

### 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