



Remuneration system for the members of the Management Board

1. Introduction

The following remuneration system for the members of our Management Board (the **Remuneration System**) fundamentally develops further the remuneration system that was approved by the general meeting of Zalando SE (**Zalando**) on May 19, 2021 (**Remuneration System 2021**).

New features of the Remuneration System

A founder-led company, Zalando has evolved rapidly from a start-up selling flip-flops out of a flat in Berlin in 2008 to a leading European destination for fashion and lifestyle with around 50 million active customers. This success is a direct result of the company's entrepreneurial spirit and culture, and the remuneration system for our Management Board has always reflected our "Act like an Owner" principle. At the same time, Zalando's remuneration framework has evolved to reflect our development in meeting stakeholder needs, attracting and retaining talent, and adapting to our changing operating environment.

Taking into account market practice and in order to address suggestions made by shareholders and proxy advisors at the Annual General Meeting on May 24, 2023, the Remuneration System 2021 has been adjusted. The adjustments also ensure that the remuneration promotes the realisation of the business strategy and at the same time maintain the distinctive entrepreneurial elements that have turned Zalando into the successful company that it is today.



The following overview shows the new features of the Remuneration System in comparison to the Remuneration System 2021:

	Remuneration System 2021		New Remuneration System	
Fix	Fixed salary & fringe benefits	Fixed cash component	Fixed salary & fringe benefits	Fixed cash component
		Paid in monthly installments		Paid in monthly installments
		Standard benefits		Standard benefits
Variable	Zalando Ownership Plan 2021 (ZOP 2021)	Quarterly grant of ZOP 2021 Options (PO) and Shares (PS)	Zalando Growth Incentive (ZGI 2024)	Annual performance measurement based on financial performance metric, payout cap
		No performance conditions		Increased upside potential in case of overperformance
		Immediate vesting for PS, two year waiting period for PO, payout caps		Portion of net payout to be invested in shares
				Shares to be held one year, no further conditions
				Rolling annual grant of LTI 2024 Options (PO) and Shares (PS)
	Sequential Long-Term Incentive 2021 (LTI 2021)	Sequential four year grant of LTI 2021 Options (PO) and Shares (PS)	Rolling Long-Term Incentive 2024 (LTI 2024)	Fixed mix between PO and PS with flexibility for Supervisory Board to deviate if appropriate
		Free to select mix, but minimum portion of PO of 50%		Performance metrics: Gross Merchandise Volume (GMV) and adj. EBIT, ESG modifier (factor 0.8 - 1.2)
		Performance metrics: Gross Merchandise Volume (GMV) and (optional) adj. EBIT; ESG modifier (0 to -20% points)		Three-year performance and one year-holding period
		Performance period equals term of service agreement		Payout caps
		Payout caps		
Maximum remuneration	Annual max. rem. Co-CEO: 15.75 Mio. EUR	Maximum remuneration	Annual max. rem. Co-CEO: 15.75 Mio. EUR	
	Annual max. rem. Board members: 10.5 Mio. EUR		Annual max. rem. Board members: 10.5 Mio. EUR	

* **Bold** = changes to Remuneration System 2021.



Two significant changes are worth highlighting. First, the existing Zalando Ownership Plan (**ZOP**) will be replaced by a Zalando Growth Incentive (**ZGI**), introducing financial targets into the short-term variable remuneration component. The ZGI is a market-standard cash-settled short-term incentive that depends upon the achievement of annual financial targets. In order to further promote an entrepreneurial culture, the Management Board will be obliged to reinvest 50% of the net payouts under the ZGI in Zalando shares with a holding period of one year. As a result of the introduction of the ZGI, the members of the Management Board no longer have the flexibility to individually determine the proportion of remuneration instruments during their term of office. Secondly, the Long-Term Incentive (**LTI**) grant will be changed to an annual grant structure, replacing the previous sequential grant model in order to align the incentive structure within our Management Board and to increase transparency of the remuneration levels.

The Supervisory Board is convinced that the updated Remuneration System aligns the company's practices with shareholders' expectations, upholds Zalando's commitment to responsible corporate governance and enables the company to attract and retain the best national and international talents as well as providing strong incentives for profitable growth. Furthermore, the Remuneration System now fully complies with all recommendations of the German Corporate Governance Code, demonstrating Zalando's commitment to best practices in corporate governance.

The following overview summarises the Remuneration System:

Fixed remuneration components		
Fixed salary	Paid in monthly installments	
Fringe benefits	Company car, allowance for health insurance, reimbursement of expenses, employee voucher, D&O insurance, employer's contribution to the statutory pension and unemployment insurance	
Variable remuneration components		
Zalando Growth Incentive (ZGI)	Structure	Cash-settled short term incentive with obligation to invest 50% of the net payout into company shares with a minimum holding period of one year
	Grant	Annually
	Performance Targets	Depending on target achievement, payout of 0-200% of the target value, performance criteria relates to Zalando group's revenue during a performance period of one fiscal year



	Cap	200% of target value
Long-Term Incentive (LTI)	Structure	Share-based long-term remuneration component consisting of virtual options (“ LTI Shares ” and “ LTI Options ”) with a fixed ratio of 25% LTI Shares and 75% LTI Options. The LTI Shares and the LTI Options may be settled, at the election of the company, in shares of the company or in cash.
	Grant	Annual grant
	Waiting period	Four years
	Performance targets	Depending on the achievement of performance targets during a performance period of three years, the number of LTI Shares and LTI Options may range between 0% and 125% of the initially granted number at plan start <ul style="list-style-type: none"> • Gross merchandise volume of Zalando group (promotion of the continuous growth of the company’s business) • Adjusted EBIT of Zalando group as percentage of revenue (promotion of a profitable growth of the company's business) • ESG-targets taken into account by way of a modifier with a factor of 0.8-1.2 (promotion of sustainable corporate management)
	Exercise period	Three years
	Exercise price	LTI Shares – EUR 1.00 LTI Options – share price at grant
	Share price cap	LTI Shares – 200% of initial share price at grant LTI Options – 250% of initial share price at grant

Further provisions

Maximum remuneration	Maximum remuneration for one financial year of EUR 15.75m for the CEO and EUR 10.5m for ordinary board members
Malus and clawback provisions	Right of the Supervisory Board to retain or reclaim variable remuneration in case of a severe breach of statutory obligations or internal compliance policies and behavioural guidelines or severe compliance infringements; right of the Supervisory Board to reclaim variable remuneration in case of an unduly payout based on incorrect information
Severance cap	Severance payments shall not exceed twice the annual remuneration and shall not constitute remuneration for more than the remaining term of the service agreement
Change of control	No payments in case of an early termination due to a change of control; right to cancel vested but unexercised LTI Shares and LTI Options against a compensation payment in case of a change of control



Basic principles of the Remuneration System

In designing the Remuneration System, the Supervisory Board was guided in particular by the following principles that were already applied when designing the Remuneration System 2021:

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

The Remuneration System is clear and comprehensible. It complies with the requirements of section 87a German Stock Corporation Act (**AktG**) and with the recommendations of the German Corporate Governance Code published in the Federal Gazette on June 27, 2022. The Supervisory Board's objective is to offer the members of the Management Board a competitive remuneration package in line with market conditions and in compliance with the above principles. At the same time, the Remuneration System shall continue to provide the Supervisory Board with sufficient flexibility to react to structural changes and different market conditions and to ensure competitiveness on the relevant talent markets to allow Zalando to attract the best national and international candidates for a position on Zalando's Management Board.

In the view of the Supervisory Board, the Remuneration System creates an incentive for results-oriented and sustainable corporate management. The main part of the remuneration of the Management Board consists of the variable components ZGI and LTI that are based on the performance of the members of the Management Board to the promotion of corporate goals and the business success of Zalando and its affiliates (together the **Zalando Group**). In




accordance with Zalando's entrepreneurial culture, Management Board members are obliged to invest a certain part of their payout under the short-term variable remuneration component ZGI into Zalando-shares and the LTI as long-term variable remuneration component also depends on the development of the share price of the shares of Zalando, thereby linking the interests of the members of the Management Board with those of the shareholders. Further, the remuneration depends on the achievement of ambitious ESG targets that promote and reward sustainable corporate governance and take into account Zalando's social responsibility.

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

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

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

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



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

The Remuneration System applies to all new service agreements for members of the Management Board to be concluded or extended from and including May 18, 2024 onwards.

3. Remuneration structure

On the basis of the Remuneration System, the Supervisory Board determines the amount of the target total remuneration for the individual members of the Management Board. The target total remuneration is made up of the sum of all fixed and variable remuneration components for one year in the event of 100% target achievement. The target total remuneration to be determined for each member of the Management Board is set in an adequate proportion to the responsibilities and performance of the respective member of the Management Board and to the situation and performance of the company. In addition, the Supervisory Board ensures that the target total remuneration is in line with market practice.

a) Horizontal comparison

In order to assess whether the remuneration of the individual members of the Management Board is in line with market practice, the Supervisory Board makes a horizontal comparison with the remuneration paid to the management board members of a group of comparable companies to be determined by the Supervisory Board, taking into account in particular the market position of Zalando (including market capitalization, revenue, industry, size and country) and the overall economic situation of Zalando. The Supervisory Board hereby considers comparable companies included in the DAX and MDAX. The remuneration of technology driven companies of comparable size in Europe and the USA provide additional reference for the Supervisory Board in this respect. The names of the comparable companies taken into consideration by the Supervisory Board in the respective fiscal year are disclosed in the yearly remuneration report.



b) Vertical comparison

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

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

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

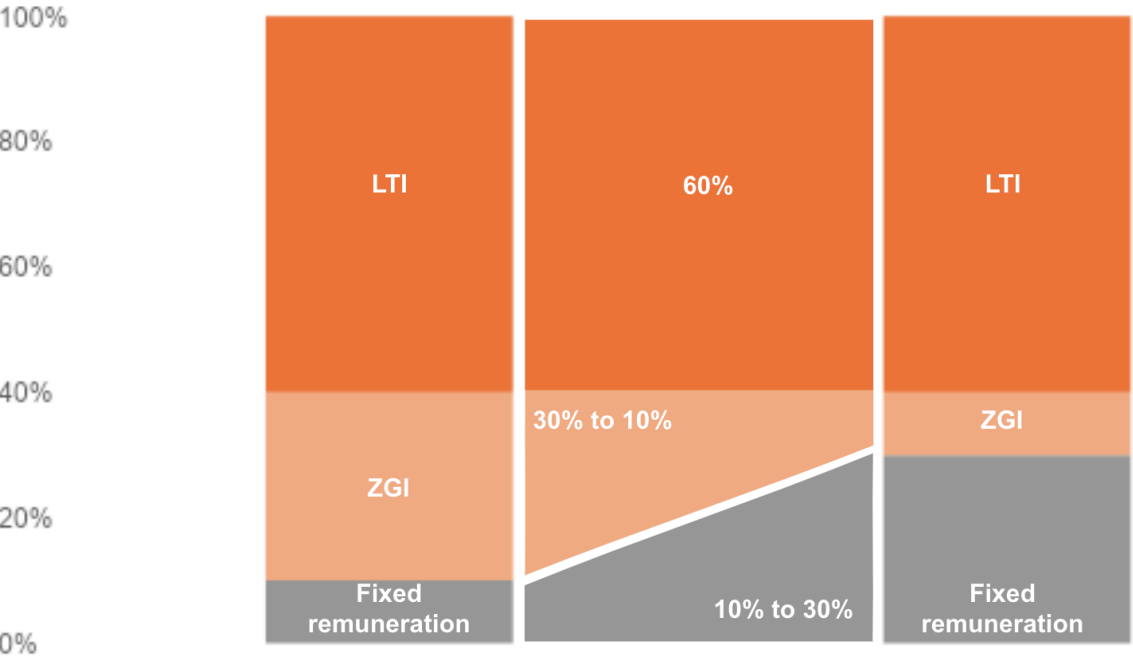
When determining the amount of the target total remuneration of the individual members of the Management Board, the Supervisory Board may, in its discretion, differentiate in view of different requirements of the respective Management Board function, market conditions or qualification and experience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

d) Composition of the target total remuneration

The target total remuneration for all members of the Management Board (including the chairpersons) is composed as follows: The fixed remuneration represents between around 10% to around 30% of the target total remuneration. It consists of the fixed salary and fringe benefits (the latter in the amount of up to around 1% of the target total remuneration). The ZGI represents between around 10% to around 30% and the LTI corresponds to around 60% of the target total




remuneration. Such a structure shall provide for the flexibility for Zalando's Supervisory Board to answer different needs of current and future members of the Management Board in terms of their remuneration structure, taking into account customary market practice and appropriateness. Against this background, the proportion of the individual remuneration components in the target total remuneration is defined in percentage ranges.



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

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

In accordance with the recommendation of the German Corporate Governance Code, when determining the target total remuneration, the Supervisory Board



ensures that the variable remuneration resulting from the achievement of long-term targets exceeds the share of short-term targets. This ensures that the remuneration system is focused on the long-term development and implementation of Zalando's business objectives.

The target total remuneration of the individual members of the Management Board in office in the relevant fiscal year will be disclosed in the yearly remuneration report.

e) Caps and maximum remuneration

In order to achieve a balanced risk-reward profile and a corresponding incentive effect of the remuneration system, the ZGI and the LTI are both designed in such a way that the payout can be zero. In addition, the payout both under ZGI and LTI is subject to caps. In the case of the ZGI component, the payout is capped at 200% of the target value. In the case of the LTI, the share price of the company at exercise that is relevant for the calculation of the payout under the LTI is limited to 200% of the initial share price of the shares of Zalando at grant for LTI Shares and to 250% of the initial share price of the shares of Zalando at grant for LTI Options (for details please see section 4.b)).

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

The aim of the Remuneration System for the Management Board is to continue to support and nurture the “founding mindset” for the company’s executives. The maximum remuneration however can only be reached if the company’s share price increases substantially and all ambitious financial and non-financial targets for the variable remuneration components are significantly overachieved. If no value for shareholders is created through an increase in share price, this would lead to a substantial lower remuneration of the Management Board members.

The maximum remuneration for one fiscal year – regardless of whether the payout occurs in this fiscal year or at a later date and on the basis of the respective annual LTI tranche and the respective maximum limits for variable

remuneration – amounts to EUR 15.75m for a CEO and to EUR 10.5m for ordinary members of the Management Board.

The Supervisory Board regularly examines the amount of the maximum remuneration for its appropriateness. This appropriateness evaluation is carried out in connection with the horizontal and vertical comparison and includes the fringe benefits in the respective maximum, lump-sum amounts.

Compliance with the maximum remuneration for the individual members of the Management Board in the relevant fiscal year is disclosed in the yearly remuneration report.

4. Remuneration components in detail

a) Fixed remuneration components


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

1) Fixed salary

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

2) Fringe benefits

In addition, the members of the Management Board receive additional, customary fringe benefits, which mainly include the use of a company car for private purposes including the assumption of any income tax imposed on the monetary benefit from the private use of the car, allowance for health insurance in the amount of half the monthly contributions up to the amount, that the company would have to bear as the employer's contribution to the statutory health insurance of the local AOK, and a monthly gross amount of the applicable employer's contribution to the statutory pension and unemployment insurance as well as the use of the Zalando employee voucher. Further, the members of the Management Board receive reimbursements for all expenses (including travel expenses) properly and reasonably incurred in the course of the services of the respective member of the Management



Board. In addition, Zalando has also taken out a "Directors and Officers Insurance" (D&O insurance) with a deductible of 10% of the covered damage but at maximum 150% of the annual fixed salary. Further fringe benefits can be individually agreed with the respective members of the Management Board.

3) Further benefits

Finally, the Supervisory Board may, at its reasonable discretion and in exceptional cases, individually agree with the members of the Management Board on payments in connection with their appointment as a member of the Management Board of Zalando in the year of appointment to the Management Board or in the following year, e.g., to compensate entitlements under previous service agreements and under previous long-term incentive programs lost due to the acceptance of the new position at Zalando, in each case within the scope of the defined maximum remuneration. Any further benefits and their economic background will be disclosed in the yearly remuneration report.

b) Variable remuneration components

The variable remuneration of the members of the Management Board consists of the ZGI and the LTI. The ZGI centres on the fulfilment of short-term financial performance targets whereas the LTI is tied to the performance of the company under its long-term strategy and is thus aligned with the company's long-term development. In addition, ambitious ESG-targets are included in the LTI which incentivize and reward sustainable corporate management and account for Zalando's social responsibility.

The obligation of the Management Board members under the ZGI to invest a certain amount of the payout amount thereunder into shares of Zalando and the link of the LTI to the development of the share price of the company both contribute to a stronger link to the shareholders' interests and the promotion of the long-term growth of Zalando.

1) Zalando Growth Incentive (ZGI)

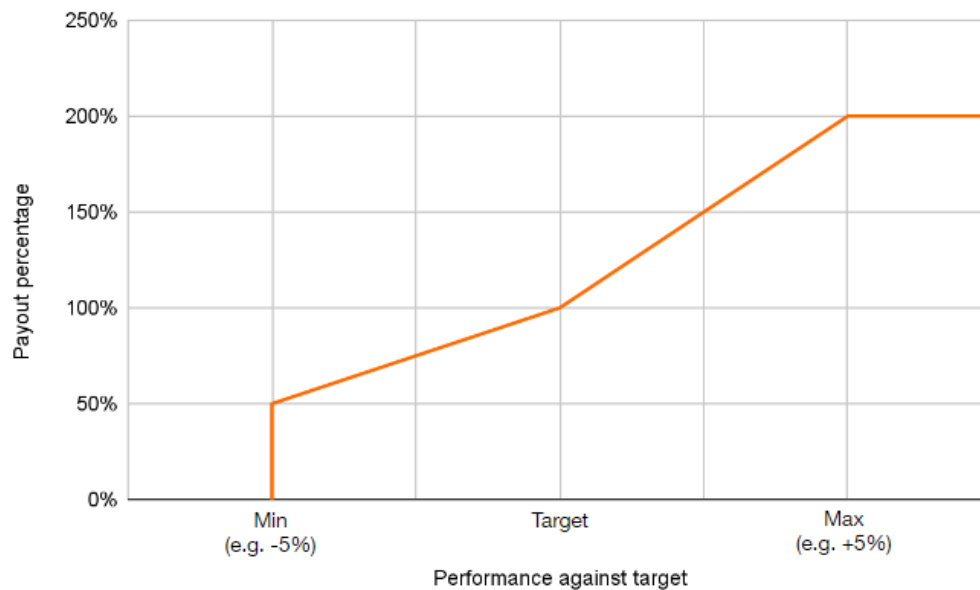
The ZGI is a cash-settled variable remuneration component which is linked to the achievement of certain financial performance targets during a performance period of one fiscal year (**ZGI Performance Period**). The target value of the ZGI component shall equal the share of the ZGI



component in the target total remuneration of a Management Board member (**ZGI Target Remuneration**).

For each forthcoming ZGI Performance Period, the Supervisory Board shall determine for the member of the Management Board a specific financial performance target with respect to the development of the Zalando Group's revenue (**ZGI Target**). Taking the development of Zalando Group's revenue into account ensures an overall balanced incentive structure of the variable remuneration components with respect to the currently most relevant key performance indicators of the company - Zalando Group's GMV, Zalando Group's revenue and Zalando Group's adj. EBIT. All three of these performance indicators are integrated in the incentive structure as the financial performance targets under the LTI relate to Zalando Group's GMV and Zalando Group's adj. EBIT (see below under section 4.b). For each upcoming ZGI Performance Period, the Supervisory Board shall be entitled to change the financial performance criterion and link the ZGI Target to another financial key performance indicator derived from the relevant company's strategy communicated to the capital markets.


The Supervisory Board will determine ZGI Target rates as percentage values (**ZGI Target Rates**), whereby the achievement of the ZGI Target shall correspond to a ZGI Target Rate of 100%. Further, the Supervisory Board will set minimum and maximum ZGI Target amounts, corresponding to a minimum ZGI Target Rate of 50% and a maximum ZGI Target Rate of 200%. The ZGI Target Rates are extrapolated linearly whereby an overachievement of the ZGI Target shall lead to a steeper linear increase. This design encourages and recognizes exceptional performance by offering a higher potential payout for exceeding the set ZGI Target. If the minimum ZGI Target amount is not achieved, the payout under the ZGI shall be zero.



After the end of a ZGI Performance Period, the Supervisory Board will determine which ZGI Target Rate has been achieved. The ZGI Target, the ZGI Target Rates and the level of target achievement are published in the yearly remuneration report.

The product of the achieved ZGI Target Rate and the ZGI Target Remuneration is the amount to be paid out to the Management Board member after the end of the ZGI Performance Period (**ZGI Payout**). The ZGI Payout shall take place the day after the publication of the company's annual report for the fiscal year which corresponds to the ZGI Performance Period (**ZGI Payout Date**).

The Management Board member shall be obliged to invest 50% of the net ZGI Payout to acquire shares in Zalando on a stock exchange (**Investment Shares**). The specific acquisition date shall be determined by the Supervisory Board with the proviso that the acquisition of the Investment Shares needs to take place within a maximum period of five trading days at the Frankfurt stock exchange following the ZGI Payout Date. The Investment Shares need to be held by the Management Board member for at least one year after their acquisition (**ZGI Holding Period**). The purchase of the Investment Shares will be facilitated by a service provider, ensuring compliance with the ZGI Holding Period.



If the service agreement of a Management Board member begins or ends during a fiscal year, the ZGI Target Remuneration for that fiscal year applies on a pro rata basis.

2) Long-term incentive program (LTI)

General structure of the LTI

The members of the Management Board further participate in Zalando's long-term incentive program (LTI), consisting of so-called **LTI Shares** and **LTI Options**, both entitling the members of the Management Board to a cash payment against Zalando under certain circumstances. At the election of the company, the cash payment claim of the members of the Management Board may also be settled (in whole or in part) in shares of the company.

The amount of variable remuneration under the LTI is linked to the achievement of strategic financial targets and takes into account pre-defined ESG-targets by way of a modifier. In line with the current company's strategy that sets a focus on growth and profitability, the financial targets of the LTI are tied to the development of Zalando Group's gross merchandise volume (**GMV**) and Zalando Group's adjusted EBIT (**adj. EBIT**).

The ratio of LTI Shares and LTI Options in the LTI component is fixed and amounts to 25% LTI Shares (**LTI Shares Ratio**) and 75% LTI Options (**LTI Options Ratio**). As the LTI Options have a higher risk profile the LTI component sets a strong incentive for continued growth of the company. In exceptional cases, the Supervisory Board shall be entitled to set a different ratio of LTI Shares and LTI Options in the LTI Component if this is in the best interest of the company, in particular in order to attract the best candidates for the Management Board. In such a case, the Supervisory Board will disclose and explain the background for setting a different ratio in the remuneration report for the respective fiscal year.

The structure of the LTI as a share-based model contributes to a stronger link between the interests of the members of the Management Board and the shareholders and further encourages and rewards a long-term and



future-oriented management of the company. Further, the inclusion of ESG-targets incentivizes a sustainable development of Zalando.


Under the LTI, the members of the Management Board are granted LTI Shares and LTI Options on an annual basis (rolling plan). For this purpose, the Supervisory Board sets a target value in Euro as grant value (the **Grant Value**) for the annual LTI tranche of each Management Board member. The number of LTI Shares to be granted to the individual Management Board member is calculated by dividing the Grant Value by the product of the Xetra closing share price of the company at the grant date, or if such date is not a trading date, on the first trading day thereafter (**Grant Share Price**) and a fixed conversion factor for LTI Shares of 1, and multiplying this quotient with the LTI Shares Ratio.

The number of LTI Options to be granted to the individual Management Board member is calculated by dividing the Grant Value by the product of the Grant Share Price and a fixed conversion factor for LTI Options of 0.4, and multiplying this quotient with the LTI Options Ratio.

The final number of exercisable LTI Shares and LTI Options of a LTI tranche depends on the extent to which the targeted rate of the GMV and adj. EBIT of Zalando Group as well as defined ESG-targets are met during a three years' performance period starting at the grant date of the relevant LTI tranche (**Performance Period**). Further details are described in the following section below.

LTI Shares and LTI Options can only be exercised after the end of a waiting period of four-years starting at the grant date of the relevant LTI tranche (the **Waiting Period**). Further, LTI Shares and LTI Options can only be exercised within a fixed exercise period of three years after the expiry of the Waiting Period (**Exercise Period**). The Exercise Period may differ with regard to LTI Shares to comply with foreign regulations which may be applicable to a member of the Management Board.

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



exercised LTI Share, whereby the relevant closing price of the share of Zalando at exercise is limited to 200% of the Grant Share Price. The LTI Options entitle the member of the Management Board to a cash payment in the amount of the difference between the closing price of the share of Zalando in Xetra trading on the Frankfurt Stock Exchange at the time LTI Options are exercised and the Grant Share Price per exercised LTI Option, whereby the relevant closing price of the share of Zalando at exercise is limited to 250% of Grant Share Price.

Performance criteria of the LTI and determination of Overall Target Achievement

The **Overall Target Achievement** defines the total number of exercisable LTI Shares and LTI Options. It is measured (i) on the basis of the development of Zalando Group's GMV and Zalando Group's adj. EBIT during the Performance Period as the currently most relevant performance parameters under the company's long-term strategy and (ii) by taking into account the achievement of pre-defined ESG-targets by way of a modifier with a factor of between 0.8-1.2.

- **Gross merchandise volume (GMV) and adj. EBIT of Zalando Group**

When assessing the Overall Target Achievement under the LTI, in a first step, the Supervisory Board measures the target achievement of the compound annual growth rate (**CAGR**) of Zalando Group's GMV and Zalando Group's adj. EBIT during the Performance Period (the **Financial Targets Achievement**).

For this purpose, prior to the beginning of the Performance Period, the Supervisory Board sets a target value for the CAGR GMV and the adj. EBIT to be achieved at the end of the Performance Period, which results in a target achievement for each target of 100%. The Supervisory Board further sets minimum target values which result in a target achievement for each target of 50% (hurdle) and maximum target values which result in a maximum target achievement for each target of 125%. A target achievement above 125% cannot be reached. On the basis of the defined target values, at the end of the respective Performance Period, the Supervisory Board determines the Financial Targets Achievement by weighting the achievement of



the GMV CAGR target with 60% and the achievement of the adj. EBIT target with 40%.

- **ESG-targets**

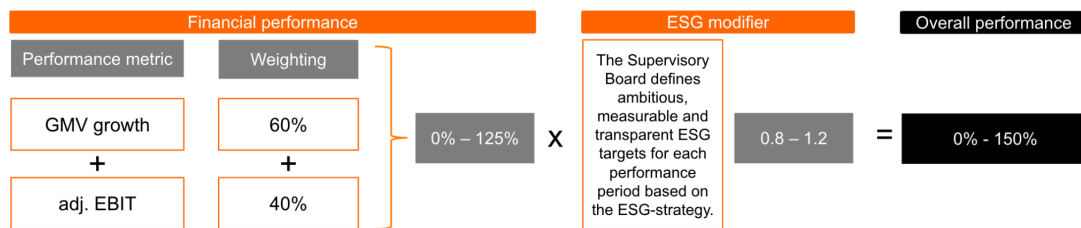
In order to ensure that the long-term financial targets are pursued in a responsible and sustainable way, the Supervisory Board defines for each Performance Period ambitious, measurable and transparent ESG-targets on the basis of the company's ESG-strategies applicable from time to time. In selecting the specific ESG-targets, the Supervisory Board pays particular attention to relevance and measurability of the targets based on the underlying ESG-strategy which is subject to continuous evolution, e.g. the sustainability strategy of Zalando.

The defined ESG-targets will be taken into account by way of a modifier on the Financial Targets Achievement with a factor of between 0.8-1.2 (the **Modifier**). For this purpose, the Supervisory Board sets a target value for each ESG-target to be achieved at the end of the Performance Period as well as a maximum and minimum value for each ESG-target. The Supervisory Board further defines target ranges between the maximum/minimum values and the target value, which result in a certain target achievement level, as well as the weighting of the ESG-targets within the Modifier.

At the end of the Performance Period, the Supervisory Board determines the level of target achievement of each pre-defined ESG-target, and, on the basis of the pre-defined weighting of the ESG-targets, the overall target achievement of the ESG-targets, which corresponds to a Modifier with a factor of between 0.8-1.2.

The Overall Target Achievement (as a percentage) is calculated by multiplying the Modifier with the percentage of the Financial Targets Achievement, which may result in a decrease or increase of the Financial Targets Achievement by the factor of 0.8 to 1.2.

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



Both existing performance criteria Zalando Group’s GMV and Zalando Group’s adj. EBIT are closely linked to the current strategy to achieve profitable growth. For each upcoming Performance Period, the Supervisory Board shall be entitled to change the performance criteria as well as the weighting of performance criteria to ensure continuous alignment of the performance criteria with the company’s strategy communicated to the capital markets. If the financial performance criteria or their weighting are changed, this will be disclosed in the yearly remuneration report.


5. Remuneration-related legal agreements

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

a) Early termination of the service agreement

In case of a revocation of a member of the Management Board in accordance with section 84 para. 4 AktG, the company is entitled to terminate the service agreement in accordance with the statutory termination period pursuant to section 622 para. 1 and para. 2 of the German Civil Code (**BGB**). The service agreements of the members of the Management Board include a provision, pursuant to which, in such case, the respective member of the Management Board is entitled to a severance payment in the amount of twice the fixed annual salary, but not more than the fixed salary for the remaining term of the service agreement.

The service agreements of the members of the Management Board further generally include a provision pursuant to which payments (including fringe benefits) due to an early termination of the service agreement are limited to 200% of the annual remuneration (severance cap), and do not constitute remuneration for more than the remaining term of the service agreement. The



severance cap shall be calculated on the basis of the total remuneration for the previous full fiscal year and, if appropriate, also takes into account the expected total remuneration for the current fiscal year. Entitlements of the respective Management Board member under variable remuneration programs of the company are generally determined by the conditions of the respective program and depend on the originally agreed targets and comparison parameters and on the due dates stipulated in the contract.

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

b) Change of control

Neither the service agreements nor the plan conditions of the ZGI or the LTI provide for any payments in case of a termination of the service agreement due to a change of control. The plan conditions of the LTI may contain a provision pursuant to which in case of a change of control the members of the Management Board or the Supervisory Board are entitled to cancel all unexercised but vested LTI Shares and LTI Options against payment of a cancellation compensation to the members of the Management Board. Change of control means in such case any acquisition of control of the company within the meaning of section 29 para. 2 of the German Takeover Code (Wertpapiererwerbs- und Übernahmegesetz – **WpÜG**) in connection with a voluntary takeover pursuant to section 29 et. seqq. WpÜG or resulting in a mandatory takeover offer pursuant to section 35 et. seqq. WpÜG, in each case to the shareholders of the company. The cancellation compensation corresponds to the difference between the consideration of the respective change of control offer and the exercise price of the LTI Shares and LTI Options, respectively, but in any case, limited to the defined payout caps. Payments of a cancellation compensation in case of a change of control shall in any case not exceed the defined maximum remuneration for the members of the Management Board.



c) Incapacity to work

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

d) Mandate suspension

The Supervisory Board may stipulate that if the appointment of a Management Board member is revoked at his or her request in accordance with Section 84 para. 3 AktG due to maternity leave, parental leave, illness or the care of a family member with the assurance of reappointment, the service agreement of such Management Board member shall continue to apply for the period between the revocation of the appointment and the assured reappointment and that remuneration, in particular, the fixed salary and fringe benefits, shall also be granted in full or in part in this respect.

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

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

7. **Malus and clawback**

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



8. Sideline activities of members of the Management Board

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

9. Extraordinary developments

In the event of extraordinary developments, the Supervisory Board is entitled to adjust the amount of the individual variable remuneration components, including the target total remuneration of variable remuneration components in the event of 100% target achievement, their ratio to each other, the criteria for target achievement and the respective payment amounts and to defer payment dates, provided that the upper limits (caps) set for the variable remuneration and the maximum remuneration are not exceeded.

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

10. Temporary deviations

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

The components of the remuneration system from which deviations can be made are the procedure, the remuneration structure and amount and the

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

