

1.2 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 Ahtainen** 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 chairpersons 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 strategic 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 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