

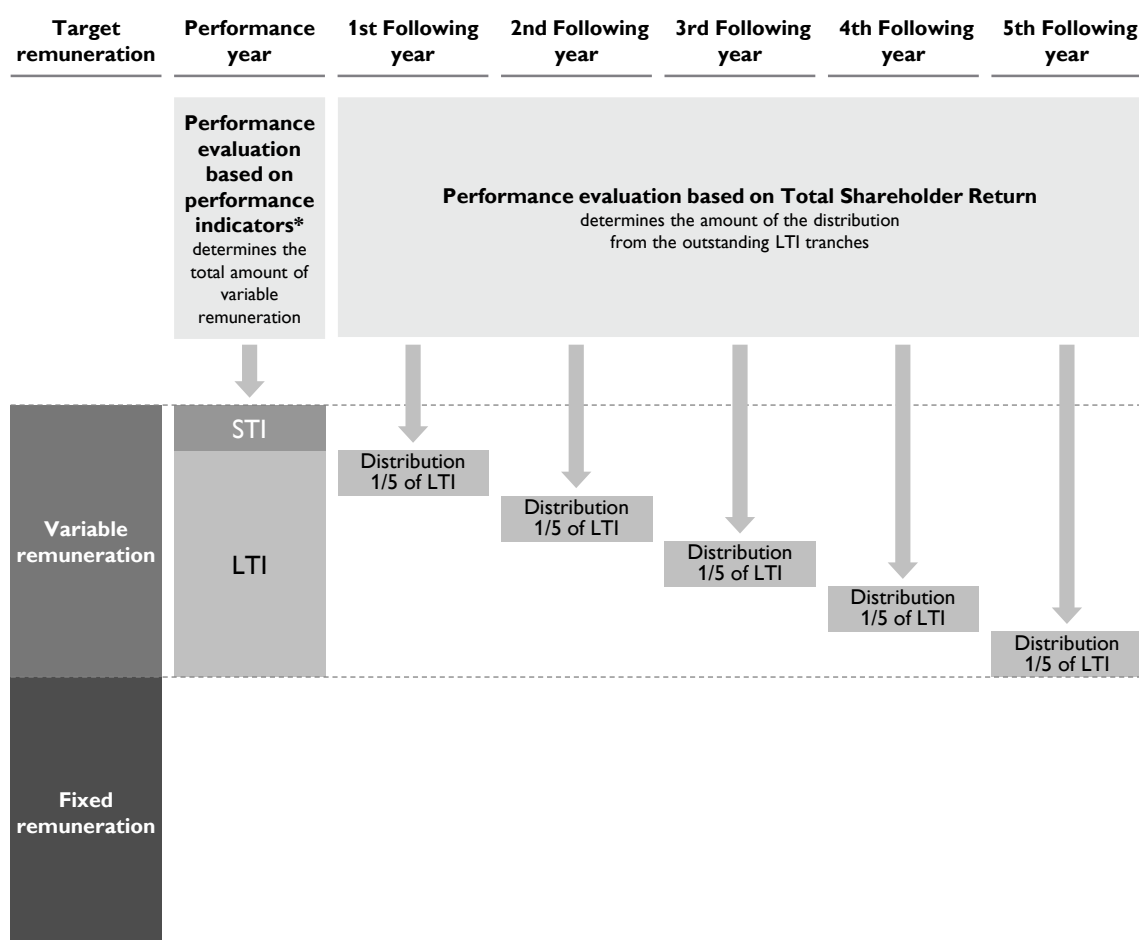
3.5 Remuneration Report

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 AG⁴:

Geographic distribution	Share	Distribution by industrial sector	Share
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 firm⁵.

⁴ 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.

⁵ FehrAdvice & Partners AG

The performance evaluation for the 2019/20 financial year resulted in the following remuneration for the members of the Management Board⁶ (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 ⁷	Remuneration ⁸	Basic salary	STI	LTI ⁹		
Total Management Board remuneration							
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
Alfred Felder, CEO (since 1 April 2016 on the Management Board, since 8 June 2018 as CEO)							
2019/20 ¹⁰	1.300	1.352	639	222	490	55	0
2018/19 ¹¹	1.400	750	750	0	0	45	0
Bernard Motzko, COO (since 1 February 2018)							
2019/20 ¹²	820	892	462	199	231	15	0
2018/19 ¹³	958	608	608	0	0	12	0
Thomas Tschol, CFO (since 1 April 2018)							
2019/20 ¹⁴	745	719	418	90	211	0	0
2018/19 ¹⁵	850	738	638	100	0	0	0
Ulrich Schumacher, CEO (up to 1 February 2018)							
2019/20	0	0	0	0	0	0	0
2018/19 ¹⁶	0	0	0	0	0	0	1.500
Karin Sonnenmoser, CFO (up to 9 March 2018)							
2019/20 ¹⁷	0	0	0	0	0	144	0
2018/19	0	0	0	0	0	118	0

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

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

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

⁹ 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.

¹⁰ 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.

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

¹² 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.

¹³ 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).

¹⁴ 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.

¹⁵ 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.

¹⁶ 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).

¹⁷ 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) 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:¹⁸

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

Remuneration of the individual Supervisory Board members¹⁹

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 ²⁰	51	0
Karin Zumtobel-Chammah ²¹	51	0

¹⁸ 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.

¹⁹ Excl. expense allowances and reimbursements.

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

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