

### **3. Corporate Governance Report 2019/20**

# Contents

1. Corporate Governance Report	143
1.1 Commitment to the Austrian Corporate Governance Code	143
1.1.1 Comply or Explain	143
1.1.2 External evaluation of compliance with the Corporate Governance Code	143
1.1.3 Compliance management by Zumtobel Group AG	143
1.2 The Corporate Bodies and Committees of Zumtobel Group AG	144
1.2.1 Shareholders and the annual general meeting	144
1.2.2 The Management Board	144
1.2.3 The Supervisory Board	146
1.2.4 The Supervisory Board   committees	147
1.3 Diversity on the Supervisory and Management Boards	151
1.4 Diversity Concept and Measures to Support Women	152
1.5 Remuneration Report	153
1.5.1 Management Board remuneration	153
1.5.2 Supervisory Board remuneration	156
1.6 Other Information	157
1.6.1 Auditor's fees	157
1.6.2 Internal Audit	158
1.7 Report of the Supervisory Board	159

## 3. Corporate Governance Report

### 3.1 Commitment to the Austrian Corporate Governance Code

The Zumtobel Group is committed to full compliance with the guidelines defined by the Austrian Corporate Governance Code and views this set of rules as a key requirement for responsible corporate management that is based on the sustainable, long-term creation of value and a high degree of transparency towards shareholders and other interest groups. The Austrian Corporate Governance Code is issued by the Austrian Working Group for Corporate Governance and represents a benchmark for good corporate governance and corporate control that exceeds legal requirements and meets international standards. The code applicable to the 2019/20 financial year (version: January 2020) is available for review on the website of the Austrian Working Group for Corporate Governance ([www.corporate-governance.at](http://www.corporate-governance.at)). Voluntary commitment gives the code its legitimacy and forms the basis for the explanation of non-compliance with the C-Rules (comply or explain).

The Zumtobel Group complied with nearly all provisions of the code during the 2019/20 financial year. Actions deviated from only one C-Rule of the 83 Rules in the code, and the difference is described below.

#### 3.1.1 Comply or Explain

The following C-Rule of the code was or is currently not met:

**Rule 30:** The Zumtobel Group classifies information on insurance coverage, in general, and D&O coverage, in particular, as confidential data whose disclosure may result in damage to the corporation. Therefore, this information is not disclosed.

#### 3.1.2 External evaluation of compliance with the Corporate Governance Code

The Corporate Governance Code (Rule 62) requires evaluation of compliance with the C-Rules on a regular basis – at least every three years – by an external institution. This review was last carried out by the Group's auditor during the audit of the separate financial statements for 2016/17. Zumtobel Group AG commissioned KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, to review compliance during the 2019/20 financial year. Based on the results of and evidence gained from this evaluation, the statement of compliance included in the company's corporate governance report for the 2019/20 financial year accurately represents, in all material aspects, the implementation of and compliance with the relevant rules of the Austrian Corporate Governance Code. The report on the independent evaluation is available to the general public on the website of Zumtobel Group AG under [www.zumtobelgroup.com](http://www.zumtobelgroup.com).

#### 3.1.3 Compliance management by Zumtobel Group AG

The compliance management system is the subject of continuous development, which is intended to protect its ability to meet current and future responsibilities. The related activities are carried out in close cooperation between corporate audit & compliance, the legal department, risk management, the human resources department and corporate IT. The senior director of corporate audit & compliance reports on current compliance issues as well as planning and progress on the development and expansion of the compliance management system twice each year at the meetings of the Audit Committee. Regular one-on-one meetings are also held with the chairman of the Audit Committee. Additional information can be found in the management report under "Corporate Governance and Compliance".

## 3.2 The Corporate Bodies and Committees of Zumtobel Group AG

In accordance with Austrian law, the organisation of Zumtobel Group AG is based on three independent corporate bodies: the annual general meeting, the supervisory board and the management board. The Management Board of Zumtobel Group AG is responsible for the direction of the company. The Supervisory Board, a body that is completely separated from operating management and elected by the annual general meeting, exercises the required control functions. The Management Board and the Supervisory Board are organised to ensure the strict separation of members, and it is not possible to hold a seat on both boards at the same time. The cooperation between these three bodies is defined by the articles of association as well as the rules of procedure for the Management and Supervisory Boards. The articles of association are published on the website of the Zumtobel Group ([www.zumtobelgroup.com](http://www.zumtobelgroup.com)).

### 3.2.1 Shareholders and the annual general meeting

Die Shareholders protect their interests and exercise their voting rights at the annual general meeting. The shares of Zumtobel Group AG are issued in accordance with the "one share - one vote" principle.

The annual general meeting is announced at least 28 days in advance and is held at the headquarters of the company, in Vienna or in another Austrian provincial capital. The information required by Austrian Stock Corporation Act is published on the company's website at the latest 21 days prior to the annual general meeting.

The shares issued by Zumtobel Group AG are bearer shares. Therefore, information on the shareholder structure can only be compiled when shareholders deposit their shares prior to an annual general meeting or when Zumtobel Group AG collects information on these shareholdings. The available information on the shareholder structure is provided in section 1.3 of the management report under "The Zumtobel Group Share".

The Zumtobel Group places high priority on a comprehensive, timely information policy that is based on equal treatment for all shareholders. In addition to meeting all legal requirements (e.g. the annual financial report, half-year report, interim reports and ad-hoc announcements), information on the latest developments in the company is provided through press releases, telephone conferences and investor events. All reports, announcements and key presentations are published on the Zumtobel Group website under [www.zumtobelgroup.com](http://www.zumtobelgroup.com). A detailed financial calendar and other share-related information can be found on the website under the menu point "Investor Relations".

### 3.2.2 The Management Board

The members of the Management Board are appointed by the Supervisory Board. They may only take on additional duties or functions with the prior approval of the Supervisory Board.

Name	Function	Appointed on	Term ends on	Service time
Alfred Felder	CEO (Chief Executive Officer) since 2018, previously COO	01.04.2016	30.04.2022	4 years
Thomas Tschol	CFO (Chief Financial Officer)	01.04.2018	30.04.2021	2 years
Bernard Motzko	COO (Chief Operating Officer)	01.02.2018	30.04.2021	2 years

### **Alfred Felder – CEO**

Alfred Felder was appointed Chief Executive Officer (CEO) as of 8 June 2018. He previously served as COO of Zumtobel Group AG since April 2016 and as Speaker of the Management Board of Zumtobel Group AG beginning in February 2018. His term of office extends to 30 April 2022. Mr. Felder was born in 1963 in South Tyrol (Italy) and studied electrical engineering at the Vienna University of Technology. He joined the Siemens Group in 1990 where he held various research and development functions in Germany and, starting in 1995, was the technology manager for Siemens' Infineon subsidiary in Japan. In 2003 he transferred to OSRAM, a former Siemens subsidiary, and was responsible for various management functions in the areas of optoelectronic semiconductors and general lighting in the USA and China. Alfred Felder served as the managing director of the Zumtobel Group's Tridonic components subsidiary beginning in November 2012.

Additional functions or inter-company relations outside the Zumtobel Group: none.

### **Bernard Motzko – COO**

Bernard Motzko was appointed Chief Operating Officer (COO) of the Zumtobel Group AG as of 1 February 2018. His term of office extends to 30 April 2021. Bernard Motzko was born in Upper Silesia in 1962 and grew up in Germany; he studied mechanical engineering and business management at Paderborn University, and received his doctorate in 1994. After holding various positions in production, Bernard Motzko joined the former Siemens Nixdorf (now Diebold-Nixdorf) in 1997, a manufacturer of cash register systems, kiosk systems and automatic teller machines. He was initially responsible for the plant in Paderborn and assumed global responsibility for the production and supply chain in 2003. His primary focus was on the introduction of standardised processes and methods as well as the optimisation of the production network through the development of plants in Brazil and China.

Additional functions or inter-company relations outside the Zumtobel Group: member of the Advisory Board of Schwering & Hasse Elektrodraht GmbH (Germany).

### **Thomas Tschol – CFO**

Thomas Tschol was appointed Chief Financial Officer (CFO) of the Zumtobel Group as of 1 April 2018 for a term of office extending to 30 April 2021. Thomas Tschol was born in Lauterach (Austria), in 1970. He studied business administration at the Ecole Supérieure de Commerce de Toulouse and completed a double degree in cooperation with the Technical University of Berlin in 1995. His professional career began at the Danube University in Krems and as a consultant with Cap Gemini Ernst & Young AG. Management Factory Corporate Advisory GmbH in Vienna, a financial management service company, was founded by Mr. Tschol in 2001. In addition to activities as the managing director of this company, he can look back on many years of experience as a chief financial officer, among others with Mayr-Melnhof Holz Holding AG.

Additional functions or inter-company relations outside the Zumtobel Group: Managing Director of Management Factory Corporate Advisory GmbH.

### **Distribution of duties on the Management Board**

As a corporate body, the Management Board is responsible for jointly directing the business activities of the Zumtobel Group. Its members share the responsibility for the Group's success and long-term orientation. To facilitate daily work processes, individual board members were defined as the contact partners for specific functions and activities.

The distribution of duties as of 30 April 2020 is as follows:

Alfred Felder CEO	Thomas Tschol CFO	Bernard Motzko COO
<ul style="list-style-type: none"> <li>- Corporate strategy, M&amp;A, business processes</li> <li>- Business divisions</li> <li>- Sales</li> <li>- Marketing &amp; communication, product marketing</li> <li>- Technology &amp; development</li> <li>- Human resources</li> <li>- Legal</li> </ul>	<ul style="list-style-type: none"> <li>- Accounting and tax</li> <li>- Finance &amp; controlling</li> <li>- Treasury</li> <li>- Risk management</li> <li>- Audit &amp; compliance</li> <li>- Insurance</li> <li>- Investor relations</li> <li>- Facility management, Dornbirn</li> </ul>	<ul style="list-style-type: none"> <li>- Plant network (Operations)</li> <li>- Supply chain &amp; logistics</li> <li>- Quality</li> <li>- IT</li> <li>- Procurement</li> </ul>

The Management Board generally meets twice each month to coordinate the control and management of the Group, whereby minutes are recorded of the related discussions and decisions. The board members also consistently exchange information on important measures and events in their respective areas of responsibility and communicate assessments by the individual managers in their reporting lines.

Relations between the members of the Management Board and the company are the responsibility of the Committee for Management Board Matters, a Supervisory Board committee which also serves as a remuneration committee in the sense of Rule 43 and as a nominating committee in the sense of Rule 41. The Supervisory Board has defined a job profile and appointment procedure for appointments to the Management Board (Rule 38).

### 3.2.3 The Supervisory Board

The members of the Supervisory Board are elected by the annual general meeting. The Austrian Stock Corporation Act allows employee representatives to delegate one member to the Supervisory Board for every two members elected by the annual general meeting.

The members of the Supervisory Board of Zumtobel Group AG as of 30 April 2020 are listed below<sup>1</sup>:

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	17 years
Volkhard Hofmann	First Vice-Chairman	2017	2020	3 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	10 years
Fritz Zumtobel	Member	1996	2020	24 years
Eva Kienle	Member	2019	2023	<1 year
Karin Zumtobel-Chammah	Member	2019	2023	<1 year
Dietmar Dünser	Delegated by the Employees' Council	2015		5 years
Richard Apnar	Delegated by the Employees' Council	2012		8 years
Kai Arbingер	Delegated by the Employees' Council	2016		4 years

<sup>1</sup> The Extraordinary General Meeting on 18 May 2020 elected Georg Pachta-Reyhofen and Thorsten Staake to the Supervisory Board. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. This election also marked the resignation of two long-standing Supervisory Board members: Jürg Zumtobel and Fritz Zumtobel.

The Supervisory Board initially defined the criteria for the independence of its members in accordance with Rule 53 at a meeting on 29 September 2006. On 26 June 2009, the Supervisory Board approved an amended version of these criteria which more closely reflects the guidelines of the Austrian Corporate Governance Code. These criteria, which have been in effect since 2009, were updated by the Supervisory Board of Zumtobel Group AG in a meeting on 25 June 2013 to reflect a formal, immaterial adjustment. In accordance with these criteria, a member of the Supervisory Board is considered to be independent when he/she has no business or personal relations with the Zumtobel Group or the Management Board of Zumtobel Group AG. Such relations include, among others, significant customer delivery transactions or close family ties. The criteria for independence are disclosed in full on the Zumtobel Group's website ([www.zumtobelgroup.com](http://www.zumtobelgroup.com)).

All members of the Supervisory Board have declared their independence in accordance with these criteria, and Rules 39 and 53 are therefore met in full. Three members of the Supervisory Board – Volkhard Hofmann, Johannes Burtscher and Eva Kienle – are independent and neither shareholders nor representatives of shareholders with an investment of more than 10%. Accordingly, Rule 54 is also met in full. There are no contracts between the members of the Supervisory Board and the Zumtobel Group which require approval or disclosure in accordance with L-Rule 48 and C-Rule 49 of the Corporate Governance Code.

All functions or corporate positions held by members of the Supervisory Board outside the Zumtobel Group are disclosed on the Group's website ([www.zumtobelgroup.com](http://www.zumtobelgroup.com)) and in this corporate governance report in accordance with Rules 56 and 57.

### **3.2.4 The Supervisory Board | committees**

The Supervisory Board of Zumtobel Group AG has established the following committees:

#### **Audit Committee**

Members: Johannes Burtscher (Chairman and Financial Expert), Fritz Zumtobel (Vice-Chairman), Jürg Zumtobel, Eva Kienle, Dietmar Dünser, Kai Arbinger.

Duties: The Audit Committee is responsible for the audit of and preparations for the approval of the separate financial statements and consolidated financial statements, the management report and the recommendation for the distribution of profit. This committee also nominates the auditor for approval by the annual general meeting; the auditor is then commissioned by the chairperson of the Supervisory Board. The Audit Committee is responsible for the monitoring of accounting processes and the work of the auditor as well as the internal control system, the risk management system and internal audit. These responsibilities were met in full during the 2019/20 financial year. Among others, the responsible managers report to the committee at each meeting on the status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the senior director of corporate audit & compliance.

#### **Committee for Management Board Matters**

Members: Jürg Zumtobel (Chairman), Volkhard Hofmann (Vice-Chairman), Fritz Zumtobel, Johannes Burtscher.

Duties: The Committee for Management Board Matters is responsible for relations between the company and the members of the Management Board. It corresponds to the remuneration committee required by Rule 43 of the Corporate Governance Code and also fulfils the duties required of a nominating committee under Rule 41. As one of the related duties, the committee developed and approved a job profile and nomination process for the Management Board in accordance with Rule 38.

## Strategy Committee

Members: Volkhard Hofmann (Chairman), Jürg Zumtobel (Vice-Chairman), Fritz Zumtobel, Karin Zumtobel-Chammah, Dietmar Dünser, Kai Arbingner.

Duties: The Strategy Committee serves as a permanent sounding board for the Management Board on strategic and cultural issues related to Zumtobel Group AG.

### 3.2.4.1 The Supervisory Board | shareholder representatives

#### Jürg Zumtobel

Jürg Zumtobel has been chairman of the Supervisory Board of Zumtobel Group AG since 1 September 2003. His term of office extends until the annual general meeting for the 2019/20 financial year<sup>2</sup>. Born in 1936 in Frauenfeld (Switzerland), Jürg Zumtobel joined the Zumtobel Group in 1963 and was responsible for various functions in production planning and control, production and sales. From 1991 to 2003 he was CEO and Chairman of the Management Board of Zumtobel Group AG.

Additional functions or inter-company relations outside the Zumtobel Group: member of the supervisory board of Vorarlberger Kulturhäuser Betriebsgesellschaft mbH, Bregenz (Austria).

#### Volkhard Hofmann

Volkhard Hofmann has been a member of the Supervisory Board of Zumtobel Group AG since 21 July 2017; his term of office extends until the annual general meeting for the 2019/20 financial year. He was born on 23 October 1952. After receiving his doctorate in political science at Cologne University, he joined the Boston Consulting Group in 1982 and was elected partner and managing director in the minimum period of six years. He established and/or headed several practice groups during his time with the Boston Consulting Group and also held various international management positions.

Additional functions or inter-company relations outside the Zumtobel Group: vice-chairman of the Supervisory Board of SMP AG Strategy Consulting Düsseldorf.

#### Johannes Burtscher

Johannes Burtscher joined the Supervisory Board of Zumtobel Group AG as a member and second vice-chairman on 23 July 2010. His term of office extends up to the annual general meeting for the 2019/20 financial year. Mr. Burtscher was born in Egg (Austria) in 1969 and is a licentiate and doctor of economics at the University of St. Gallen (HSG). From 1996 to 2007 Johannes Burtscher held various positions in the Zumtobel Group, first as the assistant to Jürg Zumtobel on the headquarters staff for strategy and organisation. He then served as Group controller. Following the acquisition of Thorn Lighting, Mr. Burtscher was appointed CFO of the British subsidiary in London. He also managed the luminaire business in Asia from his base in Hong Kong. Mr. Burtscher was CFO of the Munich-based Rodenstock Group from 2007 to 2011 and has served as the CFO of Novem, an automobile industry subcontractor, since July 2012.

Additional functions or inter-company relations outside the Zumtobel Group: none.

<sup>2</sup> Jürg Zumtobel and Fritz Zumtobel announced their premature resignation from the Supervisory Board of Zumtobel Group AG, effective at the end of the day on which the Extraordinary General Meeting was held, i.e. 18 May 2020.

## Fritz Zumtobel

Fritz Zumtobel has been a member of the Supervisory Board of Zumtobel Group AG since 1996. He served as vice-chairman from 1 September 2003 to 7 April 2006 and as a member since that time. His current term of office extends until the annual general meeting for the 2019/20 financial year<sup>3</sup>. Fritz Zumtobel was born in 1939 in Frauenfeld (Switzerland). He joined the Zumtobel Group in 1965 and held various positions during his career, mainly in the technical field. He was a member of the Management Board of Zumtobel Group AG from 1974 to 1996.

Additional functions or inter-company relations outside the Zumtobel Group: member of the foundation board of Aurelio Privatstiftung.

## Eva Kienle

Eva Kienle has been a member of the Supervisory Board of Zumtobel Group AG since 26 July 2019. Her term of office extends up to the annual general meeting for the 2022/23 financial year. Ms. Kienle was born in 1967 and is a business studies graduate and qualified bank clerk. In addition to her MBA, she has extensive experience in the industry relevant to her activities in the Supervisory Board. She currently serves as the CFO of KWS Saat SE & Co. KGaA and previously held positions on the management boards of companies with private equity shareholders.

Additional functions or inter-company relations outside the Zumtobel Group: none.

## Karin Zumtobel-Chammah

Karin Zumtobel-Chammah has been a member of the Supervisory Board of Zumtobel Group AG since 26 July 2019. Her term of office extends up to the annual general meeting for the 2022/23 financial year. She was born on 7 May 1963. After receiving an MBA from the University of Freiburg, she started her professional career with key management positions in the finance area before joining the Zumtobel Group in 1996. Ms. Zumtobel-Chammah last served as the Head of Art & Culture and, in this position, was responsible for the Group's art and cultural activities.

Additional functions or inter-company relations outside the Zumtobel Group: none.

### 3.2.4.2 The Supervisory Board | employee representatives

## Dietmar Dünser

Mr. Dünser was delegated to the Supervisory Board of Zumtobel Group AG by the Employees' Council for Salaried Employees in July 2015. He was born in Bludenz (Austria), in 1966. After completing secondary school (HTL) studies in telecommunications and electronics, he joined the Zumtobel Group in 1986 where he held various functions in the areas of development, marketing, product management and technical sales. He followed the completion of career-integrated, master studies in export and international management at the Management Center Innsbruck (MCI) by serving as a quality and risk management engineer at Zumtobel Lighting GmbH. Mr. Dünser joined the Employees' Council in 1999; in April 2015 he was elected chairman and in January 2016 full-time, independent representative of the Employees' Council for Salaried Employees

<sup>3</sup> Jürg Zumtobel and Fritz Zumtobel announced their premature resignation from the Supervisory Board of Zumtobel Group AG, effective at the end of the day on which the Extraordinary General Meeting was held, i.e. 18 May 2020.

of Zumtobel Group AG, Zumtobel Pool GmbH, Zumtobel Insurance Management GmbH, ZG Lighting Austria GmbH, ZG Lighting CEE GmbH and Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: substitute member of the Ludesch community council and full member of the "e5 und Umwelt" committee, lay judge on the Labour and Social Court of Feldkirch and councillor of the Chamber of Labour in Feldkirch.

#### **Richard Apnar**

Mr. Apnar was delegated to the Supervisory Board of Zumtobel Group AG by the Employees' Council for Wage Employees in June 2012. He was born in Lustenau (Austria) in 1974 and joined Zumtobel Lighting GmbH as an apprentice plastics technician in 1990. After successfully completing his examinations as a plastics technician in 1993, he worked in production up to 2008. In 2008 he transferred to the supply chain organisation of the Zumtobel Group. Since September 2012, Mr. Apnar has served as the chairman of the Employees' Council for Wage Employees at Zumtobel Lighting GmbH.

Additional functions or inter-company relations outside the Zumtobel Group: none.

#### **Kai Arbinger**

Mr. Arbinger was delegated to the Supervisory Board of Zumtobel Group AG by the Central Employees' Council of Tridonic in May 2016. He was born in Bregenz, Austria, in 1959 and joined the Zumtobel Group's development department in 1985. In December 2015, Mr. Arbinger was elected chairman of the Employees' Council for Salaried Employees at Tridonic GmbH & Co KG.

Additional functions or inter-company relations outside the Zumtobel Group: none.

### 3.3 Diversity on the Supervisory and Management Boards

The members of the Supervisory and Management Boards are selected on the basis of their professional qualifications and personal expertise in order to achieve a balance of educational and professional backgrounds. Support for diversity with regard to generations and genders are included in selecting new appointments to the Supervisory Board and Management Board. In order to meet the minimum requirement defined by § 86 (7) of the Austrian Stock Corporation Act, at least two seats in the Supervisory Board must be held by women and two by men. The Supervisory Board's shareholder representatives raised an objection to this requirement in accordance with § 86 (9) of the Austrian Stock Corporation Act, and the minimum requirement defined by § 86 (7) of the Austrian Stock Corporation Act will therefore be met separately. The following table shows the structure of the Management Board and Supervisory Board of Zumtobel Group AG as of 30 April 2020.

	Gender	Education	Age group
<b>Management Board</b>			
	Men (3)	Economics (1)	< 50 (1)
	Women (none)	Electrical engineering (1)	50 to 60 (2)
		Industrial engineering and mechanical engineering (1)	60 to 70
			> 0
<b>Supervisory Board</b>			
Shareholder representatives	Men (4)	Economics (4)	< 50
	Women (2)	Engineering (2)	50 to 60 (3)
			60 to 70 (1)
			> 70 (2)
Employee representatives	Men (3)	Telecommunications and electronics (1)	< 50 (1)
		Training as a plastics engineer (1)	50 to 60 (2)
	Women (none)	Training as an industrial electrician (1)	60 to 70
			> 70

The Management Board of the Zumtobel Group does not include any women at the present time. An analysis of the age distribution, internationality and professional background shows a balanced picture. The members of the Management Board are between 49 and 57 years old, come from three different nations and have extensive international management experience in various companies and business areas. The Supervisory Board currently has two female members: Eva Kienle and Karin Zumtobel-Chammah were elected by the 43rd Annual General Meeting on 26 July 2019. The age distribution, educational background and professional experience of the Supervisory Board members create a balanced relationship. The members of the Supervisory Board, as a whole, cover the entire spectrum of areas important to the company, such as engineering, telecommunications and electronics. Business knowledge and many years of management experience complement the profile. The Zumtobel Group is working to increase the share of women in its management and control bodies and gives special attention to the evaluation of female talents in succession planning.

### **3.4 Diversity Concept and Measures to Support Women**

The Zumtobel Group is well aware that increasing the share of women in higher qualified positions requires the continuation of current programmes as well as open attitude towards new initiatives. In order to protect its competitive position and benefit from the diversity of different viewpoints, the Zumtobel Group has set a goal to increase the worldwide representation of women in its member companies each year. In 2019/20 women comprised 35.8% (2018/19: 35.7%) of the Zumtobel Group's workforce. Measures in this area also focus on the achieving a diverse composition with regard to professional qualifications and educational background, nationalities, cultures and a balanced age structure, independent of gender.

The Zumtobel Group follows a uniform remuneration scheme that promotes high transparency and ensures performance-based compensation. Remuneration normally exceeds the level required by legal regulations or collective bargaining agreements. Detailed position descriptions and function evaluations ensure that compensation reflects the specific job requirements and is also fair and appropriate. This focus on the functional content also limits any gender-specific irregularities.

The Zumtobel Group works to increase its attractiveness as an employer and implements measures to improve the work-life balance. Part-time employment, educational leave, sabbaticals, parental leave, home office options or other models are arranged where needed. In 2019/20 part-time employees represented 8.3% of the total full-time equivalent workforce (2018/19: 8.5%). Mothers and fathers who return to work after maternity and parental leave are actively supported in their reintegration.

Additional information is provided in the management report under "Non-Financial Statement".

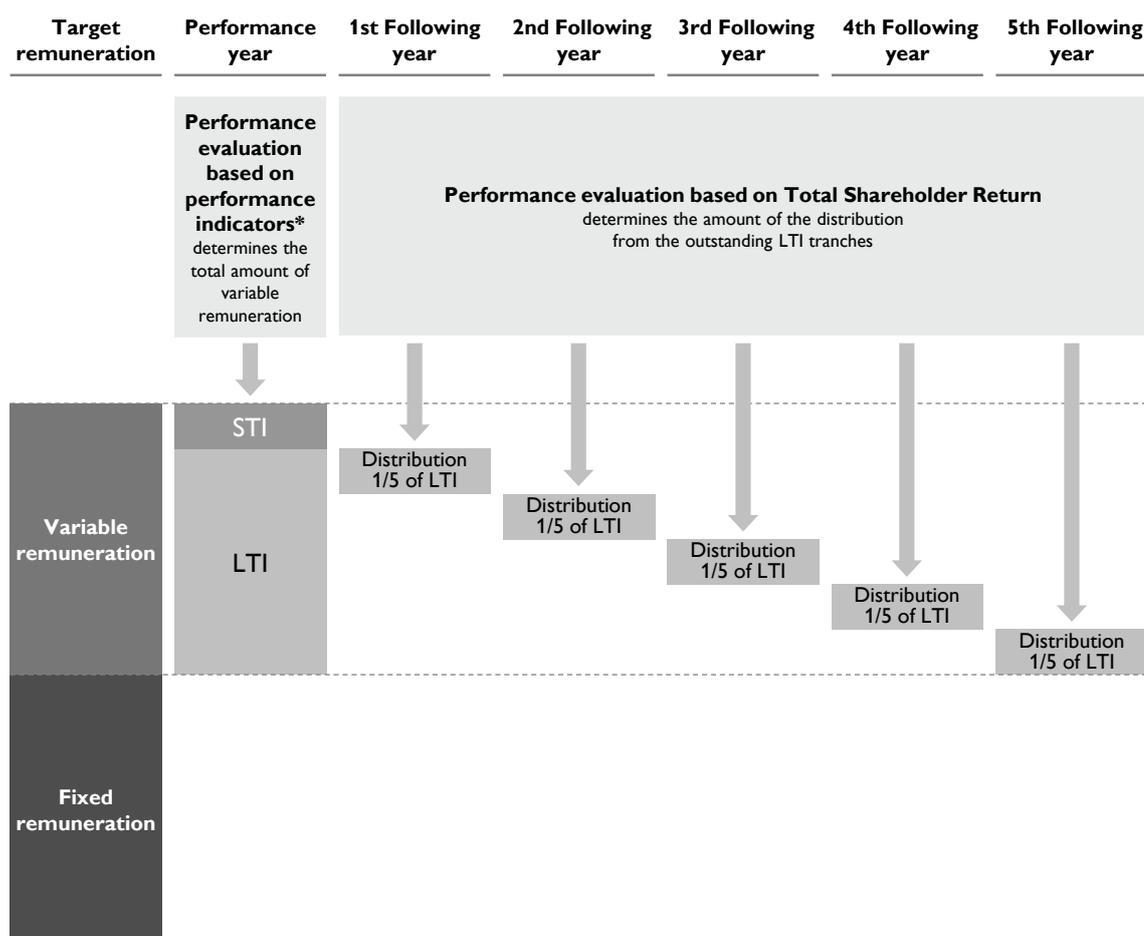
### 3.5 Remuneration Report

#### 3.5.1 Management Board remuneration

The remuneration system for the Management Board and key management of Zumtobel Group AG is based on performance. Accordingly, above-average performance has a positive and below-average performance a negative effect on the amount of remuneration. The remuneration system is also linked to sustainable actions with a long-term orientation.

The remuneration of the Management Board comprises a fixed and a variable component. The fixed component is based on the responsibilities of the individual board member and, in accordance with customary procedures in Austria, is paid in 14 instalments at the end of the month. The basis for the variable component (target remuneration) is defined separately for each board member before the beginning of the respective financial year. This remuneration is paid out if a performance evaluation confirms the achievement of the defined targets. The amount of the remuneration for the performance year is increased or decreased in line with the over- or under-achievement of the targets.

Structure of the remuneration system for the Management Board:



\* EBIT adjusted and Free Cash Flow

The variable remuneration consists of a short-term component (Short-Term Incentive, STI) and a long-term component (Long-Term Incentive, LTI). The STI is paid out in cash during the respective performance year.

The cash distribution from the LTI is spread over the five following years, whereby the amount of the individual payments is based on a performance evaluation at the time of distribution. The valuation of the individual LTI segments ensures that not only the short-term effects of management decisions, but also their long-term impact on the development of the company are reflected in remuneration.

The performance evaluation for the allocation of variable remuneration in the respective distribution year is based on two indicators – adjusted EBIT and free cash flow. The targets for these indicators are determined before the beginning of the financial year based on budget planning.

The evaluation of the accrued LTI tranches from earlier years is still based on the total shareholder return of Zumtobel Group AG, which is compared with the total shareholder return of selected, comparable companies (peer group). This peer group has a broad distribution, both from a geographical and industrial perspective. The composition of the peer group was changed in 2019/20 to ensure the best possible benchmark for the Zumtobel Group. Among the most important factors for the change in composition and weighting were the geographical comparability and similarity of business activities. The result was an adjustment of the weighting for the geographical distribution and industrial sectors in 2019/20.

Composition of the peer group of Zumtobel Group AG<sup>4</sup>:

<b>Geographic distribution</b>	<b>Share</b>	<b>Distribution by industrial sector</b>	<b>Share</b>
D/A/CH	35.6%	Lighting	68.1%
Northern and Western Europe	30.3%	Construction, same level of supply	20.8%
Southern and Eastern Europe	6.6%	Construction, upstream level of supply	11.0%
America	12.9%		
Asia & Pacific	14.5%		

Under both the STI and LTI, discretionary remuneration which exceeds the agreed performance target and reflects non-financial criteria can be granted in justified cases. This discretionary component moves within the upper limits defined in advance. Therefore, all components of the remuneration scheme used by Zumtobel Group AG meet the requirements of the Austrian Corporate Governance Code, above all Rule C-27.

The goals and goal attainment for the performance indicators as well as an individual discretionary bonus component (to be justified) are evaluated and approved each year by the compensation committee (CC). This committee is responsible for decisions on the remuneration system and includes representatives from the Management Board, Supervisory Board and human resources department. The compensation committee is supported by an independent consulting firm<sup>5</sup>.

<sup>4</sup> The peer group was revised and adjusted several times since the introduction of the relative performance indicator based on total shareholder return in 2014/15, most recently in 2019/20.

<sup>5</sup> FehrAdvice & Partners AG

The performance evaluation for the 2019/20 financial year resulted in the following remuneration for the members of the Management Board<sup>6</sup> (disclosure pursuant to Rules C-29, C-30 and C-31):

In TEUR	Total		Fixed	Variable		LTI payments from prior years	Severance compensation
	Target remuneration <sup>7</sup>	Remuneration <sup>8</sup>	Basic salary	STI	LTI <sup>9</sup>		
<b>Total Management Board remuneration</b>							
2019/20	2.865	2.963	1.519	512	932	214	0
2018/19	3.208	2.095	1.995	100	0	175	1.500
<b>Alfred Felder, CEO (since 1 April 2016 on the Management Board, since 8 June 2018 as CEO)</b>							
2019/20 <sup>10</sup>	1.300	1.352	639	222	490	55	0
2018/19 <sup>11</sup>	1.400	750	750	0	0	45	0
<b>Bernard Motzko, COO (since 1 February 2018)</b>							
2019/20 <sup>12</sup>	820	892	462	199	231	15	0
2018/19 <sup>13</sup>	958	608	608	0	0	12	0
<b>Thomas Tschol, CFO (since 1 April 2018)</b>							
2019/20 <sup>14</sup>	745	719	418	90	211	0	0
2018/19 <sup>15</sup>	850	738	638	100	0	0	0
<b>Ulrich Schumacher, CEO (up to 1 February 2018)</b>							
2019/20	0	0	0	0	0	0	0
2018/19 <sup>16</sup>	0	0	0	0	0	0	1.500
<b>Karin Sonnenmoser, CFO (up to 9 March 2018)</b>							
2019/20 <sup>17</sup>	0	0	0	0	0	144	0
2018/19	0	0	0	0	0	118	0

<sup>6</sup> Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2019/20 irrespective of the payment date.

<sup>7</sup> The column "target remuneration" covers all contractually defined remuneration components, excluding contractually defined severance compensation.

<sup>8</sup> The column "remuneration" shows the remuneration components earned during the reporting year; excluding LTI payments from earlier years and severance compensation.

<sup>9</sup> The ratio of LTI to STI for the Management Board members equals 70:30, respectively 80:20 (CEO); the LTI payout period for the Management Board covers five years for all of the current board members.

<sup>10</sup> Due to the voluntary waiver of 20% of the base salary for short-time work in Austria as a result of the COVID-19 pandemic (April to June 2020) only 80% of the base salary was paid in April 2020. In 2019/20 a discretionary bonus totalling EUR 100,000 was paid.

<sup>11</sup> The target remuneration and actual remuneration for Alfred Felder in 2018/19 include a contractually defined, one-time bonus of EUR 100,000.

<sup>12</sup> Due to the voluntary waiver of 20% of the base salary for short-time work in Austria as a result of the COVID-19 pandemic (April to June 2020) only 80% of the base salary was paid in April 2020. In 2019/20 a discretionary bonus totalling EUR 100,000 was paid.

<sup>13</sup> The target remuneration and actual remuneration for Bernard Motzko in 2018/19 include the contractually agreed second tranche of the signing bonus (EUR 137,500).

<sup>14</sup> Due to the voluntary waiver of 20% of the base salary for short-time work in Austria as a result of the COVID-19 pandemic (April to June 2020) only 80% of the base salary was paid in April 2020.

<sup>15</sup> The target remuneration and actual remuneration for Thomas Tschol in 2018/19 include a contractually guaranteed bonus of EUR 212,500 for the first contract year. In 2018/19 a discretionary bonus of EUR 100,000 was paid.

<sup>16</sup> On 23 January 2019 a settlement was reached with Ulrich Schumacher at the provincial court in Feldkirch. The payment of the settlement amount represents the final compensation and settlement for all reciprocal claims between the parties and, in particular, covers all bonus claims independent of the form of termination (bonus bank).

<sup>17</sup> In connection with the termination of her contract by mutual agreement in 2017/18, a one-time severance payment of EUR 235,000 was agreed. All entitlements from the bonus bank remain intact, i.e. the allocated LTI tranche from 2017/18 will remain in the payment scheme up to 2022/23.

The employment contract with CFO Thomas Tschol, which would have expired at the end of the 2019/20 financial year, was extended on 8 November 2019 to 30 April 2021.

The Management Board contracts include a change of control clause. If the company is taken over by a new majority shareholder, the members of the Management Board are entitled to terminate their contracts unilaterally. In this case, the member(s) of the Management Board would be entitled to receive the previously agreed fixed and variable remuneration up to the end of the originally agreed contract term, with a maximum payment covering a period of 24 months. The members of the Management Board have no other special claims or entitlements at the end of their function. The activities of Thomas Tschol on the Management Board are made available through a personnel leasing contract concluded with Management Factory Corporate Advisory GmbH. This contract can be terminated at the end of each month in keeping with a three-month notice period.

The Zumtobel Group website ([www.zumtobelgroup.com](http://www.zumtobelgroup.com)) provides up-to-date information on the purchase and sale of the company's shares by its directors in accordance with the Austrian Stock Exchange Act. This disclosure exceeds the requirements of Rule 73 in that the information remains on the website for at least six months.

### **3.5.2 Supervisory Board remuneration**

The Supervisory Board remuneration and attendance fees are approved by the annual general meeting and were last amended on 24 July 2015. The fixed remuneration equals EUR 120,000 per financial year for the chairperson of the Supervisory Board and EUR 60,000 per financial year for each elected member. No additional attendance fees are paid for Supervisory Board meetings or for the annual general meeting. In addition, the elected members of the Supervisory Board committees receive variable remuneration. Each committee chairperson receives remuneration of EUR 15,000 for each meeting up to a maximum of EUR 30,000 per financial year for the activities as committee chairperson. Every other committee member receives EUR 5,000 per meeting up to a maximum of EUR 10,000 per financial year and committee. The employee representatives receive no Supervisory Board remuneration. The fixed remuneration is paid out in equal monthly instalments, while the variable remuneration is paid one week after the respective meeting to the members who were personally present.

Total Supervisory Board remuneration:<sup>18</sup>

In TEUR	2019/20	2018/19
<b>Total remuneration of the Supervisory Board</b>	<b>580</b>	<b>421</b>
thereof fixed remuneration	392	300
thereof variable remuneration	175	120
thereof expense allowances and reimbursements	13	1

Remuneration of the individual Supervisory Board members<sup>19</sup>

Disclosure in accordance with Rule 51:

In TEUR	2019/20	2018/19
Jürg Zumtobel	170	140
Johannes Burtscher	105	100
Fritz Zumtobel	90	80
Volkhard Hofmann	100	100
Eva Kienle <sup>20</sup>	51	0
Karin Zumtobel-Chammah <sup>21</sup>	51	0

## 3.6 Other Information

### 3.6.1 Auditor's fees

KPMG Austria GmbH was appointed by the annual general meeting on 26 July 2019 to audit the consolidated and separate financial statements of Zumtobel Group AG. KPMG also performs tax and financial consulting services for the Zumtobel Group through its partner offices.

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft performed or arranged to perform the following services for Zumtobel Group AG in 2019/20:

In TEUR	2019/20	2018/19
<b>Total fees</b>	<b>380</b>	<b>431</b>
thereof audit and audit related services	236	228
thereof other services	144	203

The fees for other services involve audit-related consulting and tax advising. The fees charged by member companies of the KPMG network for audit services in the Zumtobel Group, including external costs, totalled TEUR 1,328 in 2019/20 (2018/19: TEUR 1,127).

<sup>18</sup> Note: In order to improve transparency and clarity, the remuneration shown reflects the meetings held during the respective financial year, irrespective of the date of payment.

<sup>19</sup> Excl. expense allowances and reimbursements.

<sup>20</sup> The Supervisory Board remuneration for 2019/20 was paid proportionally beginning on 26 July 2019.

<sup>21</sup> The Supervisory Board remuneration for 2019/20 was paid proportionally beginning on 26 July 2019.

### 3.6.2 Internal Audit

The corporate internal audit department of Zumtobel Group AG (corporate audit & compliance) is a staff department that reports directly to the Management Board. The head of the department provides regular reports to the Audit Committee of the Supervisory Board on the planning for and most important results of its work. The internal audit charter approved by the Management Board creates the foundation for all internal audit activities. This charter and the entire audit process in the Zumtobel Group are based on the international standards defined by the Institute of Internal Auditors (IIA). Compliance with these standards is reviewed and confirmed at least every five years by an external specialist, whereby the last review took place in March 2016.

The standard corporate internal audits are defined in an annual schedule, which is approved by the Management Board and coordinated with the Audit Committee. It is the result of the Group-wide structured identification and analysis of qualitative and quantitative risk factors relating to processes, units and projects. The preparation of the audit schedule is closely coordinated with risk management and covers the content-related review of risk trends and efficiency in operating processes as well as the monitoring of compliance with legal regulations and internal guidelines. The activities of corporate internal audit also include ad hoc audits at the request of the Management Board and, depending on the team's available expertise, consulting projects. In accordance with § 243a (2) of the Austrian Commercial Code and Rules 69 and 70 of the Austrian Corporate Governance Code, the management report must include a description of the key features of the internal control system and the risk management system related to the accounting process.

Dornbirn, 15 June 2020

The Management Board

Alfred Felder  
Chief Executive Officer (CEO)

Thomas Tschol  
Chief Financial Officer (CFO)

Bernard Motzko  
Chief Operating Officer (COO)

### 3.7 Report of the Supervisory Board

Dear Shareholders,

The 2019/20 financial year was a positive period for the Zumtobel Group. The Management Board team continued to concentrate on the group-wide implementation of the FOCUS strategy that was introduced in 2018/19, which has allowed the Zumtobel Group to further expand its competitive position. Specifically, this means the three core brands were strengthened, the sales function moved even closer to customers and, at the same time, administrative costs were substantially reduced through the re-evaluation and cutback of central functions. The new strategy reflects the Zumtobel Group's clear goal to generate added value for all stakeholders (shareholders, customers and employees). This "groundwork" has proved to be particularly valuable, especially under the exceptional circumstances surrounding the Covid-19 crisis, because the company's position is now much more robust. Our management reacted very quickly and took the necessary steps to ensure effective crisis management. We are convinced the Management Board will confidently lead the company through this crisis. Our goal is to make sure the Zumtobel Group returns as quickly as possible to the sound operating development recorded before the start of the Covid-19 pandemic.

We performed the duties required by law and the articles of association during the 2019/20 financial year by regularly monitoring the direction of the company by the Management Board and the management of Zumtobel Group AG. The Management Board provided us with comprehensive verbal and written reports on a regular and timely basis, which covered the general development of business and major events as well as the position of Zumtobel Group AG and the Zumtobel Group. During the periods between the scheduled meetings, the Management Board supplied the Supervisory Board with regular reports on important individual subjects. The chairmen of the Management and Supervisory Boards also held a number of personal meetings. These activities allowed the Supervisory Board to meet its obligations in full.

The Supervisory Board of Zumtobel Group AG included the following six shareholder representatives as of 30 April 2020: Jürg Zumtobel (Chairman), Volkhard Hofmann (First Vice-Chairman), Johannes Burtscher (Second Vice-Chairman), Eva Kienle, Karin Zumtobel-Chammah and Fritz Zumtobel. The Supervisory Board, in its current composition, meets the requirements of the Austrian Stock Corporation Act and is not restricted in any way whatsoever in its actions or decision capacity.

#### Meetings of the Supervisory Board

The Supervisory Board met nine times during the 2019/20 financial year; in four scheduled meetings, four unscheduled meetings and one constituent meeting. One member was excused from one meeting, and there was full attendance at all other meetings.

The Supervisory Board meeting on 26 June 2019 dealt with the separate financial statements of Zumtobel Group AG and the related consolidated financial statements, together with the related documents, in accordance with § 222 (1) of the Austrian Commercial Code. Discussions at this meeting also covered the Supervisory Board's report and recommendations for proposals to the annual general meeting. Status reports on individual projects were discussed, and a capital increase and a change of mandates in the Group were approved. Based on a self-evaluation via questionnaire, the Supervisory Board reviewed the efficiency of its work and opportunities for improvement in its organisation and working procedures.

An extraordinary and constituent meeting was held on 26 July 2020 in which status reports were discussed and the Supervisory Board was reconstituted following the election of two new members: Eva Kienle and Karin Zumtobel-Chammah.

The agenda for the meeting on 20 September 2019 included the management report and key financial data on the first quarter of 2019/20 as well as status reports. In addition, a capital increase and a change of mandates in the Group were approved.

In an extraordinary meeting on 30 October 2019, the Supervisory Board examined and approved the acquisition of the remaining 90% interest in Europhane SAS by ZG Lighting France SA to achieve full ownership. The resulting strategy for the future was also discussed at length and approved.

The appointment of Thomas Tschol as a member of the Management Board of Zumtobel Group AG and Chief Financial Officer (CFO) was extended to 30 April 2021 by way of a circular memorandum on 8 November 2019.

The central topics of the Supervisory Board meeting on 24 January 2020 included the management report on the second quarter of 2019/20 and key data on the month of December as well as strategic issues involving the focus regions of Germany, France and Great Britain. The situation in the production network and in the Components Segment was also discussed extensively.

In the extraordinary meeting on 13 February 2020, the Supervisory Board approved an amendment to the GRS bonus scheme for key management of Zumtobel Group AG as a means of integrating individual goals. Jürg Zumtobel and Fritz Zumtobel announced their intention to resign prematurely from the Supervisory Board of Zumtobel Group AG. The Supervisory Board concluded that it would be reasonable to fill these vacant positions before the Annual General Meeting in July 2020 and recommended that the Management Board call an Extraordinary General Meeting. The Management Board of Zumtobel Group AG subsequently announced an Extraordinary General Meeting for 27 March 2020 to elect new members to the Supervisory Board. However, this meeting was unable to take place during the 2019/20 financial year due to the COVID-19 measures.<sup>22</sup>

The primary issue handled at the extraordinary Supervisory Board meeting on 27 March 2020 was the COVID-19 crisis and the expected effects on employees and business development as well as the measures required to deal with the situation. Corporate financing and capital increases in the Group were also discussed and approved.

The COVID-19 crisis, the budget for the 2020/21 financial year and medium-term planning for 2021/22, 2022/23 and 2023/24 were also key topics at the Supervisory Board meeting on 26 April 2020.

### **Audit Committee**

The Audit Committee met twice during 2019/20, with full attendance at both meetings.

The meeting on 26 June 2019 concentrated on the annual financial statements for 2018/19. The auditor of the consolidated and separate financial statements and company staff supplied the Audit Committee with detailed information on the consolidated financial statements and separate financial statements of Zumtobel Group AG as well as accounting processes and major accounting principles. Other reports (compliance management and data protection, risk management system, internal control system, internal audit, corporate governance, insider compliance and the IT control environment) were discussed and accepted. A resolution

<sup>22</sup> The Extraordinary General Meeting on 18 May 2020 elected Georg Pachta-Reyhofen and Thorsten Staake to the Supervisory Board. Karin Zumtobel-Chammah was appointed chairwoman and Georg Pachta-Reyhofen vice-chairman of the Supervisory Board. This election also marked the resignation of two long-standing Supervisory Board members: Jürg Zumtobel and Fritz Zumtobel.

for the appointment of the auditor for the 2019/20 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 23 January 2020 dealt with the six-month financial statements as of 31 October 2019, whereby the related reports by the auditor and corporate staff were accepted. Consultations centred on the accounting process and the focal points selected for review as well as the audit currently in progress by the Austrian Financial Reporting Enforcement Panel (AFREP) in accordance with § 2 (1) no. 2 of the Austrian Accounting Control Act. The audit approach and focal points for the audits of the 2019/20 separate and consolidated financial statements were presented and explained by the auditor. Status reports on the internal control system, internal audit and compliance management in the Zumtobel Group were also presented and accepted.

A circular resolution by the Audit Committee on 13 March 2020 approved a public tender for the audit of the separate and consolidated financial statements of Zumtobel Group AG and the audit of selected financial statements for subsidiaries included in the consolidated financial statements for the financial years 2020/21 to 2022/23. Based on this resolution, the tender will be carried out in accordance with Article 16 of the Auditors' Directive ("Abschlussprüfer-Verordnung") and the guideline for audit tenders issued by iwv (Institute of Austrian Chartered Accountants, "Institut Österreichischer Wirtschaftsprüfer"; version: February 2019).

#### **Committee for Management Board Matters**

The members of the Committee for Management Board Matters held numerous meetings and telephone conferences during 2019/20, which involved discussions and follow-up assessments of key topics. The most important issues handled during the reporting year included the extension of the appointment of Thomas Tschol as Chief Financial Officer of Zumtobel Group AG to 30 April 2021.

Other focal points, as in previous years, included the committee's work as a so-called compensation committee, which takes decisions on the remuneration system. The Committee for Management Board Matters also served as a sounding board for the Management Board on a wide range of issues.

#### **Strategy Committee**

In two meetings and telephone conferences, the members of the Strategy Committee dealt with a wide range of key strategic and cultural issues involving the Zumtobel Group. The most important issues accompanied by the Strategy Committee in 2019/20 included the evaluation of options for the corporate strategy, among others during an on-site visit to the plant in Niš.

#### **Annual Financial Statements**

The annual financial statements and the management report as well as the consolidated financial statements and the group management report of Zumtobel Group AG for the 2019/20 financial year, which were prepared by the Management Board, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Vienna, and given unqualified opinions. After an extensive review and discussion of the separate financial statements of Zumtobel Group AG with the auditor at meetings of the Audit Committee and the Supervisory Board, which provided no grounds for reservation, the Supervisory Board stated its agreement with the management reports for the company and the Group pursuant to § 96 (1) of the Austrian Stock Corporation Act and approved the separate financial statements of Zumtobel Group AG. These financial statements are therefore considered finalised in accordance with § 96 (4) of the Austrian Stock Corporation Act. The Supervisory Board also approved the consolidated financial statements as well as the corporate governance report which was reviewed by the Audit Committee.

The Supervisory Board would like to thank the Management Board and the employees of Zumtobel Group AG and its member companies for their strong personal commitment during the past financial year.

We would also like to thank the shareholders of Zumtobel Group AG for their confidence.

Dornbirn, 22 June 2020

On behalf of the Supervisory Board

Karin Zumtobel-Chammah  
Chairwoman of the Supervisory Board