

### **3. Corporate Governance Report 2018/19**

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## 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 2018/19 financial year (version: January 2018) 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 2018/19 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 Austrian 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. 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). Following the completion of this assessment, the auditor concluded that the corporate governance report prepared by Zumtobel Group AG meets the applicable legal requirements (§ 243b of the Austrian Commercial Code).

#### 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 director of corporate audit & compliance reports regularly on current compliance issues as well as planning and progress on the development and expansion of the compliance management system at the meetings of the Audit Committee. Personal meetings with the chairman of the Audit Committee are held twice each year and supplemented by semi-annual reports to the Audit Committee. Additional information can be found in the management report under "Corporate Governance und 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

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. annual financial report, quarterly reports, 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 8 June 2018, formerly Speaker of the Management Board, previously COO	01.04.2016	30.04.2022	3 years
Thomas Tschol	CFO (Chief Financial Officer)	01.04.2018	30.04.2020	1 year
Bernard Motzko	COO (Chief Operating Officer)	01.02.2018	30.04.2021	1 year

### **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 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 2020. 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. The 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 his own 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: none.

## 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 2019 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.

Name	Function	Appointed/ delegated in	Term ends in	Service time to date
Jürg Zumtobel	Chairman	2003	2020	16 years
Volkhard Hofmann	First Vice-Chairman	2017	2020	2 years
Johannes Burtscher	Second Vice-Chairman	2010	2020	9 years
Fritz Zumtobel	Member	1996	2020	23 years
Dietmar Dünser	Delegated by the Employees' Council	2015		4 years
Richard Apnar	Delegated by the Employees' Council	2012		7 years
Kai Arbinger	Delegated by the Employees' Council	2016		3 years

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. Two members of the Supervisory Board – Volkhard Hofmann and Johannes Burtscher – are independent and neither shareholders nor representatives of shareholders with an investment of more than 10%. Accordingly, Rule 54 is also met in full.

All contracts with members of the Supervisory Board which involve activities outside the scope of Supervisory Board responsibilities and are connected remuneration exceeding minor value must be submitted to the Supervisory Board for approval in accordance with legal regulations. The related objects and remuneration are disclosed in section 1.6.2 (Contracts with members of the Supervisory Board). L-Rule 48 and C-Rule 49 of the Corporate Governance Code are therefore met in full.

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 listed 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, 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 chairman 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 2018/19 financial year. Among others, the responsible managers report to the committee at each meeting on the current status of these systems and processes. The chairman of the Audit Committee also meets twice each year with the 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, Johannes Burtscher, 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. 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. In recent years, Mr. Hofmann has advised the Zumtobel Group on various projects.

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: member of the administrative board of Kunststoff Schwanden AG, Schwanden, Switzerland.

### **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. 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.

#### 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 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. Arbingler 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. The following table shows the structure of the Management Board and Supervisory Board of Zumtobel Group AG as of 30 April 2019:

	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
			70 <
<b>Supervisory Board</b>			
Shareholder representatives	Men (4)	Economics (1)	< 50 (1)
	Women (none)	Law (1)	50 to 60
		Engineering (2)	60 to 70 (1)
			70 < (2)
Employee representatives	Men (3)	Telecommunications and electronics (1)	< 50 (1)
	Women (none)	Training as a plastics engineer (1)	50 to 60 (2)
		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 48 and 56 years old, come from three different nations and have extensive international management experience in various companies and business areas. The Supervisory Board did not include any women in 2018/19, as in the previous year. 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 2018/19 women comprised 35.7% (2017/18: 35.8%) 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 also 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 2018/19 part-time employees represented 8.5% of the total full-time equivalent workforce (2017/18: 6.9%). 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".

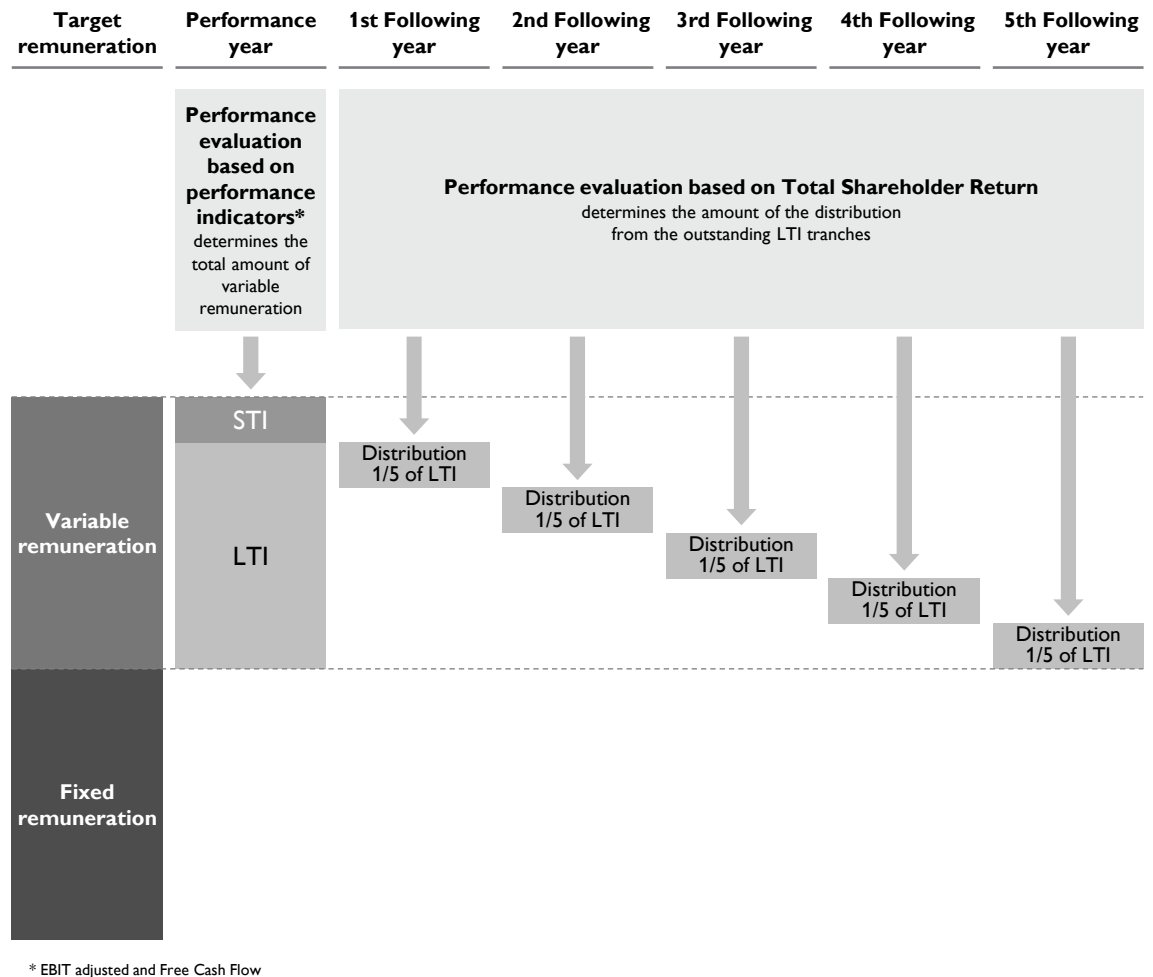
### **3.5 Remuneration Report**

#### **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 effectiveness of the remuneration system was again confirmed in 2018/19. The members of the Management Board and most of the upper-level management did not receive any variable remuneration for the reporting year following a performance evaluation based on the defined indicators.

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:



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 underlying performance indicators for the remuneration system were adjusted in 2018/19. The performance evaluation for the allocation of variable remuneration in the respective distribution year is no longer based on total shareholder return, but on two new 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.

Composition of the peer group of Zumtobel Group AG<sup>1</sup>:

Geographic distribution	Share	Distribution by industrial sector	Share
D/A/CH	38.8%	Lighting	55.7%
Northern Europe	18.6%	Construction, same level of supply	25.8%
Benelux & Eastern Europe	0%	Construction, upstream level of supply	13.9%
America	22.4%	Manufacturing and Electrics	4.6%
Southern Europe	4.4%		
Asia & Pacific	15.7%		

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>2</sup>.

The performance evaluation for the 2018/19 financial year resulted in the following remuneration for the members of the Management Board<sup>3</sup> (*disclosure pursuant to Rules C29, C30 and C31*):

<sup>1</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 2017/18.

<sup>2</sup> FehrAdvice & Partners AG

<sup>3</sup> Note: In order to improve transparency and clarity, the above table shows the remuneration earned in 2018/19 irrespective of the payment date.

In TEUR	Total		Fixed	Variable		LTI payments from prior periods	Severance compensation
	Target remuneration <sup>4</sup>	Remuneration <sup>5</sup>	Basic salary	STI	LTI <sup>6</sup>		
<b>Total Management Board remuneration</b>							
2018/19	3,208	2,095	1,995	100	0	175	1,500
2017/18	3,490	2,014	1,926	26	61	0	235
<b>Alfred Felder, CEO</b> (since 1 April 2016 on the Management Board, since 8 June 2018 as CEO)							
2018/19 <sup>7</sup>	1,400	750	750	0	0	45	0
2017/18 <sup>8</sup>	963	515	515	0	0	0	0
<b>Bernard Motzko, COO</b> (since 1 February 2018)							
2018/19 <sup>9</sup>	958	608	608	0	0	12	0
2017/18 <sup>10</sup>	343	343	255	26	61	0	0
<b>Thomas Tschol, CFO</b> (since 1 April 2018)							
2018/19 <sup>11</sup>	850	738	638	100	0	0	0
2017/18 <sup>12</sup>	50	50	50	0	0	0	0
<b>Ulrich Schumacher, CEO</b> (until 1 February 2018)							
2018/19 <sup>13</sup>	0	0	0	0	0	0	1,500
2017/18 <sup>14</sup>	1,407	703	703	0	0	0	0
<b>Karin Sonnenmoser, CFO</b> (until 9 March 2018)							
2018/19	0	0	0	0	0	118	0
2017/18 <sup>15</sup>	729	403	403	0	0	0	235

<sup>4</sup> The column "target remuneration" covers all contractually defined remuneration components, excluding contractually defined severance compensation.

<sup>5</sup> The column "remuneration" shows the remuneration components earned during the reporting year, excluding LTI payments from earlier years and severance compensation.

<sup>6</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>7</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>8</sup> The target remuneration and actual remuneration for Alfred Felder in 2017/18 include the contractually agreed compensation for the function of COO (up to 31 January 2018) and for the interim function of CEO (as of 1 February 2018). Mr. Felder receives LTI payments from prior periods for his activities as the Tridonic business unit leader (these payments are not included here).

<sup>9</sup> The target remuneration and actual remuneration for Bernard Motzko in 2018/19 include the contractually defined second tranche of the sign-up bonus of EUR 137,500.

<sup>10</sup> The target remuneration and actual remuneration for Bernard Motzko in 2017/18 include the contractually agreed compensation for the function of COO as of 1 February 2018. The contractual agreement provides for a payment of at least 100% of the variable remuneration in 2017/18. The first tranche of the signing bonus of EUR 137,500 was paid at the end of 2017/18.

<sup>11</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 FY 2018/19 a discretionary bonus of EUR 100,000 was paid.

<sup>12</sup> The remuneration for Thomas Tschol in 2017/18 include the contractually agreed flat-rate payment for the function of CFO during the period from 9 March 2018 to 30 April 2018.

Alfred Felder was appointed Speaker of the Management Board (CEO, ad interim) in 2017/18 as the successor to Ulrich Schumacher and, on 8 June 2018, was appointed Chief Executive Officer (CEO) by the Supervisory Board of Zumtobel Group AG. His contract was extended on 4 December 2018 for three years up to 30 April 2022. 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, also covers all bonus claims independent of the form of termination (bonus bank).

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 chairman 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 chairman 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 chairman. 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.

<sup>13</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, also covers all bonus claims independent of the form of termination (bonus bank).

<sup>14</sup> The target remuneration and actual remuneration for Ulrich Schumacher in 2017/18 include the contractually agreed compensation for the function of CEO up to 26 February 2018. An additional bonus was not paid in 2017/18.

<sup>15</sup> The target remuneration and actual remuneration for Karin Sonnenmoser in 2017/18 include the contractually agreed compensation for the function of CFO up to 9 March 2018. In connection with the termination of her contract by mutual agreement, 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.

Total Supervisory Board remuneration:<sup>16</sup>

In TEUR	2018/19	2017/18
<b>Total remuneration of the Supervisory Board</b>	<b>421</b>	<b>433</b>
thereof fixed remuneration	300	382
thereof variable remuneration	120	50
thereof expense allowances and reimbursements	1	1

Remuneration of the individual Supervisory Board members<sup>17</sup>

*Disclosure in accordance with Rule 51:*

In TEUR	2018/19	2017/18
Jürg Zumtobel	140	130
Johannes Burtscher	100	90
Fritz Zumtobel	80	70
Volkhard Hofmann	100	47
Stephan Hutter (up to 31 January 2018)	0	45
Hans-Peter Metzler (up to 31 January 2018)	0	45

## 3.6 Other Information

### 3.6.1 Auditor's fees

KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed by the annual general meeting on 27 July 2018 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 during the reporting year:

In TEUR	2018/19	2017/18
<b>Total fees</b>	<b>431</b>	<b>568</b>
thereof audit and audit related services	228	228
thereof other services	203	340

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 1,127 (2017/18: TEUR 1,300).

<sup>16</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>17</sup> Excl. expense allowances and reimbursements.



### 3.6.2 Contracts with members of the Supervisory Board

Supervisory Board member Volkhard Hofmann invoiced a total of TEUR 90 (excluding expenses) for consultancy services on behalf of the Zumtobel Group in 2018/19.

### 3.6.3 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, 14 June 2019

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 2018/19 financial year was a year of transition for the Zumtobel Group. The new Management Board which was installed in spring 2018 implemented a number of urgently required measures during the past financial year to stabilise the business and worked intensively on the implementation of the new FOCUS strategy. The market-based segments were upgraded, the three core brands were strengthened, and the sales function was reoriented and positioned even closer to customers. At the same time, corporate functions were cut back and administrative costs were substantially reduced. The product portfolio was also streamlined, and operating processes were adjusted to lower production costs. All these steps combined to improve the Zumtobel Group's competitive position and create the basis for additional market and cost savings opportunities. This new strategy reflects the Zumtobel Group's clear goal to generate added value for all stakeholders (shareholders, customers and employees). We are convinced that we have again created a solid foundation for future profitable growth in the Zumtobel Group with this new orientation.

We performed the duties required by law and the articles of association during the 2018/19 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. Experts were invited to our meetings to provide detailed information on specific topics. 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 four shareholder representatives as of 30 April 2019: Jürg Zumtobel, Fritz Zumtobel, Johannes Burtscher and Volkhard Hofmann. 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 six times during the 2018/19 financial year, in four scheduled meetings and two unscheduled meetings. One member of the Supervisory Board was excused at each of three meetings and authorised another member or the chairman of the Supervisory Board to vote on his behalf. All members were in attendance at the other Supervisory Board meetings.

The budget for 2018/19, including the medium-term planning, was approved, respectively accepted without objections at an unscheduled meeting on 22 May 2018.

Alfred Felder was appointed Chief Executive Officer of Zumtobel Group AG on 8 June 2018. On 22 November 2018 his contract was extended to 30 April 2022 by way of a resolution in writing.

The Supervisory Board meeting on 26 June 2018 dealt extensively with the separate financial statements of Zumtobel Group AG and the related consolidated financial statements. Discussions at this meeting also covered the corporate governance report and the Supervisory Board report as well as the approval of recommendations by the Supervisory Board to the annual general meeting. Resolutions were also passed on Group financing and restructuring measures (e.g. the founding of an R&D location in Portugal).

The agenda for the meeting on 21 September 2018 included the management report and key financial data on the first quarter of 2018/2019 as well as the development of a global plant network, pending restructuring issue and status reports on the strategy of the Zumtobel Group. In addition, the implementation of the new GRS bonus scheme for key employees and authorisation changes in the Group companies were approved.

Restructuring measures in Jennersdorf and Guangzhou were handled and approved at the unscheduled Supervisory Board meeting on 16/19 November 2018.

The central topics of the Supervisory Board meeting on 25 January 2019 included discussions on the management report as well as the strategy for the global plant network. Among others, financing issues were discussed and the settlement of the proceedings against the former Chief Executive Officer, Ulrich Schumacher, at the provincial court in Feldkirch was approved.

At the Supervisory Board meeting on 26 April 2019, the budget for the 2019/20 financial year and medium-term planning for 2020/21, 2021/22 and 2022/23 were approved. Authorisation changes were also approved and status reports on various projects were discussed.

### **Audit Committee**

The Audit Committee met twice during 2018/19, with full attendance at both meetings. Additional personal meetings were also held between members of the Audit Committee and the Zumtobel Group's auditors.

The meeting on 26 June 2018 concentrated on the annual financial statements for 2017/18. 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 for the appointment of the auditor for the 2018/19 financial year was approved and passed on to the Supervisory Board.

The Audit Committee meeting on 25 January 2019 dealt with the six-month financial statements as of 31 October 2018, whereby the related reports by the auditor and corporate staff were accepted. The accounting process, the focal points of the review and selected accounting issues – e.g. the effects of IFRS 16 and the new mortality tables for the calculation of the service anniversary and severance provisions in Austria – were examined in detail. The audit approach and focal points for the audits of the 2018/19 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.

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

The members of the Committee for Management Board Matters held numerous meetings and telephone conferences in 2018/19, which involved discussions and follow-up assessments of key topics. The most important issues handled during the reporting year included the appointment of Alfred Felder as Chief Executive Officer of Zumtobel Group AG up to 30 April 2022.

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 and includes representatives of the Management Board, Supervisory Board and human resources department. The underlying performance indicators for the remuneration system were adjusted in 2018/19. The performance evaluation for the allocation of variable

remuneration in the respective distribution year is no longer based on total shareholder return, but on two new indicators – adjusted EBIT and free cash flow. 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). Additional information can be found in the remuneration report. The compensation committee was also supported during 2018/19 by FehrAdvice & Partners AG, an independent consulting firm located in Zurich.

The Committee for Management Board Matters also served as a sounding board for the Management Board on a wide range of issues in 2018/19.

### Strategy Committee

The members of the Strategy Committee held several meetings and telephone conferences which 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 2018/19 concerned the Zumtobel Group's FOCUS strategy to strengthen customer orientation while, at the same time, reducing complexity and lowering costs. Additional information is provided in section 1.1.6 of the management report.

### 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 2018/19 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 consolidated 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.

For the Supervisory Board

Jürg Zumtobel  
Chairman of the Supervisory Board

Dornbirn, 26 June 2019