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

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.

(incl. deliveries and returns)[19]. 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[20].

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[21] (99% in 2021). The volume of single-use plastic packaging per item produced for our private labels[22] 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[23] 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[24] and 40% post-consumer waste[25]. 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

19 Emissions from transportation and distribution comprise emissions from deliveries to customers including returns as well as network transportation.
20 Single-use plastic packaging is plastic packaging intended to be used only once before being disposed of.
21 Recyclability refers to packaging material that is suitable for high-quality and mechanical recycling as per the German Packaging Act (VerpackG).
22 In scope is all customer-facing single-use plastic packaging procured by Zalando private labels (our own fashion brands).
23 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).
24 Pre-consumer recycled material includes materials diverted from the waste stream during a manufacturing process.
25 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[26] where virgin fibers are used.

Products

Driving more informed choices

Our Attitude-Behavior Gap Report[27] 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[28] 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.

26 FSC® N003557
27 Zalando, "It Takes Two: How the Industry and Consumers Can Close the Sustainability Attitude-Behavior Gap in Fashion", 2021
28 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).[29] 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).[30]

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.[31] Circular design means that products are made from safe and recycled or renewable inputs, are used more, and are made to be made again.[32] 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.

29 For the Zalando group, after returns
30 For the Zalando Fashion Store, before returns
31 The Renewal Workshop, Leading Circular: Pathways for Evolving Apparel and Textile Businesses from Linear to Circular, 2021
32 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[33], 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[34], 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[35] 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.

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,

33 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.

34 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.

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

eleven cases were satisfactorily remediated[36], 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[37]).

Brand self-assessment: In 2022, we asked our strategic brand partners[38] 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.[39] 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 our own workforce, the workforce in our private label supply chain and in our brand partner supply chains.

Since 2020, 5,016 people[40] 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 reskil-

36 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.
37 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.
38 We define strategic brand partners based on their contribution to the total Net Merchandise Volume (NMV).
39 World Economic Forum, "We need a global reskilling revolution – here's why", 2020.
40 Includes ZALANDO SE and Zalando group employees and supply chain workers in private labels.

ling 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. 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.

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.

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 revenue, we refer to the company’s disclosures in notes 3.5.5 (Accounting policies) and 3.5.7 (16) (Inventories) in the notes to the consolidated financial statements.

3) Accounting treatment of the acquisition of shares in Titel Media GmbH, Berlin (Highsnobiety)

Reasons why the matter was determined to be a key audit matter

By agreement dated June 13, 2022, Zalando acquired 86.83% of the shares in Titel Media GmbH, Berlin (Highsnobiety), with effect as of July 1, 2022. With the acquisition of the shares, Zalando obtained control of Titel Media GmbH. For the remaining 13.17% of the shares there is a put and call option with identical terms over a term of three years. This option is structured in such a way that according to IFRS, Zalando already has a present ownership interest in these shares which in turn means that no non-controlling interest has to be recognized in the consolidated financial statements of Zalando.

The consideration transferred for the acquisition of Titel Media GmbH of EUR 152.5m comprises three components: a cash component, the issue of new shares in Zalando and the part of the exercise price of the put and call option, which is payable to the selling shareholders regardless of whether they remain in the service of the company over the next three years.

In accordance with IFRS 3 “Business Combinations” in conjunction with IFRS 13 “Fair Value Measurement”, the identifiable assets acquired and liabilities assumed have been recognized at their fair value on the acquisition date (July 1, 2022), which was determined based on the purchase price allocation. The identification and measurement of assets and liabilities acquired are complex and are based on judgment-based assumptions made by the executive directors. The assumptions relevant for the measurement affect, for example, the revenue and margin forecast, residual useful lives, imputed royalty rates and the calculation of cost of capital. The calculation of goodwill, the allocation to the operating segment Fashion Store and the determination and accounting treatment of the consideration, either as a portion of the purchase price for the business acquisition or subsequently as expenses to be recognized, is subject to judgment. Against this background, the accounting treatment of the acquisition of shares in Titel Media GmbH was a key audit matter in fiscal year 2022.

Auditor's response
We first inspected and verified the contractual agreements. Furthermore, we reconciled the purchase price paid, the measurement of the issue of new shares in Zalando and the consideration for the put and call option with the evidence provided to us and evaluated their accounting treatment in accordance with the requirements of IFRS 3. We also evaluated the recognition and measurement of the shares underlying the put and call options in accordance with the requirements of IFRS 3 and IFRS 10.

Our audit procedures comprised the assessment of the methodology applied by the external expert consulted by the executive directors to identify and measure the assets acquired and liabilities assumed in accordance with the requirements of IFRS 3. With the assistance of our internal valuation specialists, we analyzed the assumptions and estimates subject to judgment (in particular growth rates, cost of capital rates, imputed royalty rates or remaining useful lives) made to determine the fair values of the material acquired identifiable intangible assets (in particular the acquired customer relationships and brand names) as well as of the liabilities assumed, whether they correspond to general and industry-specific market expectations. In addition, we verified the models arithmetically and assessed the methodology and reconciled the future expected cash flows used for measurement with internal budgets.

We also reviewed the appropriateness of the assumptions and parameters underlying the cost of capital, particularly the risk-free interest rate, the market risk premium and the beta factor with our own assumptions and publicly available data. In connection with the revenue and margin forecast, we also analyzed the developments forecast against the background of market expectations and observing the historical developments. We also reviewed the disclosures on the acquisition of shares in Titel Media GmbH in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the accounting treatment of the acquisition of shares in Titel Media GmbH in the consolidated financial statements.

Reference to related disclosures:
Additional disclosures on the acquisition of the shares in Titel Media GmbH are contained in chapter 3.5.8 "Other notes" and section (5.) "Business combinations" of the notes to the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements, with the group 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 consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) of the HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated 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 consolidated financial statements, the executive directors are responsible for assessing the group'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 unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated 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 group 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 group management report.

The Supervisory Board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the group 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 consolidated financial statements and this group 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 consolidated financial statements and of the group 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group 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.
- 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 group'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 consolidated financial statements and in the group 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 group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group 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 consolidated 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.