

### 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