare the expected timing of the sell-through with actual sales and examined any significant deviations or irregularities in detail. In addition, we considered the allocation to seasons and valuation groups as well as the classification of never out-of-stock articles in the valuation model.

The valuation model also incorporates the expected proceeds from excess stocks. We examined the assumptions associated with expected proceeds considering proceeds actually generated in the past from merchandise sold at a high discount as well as merchandise disposed of outside of distance retail. In this context, we considered additional quality-determining features ("ABCD" and "never-out-of-stock" merchandise) separately. We developed expectations regarding write-downs to be recognized in the future based on this and compared them with the write-downs calculated and recorded according to the valuation model. Furthermore, we verified the clerical accuracy of the valuation model.

Our procedures did not lead to any reservations relating to the subsequent measurement of merchandise inventory.

Reference to related disclosures
With regard to the accounting policies applied for the subsequent measurement of merchandise, we refer to the company's disclosures in notes 3.3.2 (Accounting policies) and 3.3.3 (Notes to the balance sheet) in the notes to the financial statements.

Other Information
The Supervisory Board is responsible for the report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG ["Aktiengesetz": German Stock Corporation Act] on the German Corporate Governance Code, which is part of the statement on corporate governance, and for the remuneration report pursuant to Section 162 AktG. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report mentioned in the appendix to the auditor's report.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the annual financial statements and the management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's responsibilities for the audit of the annual financial statements and of the management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the company in compliance with German legally required accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance on the electronic rendering of the annual financial statements and the management report prepared for publication purposes in accordance with Section 317 (3a) HGB

Opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the annual financial statements and the management report (hereinafter the “ESEF documents”) contained in the file “Zalando_SE_JA+LB_ESEF_2022_12_31.zip” and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying annual financial statements and the accompanying management report for the fiscal year from January 1 to December 31, 2022 contained in the “Report on the audit of the annual financial statements and of the management report” above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

Basis for the opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the file identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the “Auditor’s responsibilities for the assurance work on the ESEF documents” section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the executive directors and the Supervisory Board for the ESEF documents
The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic rendering of the annual financial statements and the management report in accordance with Section 328 (1) Sentence 4 No. 1 HGB.

In addition, the executive directors of the company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor’s responsibilities for the assurance work on the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on May 18, 2022. We were engaged by the Supervisory Board on July 22, 2022. We have been the auditor of ZALANDO SE, Berlin, without interruption since fiscal year 2010. ZALANDO SE has been a corporation geared to the capital market pursuant to Section 264d HGB since 2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to the company or entities controlled by it the following services that are not disclosed in the annual financial statements or in the management report:

- voluntary review of the company's half-year financial statements as at June 30, 2022
- audit of the system to comply with the requirements pursuant to Section 32 (1) WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]
- audit to obtain limited assurance of the non-financial statement pursuant to Section 289b et seq. and Section 315b et seq. HGB
- analysis of the appropriateness of the tax compliance management system
- audit of the remuneration report of the company as at December 31, 2022
- analysis of the internal control system
- translation services

Other matter—use of the auditor's report

Our auditor's report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter Werling.

Appendix to the auditor's report:

1. Parts of the management report whose content is unaudited

We have not audited the content of the following parts of the management report:

- The non-financial statement contained in section 2.1.4 of the management report
- The corporate governance statement pursuant to Section 289f HGB contained in section 2.5 of the management report

Furthermore, we have not audited the content of the following disclosures extraneous to management reports. Disclosures extraneous to management reports are such disclosures that are not required pursuant to Sections 289, 289a HGB or Sections 289b to 289f HGB:

- The charts "GMV by quarter (2018-2022)" and "Revenue by quarter (2018-2022)" in the "Financial performance" section of chapter 2.2.3 "Economic situation".

- The comments indicated by a footnote in the management report regarding the non-financial control system in the “System of internal (financial) and non-financial reporting controls” section of chapter 2.3.1 “Risk and opportunity management system”.
- The statement contained in the “Monitoring and improvement” section of chapter 2.3.1 “Risk and opportunity management system” in the penultimate paragraph, starting with “As a result of these various examinations, assessments, and reportings”.

2. Further other information

The other information comprises the following parts to be included in the Annual Report, of which we obtained a version prior to issuing this auditor’s report, in particular the sections:

- the responsibility statement
- the report of the Supervisory Board
- the remuneration report
- the glossary

but not the annual financial statements, not the management report disclosures whose content is audited and not our auditor’s report thereon.

Stuttgart, March 6, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Werling
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Independent auditor's report on a limited assurance engagement

To Zalando SE, Berlin

We have performed a limited assurance engagement on the non-financial statement included in the section 2.1.4 Combined non-financial declaration of the combined management report of Zalando SE, Berlin, (hereinafter the “Company”), which is combined with the non-financial statement of the Group for the period from 01. January 2022 to 31. December 2022 (hereinafter the “combined non-financial statement”).

Not subject to our assurance engagement are other references to disclosures made outside the combined non-financial statement as well as prior year disclosures.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the combined non-financial statement in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB [“Handelsgesetzbuch”: German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the “EU Taxonomy Regulation”) and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section “Reporting on the EU Taxonomy Regulation” of the combined non-financial statement.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the combined non-financial statement) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section “Reporting on the EU Taxonomy Regulation” of the combined non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP [“Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer”: Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the combined non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s combined non-financial statement is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section “Reporting on the EU Taxonomy Regulation” of the combined non-financial statement. Not subject to our assurance engagement are other references to disclosures made outside the combined non-financial statement as well as prior year disclosures.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,
- Inquiries of the executive directors and relevant employees involved in the preparation of the combined non-financial statement about the preparation process, about the internal control system related to this process, and about disclosures in the combined non-financial statement,
- Inquiries of the employees regarding the selection of topics for the combined non-financial statement, the risk assessment and the policies of the Company and the Group for the topics identified as material,

- Inquiries of employees of the Company and the Group responsible for data capture and consolidation, about the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the combined non-financial statement,
- Identification of likely risks of material misstatement in the combined non-financial statement,
- Analytical procedures on selected disclosures in the combined non-financial statement at the level of the Company and the Group,
- Inquiries and inspection of documents relating to the collection and reporting of selected qualitative disclosures and data,
- Reconciliation of selected disclosures with the corresponding data in the annual and consolidated financial statements and combined management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-compliant as well as the corresponding disclosures in the combined non-financial statement,
- Evaluation of the presentation of the combined non-financial statement.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of the Company for the period from 1. January 2022 to 31. December 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section “Reporting on the EU Taxonomy Regulation” of the combined non-financial statement.

We do not express an assurance conclusion on the other references to disclosures made outside the combined non-financial statement as well as prior year disclosures.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability
The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, March 6, 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Richter Wirtschaftsprüferin [German Public Auditor]	Bendermacher ppa.

4.3 Glossary

Active customers
We define active customers as the number of customers who have placed at least one order in the last 12 months during the reporting period, irrespective of returns. The number of customers who have completely canceled their orders is excluded.

Adjusted EBIT
We define adjusted EBIT as EBIT before equity-settled share-based payment expense, restructuring costs, acquisition-related expenses (added in 2022) and non-operating one-time effects.

Average basket size
We define the average basket size as the Gross Merchandise Volume (including the Gross Merchandise Volume from our Partners Program) after cancellations and returns and including VAT, divided by the number of orders in the last 12 months of the reporting period. The Gross Merchandise Volume is defined as the total amount spent by our customers (including VAT) less cancellations and returns during the last twelve months.

Average GMV per active customer
We define the average GMV per active customer as the average value of all merchandise sold to active customers after cancellations and returns and including VAT in the last 12 months of the reporting period.

Average orders per active customer
We define the average orders per active customer as the number of orders in the last 12 months of the reporting period, divided by the number of active customers.

Capex
The sum of the payments for investments in fixed assets and intangible assets excluding payments for the acquisition of companies.

EBIT
EBIT is short for earnings before interest and taxes.

EBIT margin
EBIT margin is defined as EBIT as a percentage of revenue.

Free cash flow
Cash flow from operating activities plus cash flow from investment activities (excluding investments in time deposits and restricted cash).

GMV
GMV (Gross Merchandise Volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando

Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order.

Net working capital

We calculate net working capital as the sum of inventories and trade receivables less trade payables and similar liabilities.

Number of orders

We define the number of orders as the number of orders placed by customers during the reporting period, irrespective of cancellations or returns. An order is counted on the day the customer places the order. The number of orders placed may differ from the number of orders delivered because the orders at the end of the reporting period may still be in transit or may have been canceled.

Private labels

For us, private labels (zLabels) are Zalando's own labels.

RMS

The Risk Management Team, as the dedicated instrument of the Management Board, has implemented a risk and opportunity management system (RMS) based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management Standard as well as on the Institute of Public Auditors in Germany (IDW) Assurance Standard 981.

4.4 Imprint

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Zalando image pool

Statement relating to the future
The financial statements and combined management report contain statements that relate to the future and are based on assumptions and estimates made by the management of ZALANDO SE. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. ZALANDO SE makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this annual report. It is neither the intention of ZALANDO SE nor does ZALANDO SE accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this report is published.

The financial statements and combined management report are available in English. if there are variances, the German version has priority over the English translation.

zalando