

Management

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» In short «

Jenoptik took

1st PLACE

in the SDax in the "Investors' Darling" capital market competition in 2019, and was named the best capital market communicator of all 70 SDax companies.

At the same time, Jenoptik came third in the overall ranking of all 160 Dax companies. Points assessed in this competition of German financial communication were financial reporting, investor relations work, including digital communication and presentation on the Internet, and, for the first time, communications relating to corporate social responsibility (CSR).



Dr. Stefan Traeger
President & CEO

*Dear shareholders,
dear clients, partners, and friends of our company,*

Brighter Futures with the Power of Light – this is our vision which we fill with life every day.

We have once again invested in our vision in 2019 because we are convinced of the performance of the Jenoptik Group, and because we realize technologically unique differences also for our customers' benefit.

Our photonic solutions contribute to a better future: Lenses from Jenoptik help NASA's new Mars Rover to maintain its orientation on its mission. Thanks in part to our technology, we will be able to see images from Mars by next year at the latest. With our help, it was also possible for Google, for example, to develop a new type of microscope which enables doctors to diagnose diseased cells more accurately. In addition, our innovative technology ensures modern traffic monitoring in the vicinity of New York schools, so that in particular children can make their way to school in safety. These are just a few examples that make me very proud to be at the top of Jenoptik, continuing our company's success story together with my Executive Board colleague Hans-Dieter Schumacher and more than 4,100 Jenoptik employees.

Jenoptik once again showed an outstanding performance last year, despite the challenging market. The Group is now able to look back on five consecutive years of rising revenue. And we have once again reached our top financial targets this year.

In 2019, we grew by 2.5 percent generating revenue of 855 million euros, and posted EBITDA of 134 million euros, an improvement of 5 percent. All in all, an outstanding team performance by all Jenoptik employees, especially in this economic environment.

But we were not only commercially successful. In terms of operations, we also focused all our efforts and successfully pushed ahead with our strategic priorities – operational excellence, growth in Asia and more innovation.

We started with a new group structure in January 2019. The core of this new structure are three strong photonics divisions: Light & Optics, Light & Production and Light & Safety. We have thereby better aligned our business with market requirements. The new divisions were not the only result of reorganization, we also merged a number of our companies during the course of the year, making us more agile.

In 2019, the new organizational structure was accompanied by the Operational Excellence initiative, which focused on improving delivery quality and reliability in our largest division, Light & Optics. Thanks to the production and process improvements achieved in manufacturing during the year, we have created a good starting point for the future.

Asia was another priority. Here we began to focus our sales activities more strongly on customers and markets in 2019. We have succeeded in significantly expanding our partner network in Asia, and have created good prerequisites for improving cooperation between our divisions and the respective regions, thereby ensuring future growth in those foreign markets that are important to us.

Thirdly, our group initiative "Speed up Innovation" is aimed at creating optimal framework conditions for an innovation-friendly climate within the company. To this end, we have simplified our innovation process and made the innovation landscape within the Group more transparent. One example of this is newly introduced "Vitality Index", which compares the revenue of products less than three years old with total revenue. This will make it easier for us to monitor the development and economic success of our innovation activities in the future, and will help to further sharpen our view of current and future technological competitive advantages.

After defining individual divisional strategies in accordance with the objectives of the group strategy, we also began to implement and execute these in the 2019 fiscal year.

However: A strategy is only successful when the corporate culture mentally and emotionally supports the workforce in achieving the set goals. Therefore, we consistently continued the cultural change in 2019, and engaged in a dialog to make our corporate values – open, driving, confident – more tangible for all employees. Cultural changes take time, so this process will also be a strategic priority in the current fiscal year.

2019 was also marked by the thorough integration of two companies acquired in 2018 into the Group – Prodomax in Canada and the OTTO Group from Jena. We could clearly see that the product range and the market and customer access of these companies are an ideal complement for Jenoptik. The good business development by Prodomax and OTTO contributed significantly to the revenue growth of the Group in 2019. We see our most recent acquisition in January 2020 – the Spanish company INTEROB – in the same context. This acquisition strengthens our position as an integrated provider of highly efficient, automated manufacturing solutions and as a strategic partner to the automotive industry.

Unfortunately, we also had to accept setbacks in 2019. In the middle of the year, we announced the start of the sales process for our mechatronics business operating under the VINCORION brand. We were very confident that we would be able to complete the process in the first half of 2020. However, at the beginning of the year, we found that there was no offer at that time that adequately reflected VINCORION's business potential. Therefore, on January 17, we decided to stop the sale process. Personally, this disappointed me greatly, and we did not take this decision lightly. But, VINCORION is an extremely healthy company with good, new products and a prospering market demand. We are confident that the division can achieve further increases in revenue and earnings in 2020. VINCORION will now operate as an independent investment of the Group, separate from our photonics activities under the Jenoptik brand.

However, this does not mean that we are deviating from our strategy. The target for the coming years until 2022 remains unchanged. We will concentrate on what we do best: Under the motto "More Light", we want to create a modern high-tech group focused on photonics. Our aim is to find the correct technological responses to the major issues of the future – digitization, mobility and security.

At the beginning of 2020, the difficult economic climate globally has not eased. In addition, the outbreak of SARS-CoV-2 in the past weeks had a negative impact on the global economic development. At present, it is difficult to assess the effects on our business. Nevertheless, our presence in the markets, the innovative strength of our products and the positioning of Jenoptik in various sectors, gives us confidence to emerge from the crisis stronger than before.

We want to continue the Jenoptik success story. Subject to the effects from the SARS-CoV-2 outbreak we expect a solid development in 2020.

Dear shareholders, customers, partners and friends of Jenoptik. We thank you for the trust you have placed in our company. We strongly believe that we still have many more successes ahead of us, both large and small. Stay committed to Jenoptik and accompany us on our journey into a promising future.

Brighter Futures with the Power of Light – that is what Jenoptik stands for and that is what we stand for.



Dr. Stefan Traeger
President & CEO



Hans-Dieter Schumacher
Chief Financial Officer

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Hans-Dieter Schumacher
Chief Financial Officer

Supervisory Board Report

Honored Shareholders,

Despite challenging political and economic conditions, Jenoptik closed 2019 with results marking another year of excellent growth. Key drivers of this growth were the contributions to revenue from the semiconductor equipment industry and the Automation & Integration area including the companies acquired in 2018. The Supervisory Board closely supported the Executive Board in the consistent implementation of our strategy with a greater focus on photonic technologies and continuously monitored its work.

In the year covered by the report, the Supervisory Board diligently fulfilled its duties as stipulated in law, the Articles of Association, the Rules of Procedure, and the German Corporate Governance Code (the "Code"). The Executive Board fully involved the Supervisory Board in all decisions of fundamental importance to the company at an early stage. The Supervisory Board was also regularly presented with comprehensive information by the Executive Board, both verbally and in written form, on issues pertaining to corporate planning, on business development and profitability trends, on matters involving risk and risk management, on compliance issues, and on the general economic position of the company. Based on reports submitted by the Executive Board, business events of importance to Jenoptik were presented and discussed in detail in both the committees and the meetings of the Supervisory Board. The members of the Supervisory Board fully engaged with the submitted reports and were entitled to put forward their own proposals and suggestions at any time. When convening to discuss topics of particular importance to the Jenoptik Group, the shareholder and employee representatives on the Supervisory Board separately prepared for the meetings, partly in the presence of individual Executive Board members.

On occasions where, in accordance with the provisions of the German Stock Corporation Act (AktG), the Articles of Association, and its Rules of Procedure, the Executive Board required the agreement of the Supervisory Board before undertaking certain actions; approval was granted after thorough examination and consultation. In the event that the business development deviated from the established plans, the Executive Board notified the Supervisory Board, explaining the reasons in detail. The Executive Board completely fulfilled its reporting obligations as stipulated in § 90 AktG and the Code.

During the past fiscal year, the Supervisory Board focused on work to implement the corporate strategy presented in 2018 and supported by the Supervisory Board. This included the launch of a project to potentially sell the VINCORION division in order to streamline business activities to focus on the competence fields of optics and photonics. Regrettably, the sales process had to be stopped in January 2020. Following a successful 2019 fiscal year, VINCORION will continue to operate as an independent investment in the Jenoptik Group, with good prospects for 2020.

The Supervisory Board convened five regular meetings and two extraordinary meetings during the reporting year. One extraordinary meeting was held as a mixture of a telephone and in-person meeting. In one instance, decisions were made through the exchange of written correspondence. Individual

agenda items relating to personnel matters on the Executive Board were addressed without the presence of the members of the Executive Board. No active members of the Supervisory Board, the Audit Committee or the Personnel Committee attended half or fewer than half of the meetings in 2019. On average, attendance at Supervisory Board meetings was 96 percent. There were also five meetings of the Audit Committee (one by conference call), four meetings of the Personnel Committee (two by conference call), and two meetings of the Investment Committee (one by conference call). Attendance at Audit Committee and Personnel Committee meetings was 100 percent, at the Investment Committee meetings 92 percent. Members who were unable to attend a meeting participated in the resolutions by means of voting messages. Detailed information on members' attendance at meetings can be found in the chart on pages 22 and 23.

The Executive Board and Supervisory Board always cooperated in an open and trusting atmosphere. The Chairman of the Supervisory Board and the Chairman of the Audit Committee also maintained regular contact with the Executive Board in between the meetings of the Supervisory Board and the committees. The Chairman of the Supervisory Board consulted with the Executive Board on current business performance, in particular, but also on planning, the risk situation, risk management, and compliance measures within the company. In addition, the Executive Board promptly informed the Chairman of the Supervisory Board, either verbally or in writing, about important issues of key relevance to assessing the situation, development, and management of Jenoptik. It informed the Supervisory Board of these issues without delay and at the next meeting by the very latest.

Particular Subjects discussed by the Supervisory Board

At all of its regular meetings, the Supervisory Board dealt with the detailed reports of the Executive Board on the progress of business, particularly with regard to the current development of revenue and earnings, the position of the company, and the financial and risk situations. This included a comprehensive examination and discussion of the corresponding quarterly and monthly reports. M&A projects were set out and discussed at several meetings.

In February 2019, the Supervisory Board approved the Corporate Governance Statement and the Corporate Governance Report by written circulation procedure, and also adopted its report for the 2019 Annual General Meeting. In addition, the CVs of Supervisory Board members were compared against the competency profile adopted by the Supervisory Board, updated, and published on the JENOPTIK AG website.

The focus of the **balance sheet meeting on March 20, 2019** was the audit of JENOPTIK AG's Annual Financial Statements, the Consolidated Financial Statements, and both the Combined Management Report for JENOPTIK AG and the Group and the Non-Financial Report for the prior 2018 fiscal year. Two representatives of the auditor reported on the results of the audit. After a thorough review, and on the recommendation of the Audit Committee, the Supervisory Board approved the Annual and Consolidated Financial Statements. The Annual Financial Statements were thus adopted. Following in-depth discussions, the Supervisory Board also approved the Executive Board's proposal for the

appropriation of profits, providing for an increase of 5 cents in the dividend, to 0.35 euros per qualifying no-par value share. Another issue at this meeting was the approval of the agenda for the Annual General Meeting on June 12, 2019. The Supervisory Board approved the settlement of the 2018 target agreements for the members of the Executive Board and adopted the new target agreements for 2019. The Executive Board also provided information on a range of potential acquisition and divestiture projects.

At its **meeting on June 11, 2019**, the Supervisory Board, in addition to dealing with recurring topics, was given updated information and guidance on the Annual General Meeting to be held the following day, as well as on ongoing M&A projects. The new head of the Light & Production division, Mr. Martin Kuhnhen, introduced himself to the Board and provided some initial insights into what he would be focusing on in his work.

At an **extraordinary meeting on July 29, 2019**, the Supervisory Board, following preparatory work by the Personnel Committee, discussed the further development of the Executive Board's remuneration system and adopted a new target metric for one part of the variable remuneration for members of the Executive Board starting in the 2020 fiscal year. It reappointed Dr. Traeger as a member of the Executive Board earlier than scheduled, with effect from July 1, 2020 through June 30, 2025, and appointed him President & CEO. The existing Executive Board service contract with Dr. Traeger was slightly amended with effect from July 1, 2020. The Supervisory Board also discussed the strategic project to potentially sell all shares in the VINCORION division and approved the formal start of the project to address potential buyers.

The **meeting on September 11, 2019** was held at the home of the strategic business unit Biophotonics in Berlin-Adlershof. Following a tour of the plant, the Supervisory Board discussed the regular submissions with the Executive Board, as well as the current Group Risk and Opportunity Report and the planning assumptions for the 2020 fiscal year. The Executive Board informed the Supervisory Board about the "Global Business Excellence" strategic IT project ("GLOBE"). The Supervisory Board

T01 Participation of the individual Supervisory Board members in meetings

| | Astrid Biesterfeldt | Evert Dudok | Michael Ebenau | Elke Eckstein | Thomas Klippstein | Dörthe Knips |
|---|---------------------|--------------|----------------|---------------|-------------------|--------------|
| 7 Supervisory Board Meetings | ●●●●●●● ○ | ●●●●●●● ○ | ●●●●●●● | ●●●●●●● | ●●●●●●● | ●●●●●●● |
| 5 meetings of the Audit Committee (of which one by phone) | ●●●●● | - | - | - | ●●●●● | - |
| 4 meetings of the Personnel Committee (of which one by phone) | - | - | ●●●● | - | ●●●● | - |
| 2 meetings of the Investment Committee (of which one by phone) | - | - | ●● | ●○ | - | ●● |

● Participation ○ No participation

examined further developments in the field of corporate governance, in particular the amendments to the German Stock Corporation Act resulting from the Act Implementing the Second Shareholder Rights Directive (ARUG II), and the planned amendments to the Code in the version dated May 9, 2019. It then adopted an addendum to the service contract for Mr. Hans-Dieter Schumacher, which ensured that the remuneration arrangements for the two members of the Executive Board would run in parallel from July 1, 2020 on. A further subject of the meeting was an update on current M & A projects.

At its **extraordinary meeting on October 14, 2019**, the Supervisory Board discussed the current status of the project to potentially sell the VINCORION division.

One of the Supervisory Board’s priorities in the final quarter of the fiscal year was the implementation of the new group strategy presented by the Executive Board in 2018. To this end, it was joined by the Executive Board and other members of the Executive Management Committee to discuss the strategic positions of the separate divisions, which were developed from the group strategy, from the perspective of the market, the competition, and customers at a two-day **strategy meeting on November 13 and 14, 2019**. The Executive Board provided the Supervisory Board with in-depth information on the current status of the Jenoptik Group’s three top priorities in the 2019 fiscal year: operational excellence, more innovation, and growth in Asia.

At the final **meeting** in the year covered by the report on **December 11, 2019**, the Supervisory Board approved the corporate planning for the 2020 fiscal year following in-depth discussion, and also addressed the medium-term planning. After reviewing a corporate governance checklist, the Supervisory Board and the Executive Board approved the declaration of conformity in accordance with § 161(1) AktG for the 2019 fiscal year and dealt repeatedly with the new recommendations of the Code to obtain information on the status of implementation at the time of its entry into force. The Supervisory Board also approved the acquisition of all shares in the Spanish company INTEROB which is set to complement the portfolio of the Light & Production division in the field of automation & integration. It dealt with the current status of the process to sell the VINCORION division and discussed the efficiency of its work over the past year.

| Dieter Kröhn | Doreen Nowotne | Heinrich Reimitz | Stefan Schaumburg | Andreas Tünnermann | Matthias Wierlacher | Total attendance in percent |
|--------------|----------------|------------------|-------------------|--------------------|---------------------|-----------------------------|
| ●●●●●●●● | ●●●●●●●● | ●●●●●●●● | ●●●●●●●● | ●●●●●●●○ | ●●●●●●●● | 96% |
| - | ●●●●●● | ●●●●●● | - | - | - | 100% |
| - | - | ●●●● | ●●●● | ●●●● | ●●●● | 100% |
| ●● | ●● | - | - | - | ●● | 92% |

Work in the Committees

The Supervisory Board has established five committees to help perform its tasks with greater efficiency. The committee chairs reported on the content and results of the committee meetings at each following meeting of the Supervisory Board. With the exception of the Audit Committee, chaired by Mr. Heinrich Reimitz, the committees are led by myself as the Chairman of the Supervisory Board. An overview of the composition of the individual committees can be found on pages 206/207 of the Annual Report.

During the reporting period, the Audit Committee met four times and held one conference call. The auditor's representatives attended the first face-to-face meeting of the year. The primary duties of the Audit Committee were in-depth audits of the Annual and Consolidated Financial Statements, the Combined Management Report for JENOPTIK AG and the Group, the Non-Financial Report, and detailed discussions of the quarterly and half-yearly reports prior to their publication. In addition, particular attention was paid to the effectiveness and further development of the risk management system, the internal control and compliance management system, and current topics and projects of relevance to Internal Audit. Other recurring issues at all meetings of the Audit Committee were the development of the Jenoptik share and recent analyst assessments. The heads of central departments were also present as guests for individual agenda items at the committee meetings.

During a **conference call on February 12, 2019**, the Executive Board presented the committee members with the preliminary figures in the 2018 Consolidated Financial Statements, which were published the day after.

The main issue at the **balance sheet meeting on March 7, 2019**, held in the presence of the auditor, was an in-depth discussion of the Annual and Consolidated Financial Statements, the Combined Management Report, and the Executive Board's proposed appropriation of profits. The Non-Financial Report and the results of the audit were discussed with a representative from auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft ("PWC") in the form of a limited assurance engagement. As a result of these discussions, the Audit Committee recommended to the Supervisory Board that the Annual Financial Statements be adopted. Another issue at the meeting was the recommendation by the Audit Committee to the Supervisory Board that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart ("EY"), be proposed to the Annual General Meeting as the auditor for the 2019 fiscal year. EY had previously confirmed the absence of circumstances that could compromise its independence as auditor. In addition to recurring issues, the committee also dealt with the current Group Risk and Opportunity Report.

The Financial Statements for the first quarter and a current forecast for the 2019 fiscal year were the priorities at the Audit Committee's **meeting on May 8, 2019**. The Audit Committee was notified of a project to revise the Group Guidelines system and of current issues in Internal Audit.

At its **meeting on August 7, 2019**, the Audit Committee discussed the half-year financial statements with the Chief Financial Officer prior to their publication. The Audit Committee set out the main points for the audit of the Annual Financial Statements in the 2019 fiscal year, reviewed the fee agreement with EY, and addressed the issue of monitoring the independence of the auditor. To this end, it reviewed the non-audit services provided in the past year and updated the catalog of permissible non-audit services it approved in the prior year. The Audit Committee then appointed EY to audit the Annual and Consolidated Financial Statements for the 2019 fiscal year in accordance with the shareholder resolution at the Annual General Meeting. A further matter at the meeting was an update on

the sustainability reporting within the Non-Financial Report, following which the Audit Committee resolved to again appoint auditing firm PWC to conduct an audit review of the Non-Financial Report for the 2019 fiscal year. The Audit Committee also familiarized itself with the group-wide “GLOBE” IT project to harmonize IT processes.

At its last **meeting** of the year on **November 11, 2019**, the Audit Committee examined the Interim Financial Statements for the third quarter and the current forecast. Other priorities at the meeting included a presentation of key internal audit findings in the 2019 fiscal year, given by the head of Internal Audit, and an update on sustainability reporting.

The **Personnel Committee** met four times in the past fiscal year. The purpose of the discussions in February was the settlement of the target agreements with the members of the Executive Board for 2018, in particular defining the multiplier for calculating the variable remuneration, and the target agreements for 2019. At the July meeting, the Personnel Committee recommended that the Supervisory Board approve the early extension of Dr. Stefan Traeger’s appointment as a member of the Executive Board and as Chairman of the Executive Board with effect from July 1, 2020 for the period until June 30, 2025. In addition, it engaged in preliminary discussion of a revised target metric for short-term variable remuneration in the Executive Board service contracts starting in the 2020 fiscal year. At the last meeting of the year, the Personnel Committee discussed the long-term succession planning for the Executive Board.

The **Investment Committee** met twice in the past fiscal year to discuss various acquisition and divestiture projects, in particular the project to potentially sell the shares in the VINCORION division. Ms. Elke Eckstein was excused from attending one meeting of the Investment Committee; she therefore attended half of the Investment Committee meetings.

The **Nomination Committee** and the **Mediation Committee** established on the basis of § 27(3) of the Codetermination Act (MitbestG) did not meet in the year covered by the report, as there was no reason for them to do so.

Corporate Governance

The Supervisory Board continued to focus on the principles of good corporate governance and regulatory changes in corporate governance over the past fiscal year. At its meetings in June and September, the Supervisory Board was informed about the current status of the Act Implementing the Second Shareholder Rights Directive (ARUG II). At its September and December meetings, the Supervisory Board discussed the changes to the Code in its version of May 9, 2019. The December meeting also saw the Supervisory Board review its checklist on the Code (in its version of February 7, 2017) and, together with the Executive Board, adopt the declaration of conformity in accordance with § 161(1) AktG. This and prior declarations extending back to 2004 are permanently available to shareholders on the company’s website.

The Supervisory Board regularly reviews the efficiency of its work in accordance with the Code’s recommendations. Following the efficiency review carried out with the assistance of an external expert in 2017, the Supervisory Board undertook an internal self-assessment in December 2018 and 2019. The review gave a positive picture of the work of the Supervisory Board and its committees. No efficiency shortcomings were identified. The next external efficiency review is scheduled to take place in 2020.

Individual members of the Supervisory Board exercise an executive role at other companies with which Jenoptik has a business relationship. All of these business transactions, which are not of significant relevance to Jenoptik, were conducted under the same conditions as would have been maintained with third-party companies. Detailed information on business transactions with related companies or persons can be found on page 201 in chapter 8.9.5 of the Notes. In the past fiscal year, there were no conflicts of interest that would have required reporting to the Annual General Meeting with this report.

Members of the Supervisory Board are independently responsible for undergoing the training and professional development measures necessary for their tasks. They are given targeted support by the company in the form of an appropriate reimbursement of costs and forwarding of invitations to selected events. New members are supported by the company during their inductions.

Detailed information on corporate governance can be found in the Corporate Governance Report beginning on page 36 of the Annual Report.

Annual Financial Statements and Consolidated Financial Statements

Following delegation by the Supervisory Board to the Audit Committee, the latter, after an in-depth preliminary review and on the basis of the resolution at the Annual General Meeting on June 12, 2019, appointed EY auditor for the 2019 fiscal year at its meeting of August 7, 2019. EY has acted as the JENOPTIK AG and Group auditor since 2016. For the first time, the lead audit partner is Mr. Steffen Maurer. EY audited the Annual Financial Statements prepared by the Executive Board according to the provisions of the German Commercial Code (HGB), the Consolidated Financial Statements prepared according to § 315e HGB and on the basis of International Financial Reporting Standards (IFRS), and the Combined Management Report, and issued its unqualified approval. The audit of the Non-Financial Report in the form of a limited assurance engagement was also issued with unqualified approval by PWC. Within the scope of its duties, EY also checked whether the Executive Board had adopted suitable measures to ensure that developments that may endanger the continued existence of the company are identified in good time. The auditor undertook its audit according to § 317 HGB, giving consideration to the generally accepted German audit principles defined by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer [IDW]). On completion, the audit reports, the Annual Financial Statements, the Consolidated Financial Statements, the Executive Board's proposal for the appropriation of profits, the Combined Management Report, and the Non-Financial Report were dispatched to all members without delay and, together with the documents submitted by the Executive Board, discussed in great detail by the Audit Committee and the Supervisory Board at their March meetings. Both also dealt extensively with the key audit matters. Representatives of auditor EY and of audit firm PWC, which was appointed by the Audit Committee to conduct an audit review of the Non-Financial Report, reported on the key outcomes of their audits at the meetings and were also available to respond to any further queries. EY also provided information on services rendered in addition to the financial statement audit services. According to the auditor, there were no circumstances that gave rise to a concern of impartiality. No major weaknesses in the risk early warning system or the accounting-related internal control system were reported. The Chairman of the Audit Committee also reported in detail to the Supervisory Board on the examination of the statements carried out by the Audit Committee.

Following its own comprehensive examination and discussion, the Supervisory Board concurred with the findings submitted by the auditor and the Audit Committee's recommendation, and raised no reservations about the results of the audit. It approved the Annual Financial Statements and Consolidated Financial Statements submitted by the Executive Board, thus adopting the Annual Financial Statement in accordance with § 172 (1) AktG. The Supervisory Board discussed in detail with the Executive Board the proposal for the appropriation of accumulated profit, providing for payment of a dividend of 0.35 euros per qualifying no-par value share and also agreed to this following its own review and consideration of the company's financial position.

Changes in the Supervisory Board and the Executive Board

Over the past fiscal year, there were no personnel changes on the Executive Board or the Supervisory Board. We are very pleased that Dr. Stefan Traeger will be working to successfully implement Jenoptik's new growth and profitability strategy as President & CEO for a further five years.

The Supervisory Board would like to thank the members of the Executive Board and all the employees for their exceptional performance and great commitment throughout the fiscal year, as well as our shareholders for the trust they have shown in us.

Jena, March 2020

On behalf of the Supervisory Board



Matthias Wierlacher
Chairman

Jenoptik Highlights 2019

New brand, structure, and corporate culture

The new brand is presented under the motto "More Light": Jenoptik is streamlining its business as an application specialist for photonic technologies. The "Strategy 2022" is the basis to define and initiate changes in core elements such as the structure, culture, and brand.

Solutions from a single source

Jenoptik consolidates its German entities in the Light & Optics division. It covers all aspects of photonic technologies for OEM customers, from development to production and sales.

Support for the commitment

For the first time, Jenoptik launches a group-wide program to assist employees in their voluntary work. More than 20 employees and their selected associations apply for financial support in the first round of corporate volunteering.

New production facility in France

Jenoptik has invested in a modern production environment for industrial metrology in Bayeux in French Normandy. The new building, which also includes a modern laboratory for pneumatic metrology, opens in April 2019.

Strong demand for automation solutions

In the first few months of the year, Jenoptik subsidiary Prodomax Automation Ltd., based in North America, receives several orders from the automotive industry. It supplies automated assembly systems and lines to make production more efficient for automotive customers.

Order for speed monitoring systems

The city of Cologne orders ten speed camera trailers for semi-stationary speed monitoring from Jenoptik, with the aim of increasing traffic safety in all city districts. Housed in a robust container, the measuring technology can be used at accident black spots for about a week with no need for an external power supply thanks its accumulator batteries.

56 new trainees

Throughout Germany, significantly more trainees and students from Cooperative State Universities start their careers at the Jenoptik Group in August than in prior years.

Long Night of Sciences

More than 3,000 visitors went on a discovery tour of Jenoptik during the Long Night of Sciences in November, giving them the chance to experience the innovative power of science with the company's products.



First section control radar in Germany

Following approval from the Physikalisch-Technische Bundesanstalt, average speed control (section control) is introduced on German roads. With the help of Jenoptik measuring technology, a pilot phase begins in Lower Saxony in which vehicle speeds are monitored over a defined section of road.

Project with life science partner

Jenoptik signs a long-term cooperation agreement with a leading life science company. Instruments for microscopy image processing based on the JENOPTIK SYIONS technology platform will be developed and produced.

Pictures from Mars

When the US space agency NASA launches its "Mars 2020" mission, the images, which will be transmitted back to Earth from February 2021 on, will be taken using Jenoptik lenses. The team in Jupiter, Florida, has developed three types of lenses for this purpose, which will be used in the Mars rover's technical cameras under extreme conditions.

New building for metrology manufacturing

At its Villingen-Schwenningen site, Jenoptik is investing in a new building for industrial metrology, which is due to be ready for occupancy as early as spring 2020. The metrology products are aimed at customers in the automotive industry and increasingly at other industrial customers.

Investment in Berlin site

At Berlin's Adlershof Technology Park, Jenoptik is investing in further technical upgrades for the production of high-power laser diodes.

Long-term order from the automotive industry

Jenoptik supplies a laser-optical subsystem for a particle sensor developed by the automotive supplier Hella. The sensor can be used to precisely measure minute concentrations of particulate matter inside vehicles and in their environment.

One of the best communicators

Jenoptik is again one of the best communicators on the German capital market. This was confirmed by its first place in the SDax index and third place in the overall ranking of the renowned "Investors' Darling" capital market competition.

Return to general collective wage agreement

Negotiations with IG Metall have been concluded successfully. From 2020 on, JENOPTIK AG and the Jenoptik entities that previously used a company collective wage agreement will join the general collective wage agreement for the metal and electrical industry.



The Jenoptik Share

Stock Markets

Overall, 2019 was a good year for equities. The European stock markets were influenced by a range of factors. A number of political risks decreased in the course of the year – fears of a renewed euro crisis triggered by Italian budgetary policy dissipated following an agreement with the EU Commission, for example, and concerns that a “hard” Brexit would cause serious economic turmoil in Europe were allayed by the final deal negotiated with the UK. Even more significantly, however, the trade conflict between the US and China showed increasing signs of easing in the second half-year. Equally important was the turnaround by the US Federal Reserve, which abandoned its policy of increasing the benchmark interest rate and subsequently initiated a rate-cutting cycle. In mid-2019, the ECB also postponed its scheduled interest rate turnaround to late 2020. This put pressure on bonds, in turn benefiting the valuation of dividend-bearing securities.

The Dax grew 25.2 percent to 13,249 points in 2019. Second-line indices fared even better, with the MDax and SDax rising to new record levels to end the year with gains of 30.5 and 30.8 percent respectively. The TecDax also had a good year, growing 22.3 percent to 3,087 points.

Jenoptik Share Trends

The Jenoptik share performed variably in 2019. On the year’s first day of trading, the share closed at 23.74 euros. It made consistent gains in the next few months, reaching a high of 36.45 euros on April 24. These gains, however, were lost in the two following months. Uncertainties in the automotive sector increased at the midpoint of the year, in part reflected in our share price. The share fell to its low for the year of 21.00 euros on August 16. It recovered in the final quarter, followed by a sideways trend in the final days of the year. At the end of trading on December 30, 2019, the Jenoptik share was quoted at 25.48 euros, equating to an increase over the year of 7.3 percent. Jenoptik’s total shareholder return, i.e. share price development accounting for dividends paid in the fiscal year,

came to 8.8 percent in 2019 (prior year: minus 17.0 percent). At 57,238,115 shares issued, market capitalization amounted to 1,458.42 million euros at the end of the year (prior year: 1,303.9 million euros).

The mood on the international capital markets was mixed in January and February 2020. At the beginning of the year, some of the indices were still climbing back to their old highs. However, from mid-February onwards, burgeoning fears of a global spread of the corona virus and the associated economic consequences caused prices to collapse across the board. The share ended trading on February 28 at 21.32 euros. This equated to a market capitalization of 1,220.3 million euros. G01 G02

Compared to the prior year, investor trading saw a downturn. In 2019, the average number of Jenoptik shares traded per day on the Xetra, in floor trading, and on Tradegate was 152,355 (prior year: 167,748). Trading volumes thus fell 9.2 percent.

In the TecDax ranking compiled by Deutsche Börse, the Jenoptik share was 28th in terms of stock turnover (prior year: 25th). In terms of free float market capitalization, the company held 23rd place (prior year: 20th).

Of the 70 stocks on the SDax, JENOPTIK AG occupied 7th place in market capitalization (prior year: 10th) and 23rd in trading volumes (prior year: 19th) at the end of the year.

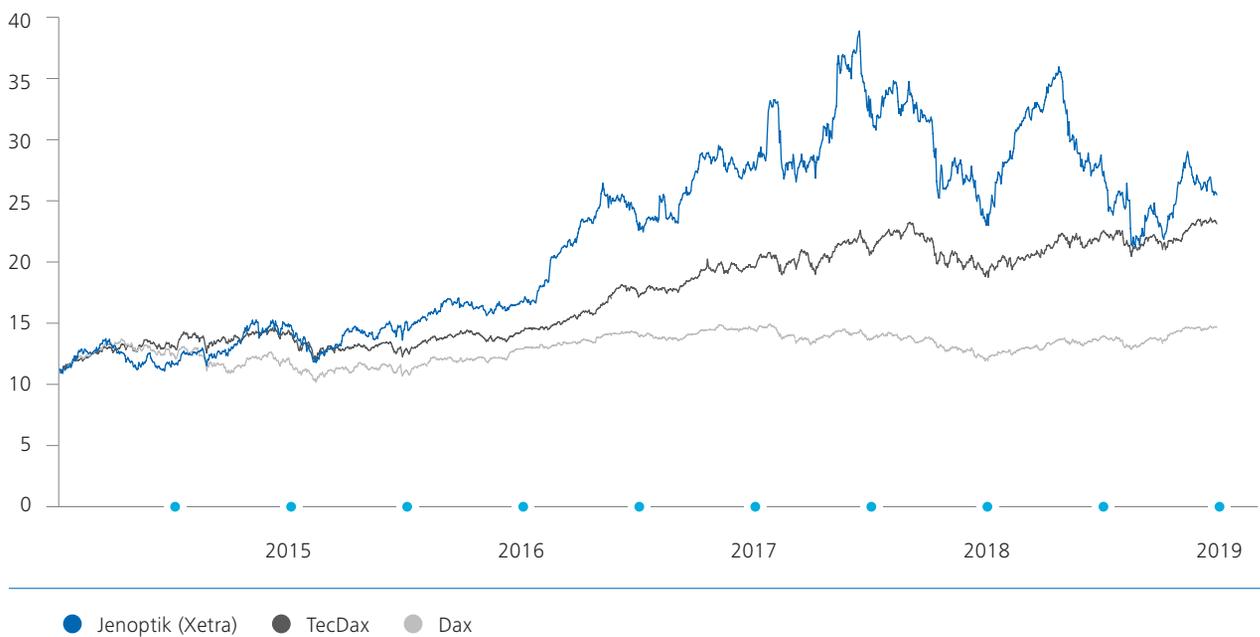


The latest information on the Jenoptik share and the development of the Jenoptik Group can be found at www.jenoptik.de or on Twitter. Our financial reports can also be viewed using the “Jenoptik App for Corporate Publications”

G01 Share performance January 2, 2019 through February 28, 2020 (indexed in euros)



G02 Share performance 2015 to 2020 (indexed in euros)



Shareholder Structure



At the end of the fiscal year, the company's free float was unchanged at 89 percent.

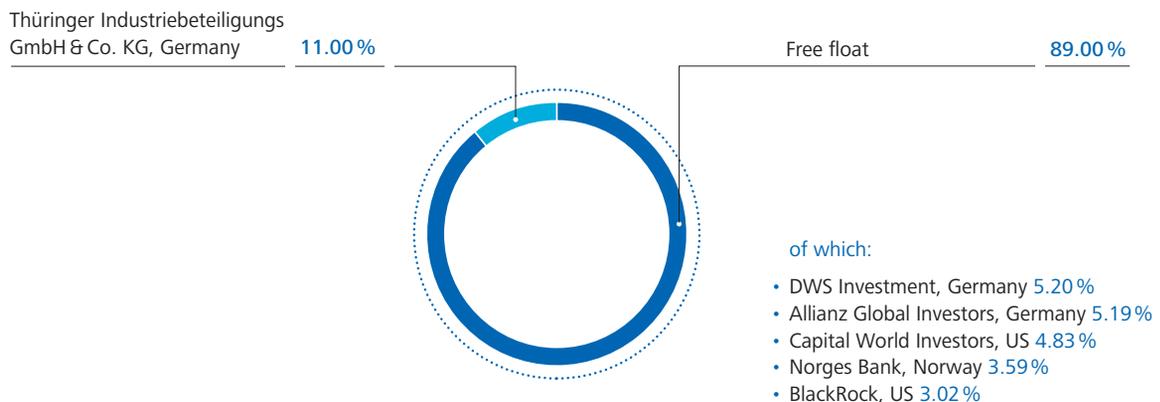
Throughout 2019, we received several voting right notifications from institutional investors to buy or sell larger stock positions; these were published by the company.

For more information, see Equity chapter in the Notes and the Investors/Share/Voting rights announcements section at www.jenoptik.com

Dividend

The Jenoptik management aspires to a policy of dividend reliability and continuity in which shareholders—as in recent years—receive payment of a dividend in line with the company's success. At the same time, sufficient cash and cash equivalents to finance the operating business, research and development, a robust equity position, and the use of acquisition opportunities to secure the lasting growth of the company are also in the interests of the shareholders. The Executive and Supervisory Boards of JENOPTIK AG therefore review their dividend recommendation with considerable prudence every year. In the past fiscal year, Jenoptik paid a dividend of 0.35 euros per share (prior year: 0.30 euros) to its shareholders for 2018. In the current year, too, the Executive Board and Supervisory Board will maintain their consistent dividend policy, in spite of lower earnings per share of 1.18 euros (prior year 1.53 euros). Particularly in view of successful development in 2019, the two boards will propose a payment of 0.35 euros per share to the 2020 Annual General Meeting. Subject to approval there, the payout ratio in relation to earnings attributable to shareholders will be 29.7 percent (prior year 22.9 percent) for a total dividend payment of 20.0 million euros.

G03 Shareholder structure (as of February 28, 2020)*



* on the basis of voting rights notifications

Capital Market Communications

We are committed to making sure our communications with shareholders, analysts, and institutional investors are open, transparent, and reliable. We publish comprehensive and up-to-date information on the development of our business, while also seeking an active exchange with others. We believe it is important to increase transparency and boost trust in Jenoptik by engaging in ongoing dialog.

At the end of the year, a total of 42,526 shareholders (prior year: 42,745) were entered in the share register, of which 477 were

institutional investors (prior year: 457) and 42,049 private investors (prior year: 42,288). Institutional investors held 79.80 percent of the company's share capital, virtually unchanged on the prior year (prior year: 79.83 percent), private investors 20.20 percent (prior year: 20.17 percent).

In the annual "Investors' Darling" competition run jointly by HHL Leipzig Graduate School of Management and the business journal "manager magazin", Jenoptik took first place in the SDax index and was thus named the best capital market communicator of all 70 SDax companies. Jenoptik came third in the overall ranking of all 160 Dax companies. Points assessed were

T02 Jenoptik share key figures

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|
| Closing price (Xetra end-year) in euros | 25.48 | 22.78 | 27.55 | 16.43 | 14.39 |
| Highest/lowest price (Xetra) in euros | 36.45/21.00 | 39.48/22.78 | 29.68/16.11 | 16.65/11.14 | 15.01/10.22 |
| Absolute performance in euros/relative in percent | 1.74/7.33 | -5.02/-18.1 | 10.78/64.28 | 1.84/12.6 | 3.79/35.8 |
| Issued no-par value shares (31/12) in millions | 57.24 | 57.24 | 57.24 | 57.24 | 57.24 |
| Market capitalization (Xetra end-year) in million euros | 1,458.4 | 1,303.9 | 1,576.9 | 940.1 | 823.7 |
| Average daily trading volume (in shares) ¹⁾ | 152,355 | 167,748 | 152,928 | 107,183 | 224,488 |
| P/E ratio (based on highest price/based on lowest price) | 30.9/17.8 | 25.8/14.9 | 23.4/12.7 | 16.7/11.1 | 17.3/11.8 |
| Operating cash flow per share in euros | 2.12 | 2.61 | 1.84 | 1.91 | 1.60 |
| Group earnings per share in euros | 1.18 | 1.53 | 1.27 | 1.00 | 0.87 |

¹⁾ Source: Deutsche Börse; includes trading on the Xetra, in Frankfurt, Munich, Berlin, Düsseldorf, Hamburg, Hannover, Stuttgart and on Tradegate

T03 Dividend key figures

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------------------------------|------|-------|------|------|------|
| Dividend per share in euros | 0.35 | 0.35 | 0.30 | 0.25 | 0.22 |
| Payout amount in million euros | 20.0 | 20.0 | 17.2 | 14.3 | 12.6 |
| Dividend yield ¹⁾ in % | 1.4 | 1.5 | 1.1 | 1.5 | 1.5 |
| Payout ratio ²⁾ in % | 29.7 | 22.9 | 23.7 | 24.9 | 25.4 |
| Total shareholder return in % | 8.8 | -17.0 | 65.8 | 14.1 | 37.6 |

¹⁾ based on year-end closing price

²⁾ based on earnings attributable to shareholders

financial reporting, investor relations work and presentation, including digital communication, and, for the first time, communications relating to corporate social responsibility (CSR). The company's explanation of its strategy and its implementation, together with the specific and detailed reporting on its earnings, financial, and risk positions, were the key factors contributing to its strong ranking. This was complemented by good feedback from share analysts and fund managers.

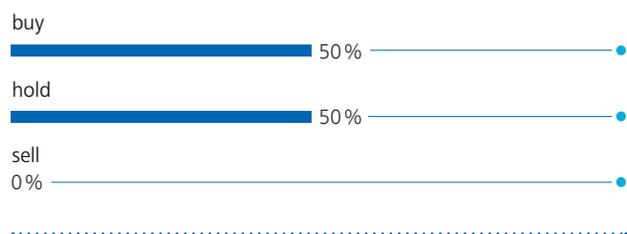
Over 300 shareholders, representing around 65 percent of nominal capital, and numerous guests were on hand for the JENOPTIK AG Annual General Meeting in Weimar on June 12, 2019. By a large majority, the shareholders formally approved the actions of the Executive Board and Supervisory Board and agreed to payment of a higher dividend and all the other agenda items requiring a vote.

The company again stepped up its investor relations activities in the 2019 fiscal year, particularly addressing investors outside Germany, and attended 12 (prior year: 10) capital market conferences at international financial centers such as Frankfurt/Main, London, New York, and Zurich.

Jenoptik also held 19 (prior year: 23) roadshows in Austria, Belgium, Finland, France, Germany, Great Britain, Ireland, Italy, Luxembourg, Spain, Switzerland, and the US. Jenoptik held two analyst conferences in Frankfurt/Main to mark the reporting of its annual and mid-year figures. During conference calls on the publication of the annual and quarterly financial statements and in numerous individual conversations, the Executive Board and the investor relations team explained the development of business, key figures and strategy to institutional investors, analysts and journalists. Interested investors also took the opportunity to tour Jenoptik's sites. In November 2019 Jenoptik held its 7th Capital Market Day in Jena. The Executive Board and management informed investors, analysts, and bank representatives about the status of the strategic development of the Group and its divisions, and provided an outlook on its medium-term targets.

Over the course of 2019, 11 (prior year: 11) analysts published recommendations on the Jenoptik share: Baader Helvea, Bankhaus Lampe, Bankhaus Metzler, Deutsche Bank, DZ Bank, Hauck & Aufhäuser, HSBC, Independent Research, Kepler Cheuvreux, LBBW, and Warburg Research. On December 31, 2019, the average target price of the Jenoptik share as assessed by analysts was 28.95 euros (prior year: 31.91 euros).
G04

G04 Analyst recommendations (as of February 28, 2020)



Corporate Governance

» In short «

Current Declaration of Conformity in accordance with

§ 161

Stock Corporation Act was issued jointly by the Executive Board and Supervisory Board in December 2019.

Information and Notes relating to Takeover Law and the Remuneration Report are part of the Combined Management Report.

Corporate Governance Report

In the following Corporate Governance Report, the Executive Board and Supervisory Board give their opinions in accordance with Point 3.10 of the German Corporate Governance Code ("Code") in its version dated February 7, 2017. We also consider the "Remuneration Report" (from page 45) to be a part of the Corporate Governance Report and the Combined Management Report.



Corporate Governance

The JENOPTIK AG Executive Board and Supervisory Board affirm their commitment to responsible corporate governance and control, geared towards lasting value creation. They see good corporate governance as the foundation for sustained corporate success and, at the same time, an important contribution to strengthening the trust in Jenoptik on the part of shareholders, business partners, employees and the general public.

The Executive and Supervisory Boards structure their policies to adhere to the recognized standards and support the recommendations of the "Governmental Commission on the German Corporate Governance Code" ("Code").

In the year covered by the report, the management and supervisory bodies of JENOPTIK AG have again dealt in depth with implementation of the provisions of the Code. The Executive and Supervisory Boards issued the current Declaration of Conformity in adherence with § 161 of the German Stock Corporation Act (AktG) in December 2019. It is permanently available to shareholders on the company's website. Jenoptik has also followed the recommendations contained in the Code – with one exception. If changes should arise in the future, the Declaration of Conformity will be updated during the year.

Declaration of Conformity by the Executive Board and Supervisory Board of JENOPTIK AG in the 2019 Fiscal Year

According to § 161 Para. 1, Sent. 1 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board of a listed company are required to issue annually a declaration that the recommendations of the "Governmental Commission on the German Corporate Governance Code" as published by the Federal Ministry of Justice in the official section of the Federal Gazette [Bundesanzeiger] have been and are complied with, or to indicate which recommendations have not been or are not applied and why not.

The Executive Board and Supervisory Board of JENOPTIK AG support the recommendations of the "Governmental Commission on the German Corporate Governance Code," and state that pursuant to § 161 Para. 1, Sent. 1 of the German Stock Corporation Act:

Since the last Declaration of Conformity in December 2018, the recommendations of the "Governmental Commission on the German Corporate Governance Code" ("Code") in the version dated February 7, 2017 have been followed and will be followed in the future with the following exception:

In accordance with Point 5.4.1. Para. 2, Sent. 2 of the Code, the Supervisory Board shall specify a regular limit to the Supervisory Board members' term of office when naming concrete objectives regarding its composition.

This recommendation has not been complied with and will not be complied with in the future. The Supervisory Board has decided not to specify a regular limit regarding the Supervisory Board members' term of office. Such limit is not consistently compatible with the procedure for elections of employee representatives to the Supervisory Board as stipulated in the German Co-Determination Act.

December 11, 2019 | JENOPTIK AG

On behalf
of the Executive Board

On behalf
of the Supervisory Board

Dr. Stefan Traeger

Matthias Wierlacher

The Corporate Governance Statement as well as the current declaration of conformity, and those of previous years, are permanently accessible on our website at <https://www.jenoptik.com> under the category Investors/Corporate Governance

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Annual General Meeting

JENOPTIK AG shareholders exercise their rights at the Annual General Meeting which takes place at least once a year. Each share is accorded one vote – there are no special voting rights. Since September 2018, the shares of JENOPTIK AG have been registered shares. The holders of the shares must be entered in the share register of JENOPTIK AG and disclose the information required by law and the Articles of Association. Only shareholders recorded in the share register are entitled to vote at the Annual General Meeting. They may either participate directly in the Annual General Meeting, or exercise their voting rights via a company-nominated proxy who is bound by the shareholder's instructions, via postal voting, or by authorizing a person of their choice. The shareholders are adequately supported by the company in this process. The reports as well as other documents and information required by law for the Annual General Meeting are available for inspection on our website www.jenoptik.com in the Investors/Annual General Meeting category or at the company's premises. Following the Annual General Meeting, the attendance figures, voting results and the speech by a representatives of the Executive Board will also be published on the Internet.

Transparent Information

As part of our investor relations work, we report comprehensively on the position and development of the company. In doing so, we follow the principle of providing the participants in the capital market as well as the general public with equal, continual, and current information in order to guarantee as much transparency as possible. Together with the Executive Board, the investor relations team is in regular and intensive contact with participants in the capital market at roadshows, capital market conferences, and other events.

We use the financial reports and releases to provide extensive information about the Group's earnings, assets, and finances four times a year. In addition, important events and current developments are reported in press releases and, where necessary, ad-hoc announcements. These documents, presentations, the financial calendar, the Articles of Association and further information are also available in German and English on the Jenoptik website at www.jenoptik.com. 

In accordance with the statutory requirements of the EU Regulation on Market Abuse, insider information is published immediately insofar as JENOPTIK AG is not, in individual cases, exempt from this obligation. The use of electronic distribution channels ensures that the reports are published worldwide simultaneously in German and English.

Jenoptik immediately publishes major changes to its shareholder structure when it is informed that reportable voting rights thresholds have been reached, fallen below or exceeded. All publications are available on our website under the category Investors/Share/Voting rights announcements. Further information can also be found in the Notes in the section on Equity.

Directors' Dealings

In the 2019 fiscal year, none of the members of the Executive Board or the Supervisory Board or persons closely related to them disclosed any reportable securities transactions pursuant to Article 19 of the EU Market Abuse Regulation. 

Executive Board and Supervisory Board Remuneration

As of December 31, 2019, as in prior years, the Jenoptik Group had securities-oriented incentive plans in the form of so-called performance shares for the members of the Executive Board and long-term incentives based on virtual shares for parts of senior management. 



For further information on investor relations activities, please refer to the section "The Jenoptik share"



Directors' Dealings reports from prior years can be found at www.jenoptik.com under the category Investors/Corporate Governance/Directors' Dealings



Further information on the remuneration system for the Executive Board and Supervisory Board can be found in the Remuneration Report and Notes

Accounting and Auditing

Jenoptik prepares the Consolidated Financial Statements as well as all Consolidated Interim Financial Statements in accordance with the International Financial Reporting Standards (IFRS) and the additional requirements of commercial law according to § 315e (1) of the German Commercial Code (HGB), as they are to be used in the European Union. JENOPTIK AG's Annual Financial Statements, which are decisive for the dividend payment, are compiled in accordance with the requirements of the German Commercial Code (HGB) and the German Stock Corporation Act. The Consolidated Financial Statements and the Annual Financial Statements, including the Combined Management Report, are examined by the auditor. On June 12, 2019, the Annual General Meeting selected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart ("EY") as the auditor for the 2019 fiscal year on the recommendation of the Supervisory Board. It was initially appointed in the 2016 fiscal year following an external tender. The position of responsible auditor for the auditing of the Consolidated Financial Statements and the Annual Financial Statements as well as the Combined Management Report was taken on for the first time by Steffen Maurer.

The Supervisory Board has agreed with the auditor that he shall inform the Supervisory Board chairman of any grounds for bias or disqualification, as well as of all important events and findings that emerge during the audit. This includes occasions when inaccuracies are established during the audit in the Declaration of Conformity submitted by the Executive Board and Supervisory Board in accordance with § 161 of the German Stock Corporation Act (AktG).

Before submitting the proposal for the election of the firm to the Annual General Meeting, the Supervisory Board received a declaration of independence from the auditing firm, stating that there were no employment, financial, personal or other links between EY, its board members and audit managers on the one side and the company and its board members on the other, that could give rise to doubts about the independence of the auditor. EY also reported in its declaration on the degree to which non-audit services have been provided for Jenoptik over the past fiscal year or which have been contractually agreed for the current year. In the summer of 2019, the Audit Committee reviewed EY's non-audit services provided in the past year and updated the catalog of approved, predefined non-audit services.

Internal Audit

With the objective of improving business processes and thereby strengthening compliance and corporate governance within the company, Internal Audit at Jenoptik provides independent and objective auditing and consulting services for the Executive and Supervisory Boards. Internal Audit serves to safeguard operational practices and, in particular, monitors compliance with the principles of correctness and legality.

Risk and Opportunity Management

For Jenoptik, the continuous and responsible evaluating of opportunities and risks which may result from entrepreneurial activity is included in the basic principles of responsible company management. The goal of our risk and opportunity management is to support the implementation of the strategy and to define measures which create an optimum balance between growth and return targets on the one side and the associated risks on the other. 

Compliance

We see success in business and responsibility for our actions as being two inextricably interlinked objectives. Compliance with statutory provisions and internal rules and regulations is therefore also part of responsible corporate management for Jenoptik. The observance of national and internationally recognized compliance requirements is an integral part of our risk prevention and the processes of the Jenoptik compliance management system (CMS). The CMS is based on the Jenoptik values, our Code of Conduct, and various group guidelines and process descriptions from Jenoptik, compliance with these is a fundamental requirement for maintaining the trust of our business partners, shareholders and the public in the performance and integrity of Jenoptik. For us, essential factors for responsible conduct with all stakeholders include respect, fairness, and openness. Within the Executive Board, Dr. Stefan Traeger, the Chairman, is responsible for Compliance & Risk Management. Global compliance activities are coordinated by the center of excellence in Germany and supported by local experts in the North America and Asia/Pacific regions.



Detailed information on opportunity and risk management and on internal auditing can be found in the Opportunity and Risk Report from page 117 on

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- 45 Remuneration Report

Our Code of Conduct summarizes the most important principles of conduct and is equally binding on all employees of the Jenoptik Group. It sets out minimum standards and serves as an orientation framework to establish maximum integrity as well as ethical and legal standards at Jenoptik.

In the event of questions regarding the Code of Conduct or suspected illegal or unlawful matters, all Jenoptik employees may speak in confidence to the respective executive or the contact persons named in the Code. All employees may also use the reporting system (whistleblowing system) on the Jenoptik intranet, by telephone or via email to report significant violations that must be handled confidentially.

With the group guidelines implemented for key business processes, the Jenoptik Group has a system of processes and controls to identify possible deficits in the company at an early stage and to be able to minimize or eliminate them with appropriate measures. The group guidelines were revised in 2019 in a structured process involving the central departments, divisions and regions. The revised version reduces the scope of content regulated at group level and, for the first time, provides a globally uniform framework. Central departments, divisions and regions can reinforce their respective requirements with more detailed regulations. The guidelines are reviewed annually, and extended or updated as necessary. The guidelines are available to all employees worldwide in various languages via intranet portals and an obligatory read receipt is requested. The new structure of the group guidelines has been valid since January 1, 2020.

In order to familiarize employees with these topics and to improve employee awareness, regular online training courses and classroom events on subjects relevant to compliance, such as anti-corruption, anti-trust law as well as data protection, are regularly held at both the German and foreign business units. The aim is to create company-wide uniform understanding of our compliance standard. In addition to the main training courses offered as part of onboarding training for new employees, employees are also required to participate in mandatory e-learning refresher courses. The aim is to provide the employees with the content of important compliance topics on a continuous basis, but at least once a year, and to then verify this with a test. In addition, employees can contact the central Compliance & Risk Management department with any questions relating to compliance or risk issues at Jenoptik as well as use a help desk on the intranet or an app on their smartphones.  

Corporate Governance and Supervision

As a multinational stock corporation with its registered office in Germany, JENOPTIK AG is subject to German stock corporation law. It therefore has a dual management system consisting of an Executive Board and a Supervisory Board. The Executive Board is responsible for running the company in the interests of the company and with the aim of achieving sound corporate development. It takes into account the concerns of all stakeholders, in particular shareholders and the Group's employees. The Supervisory Board appoints, advises, and monitors the Executive Board in its leadership of the company. Information, including information on important methods of corporate governance as well as a description of the working methods of the Executive Board and Supervisory Board, can be found in the Corporate Governance Statement.

Corporate Governance Statement

The Corporate Governance Statement in accordance with §§ 289 f, 315 d of the German Commercial Code (HGB) is an unaudited part of the Combined Management Report. In addition to the methods of corporate governance mentioned above as well as the description of the function of the Executive Board and Supervisory Board, it contains the Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act (AktG), a description of the structure and function of the committees of the Supervisory Board, the specification of the target figures for the proportion of women in the company as well as a description of the diversity concept followed for composition of the Executive and Supervisory Boards. 



The Corporate Governance Statement as well as the current Declaration of Conformity and those of previous years, are permanently accessible at www.jenoptik.com under the category Investors/Corporate Governance



For the Code of Conduct see www.jenoptik.com in the category Investors/Corporate Governance



Further information on compliance and supplier management can also be found in the chapter "Non-financial Report"



Objectives for the Composition and Skills Profile of the Supervisory Board

More detailed information on the specification of target figures for the quota of women can be found at www.jenoptik.com in the category Investors / Corporate Governance

In accordance with Point 5.4.1 of the German Corporate Governance Code, the Supervisory Board of JENOPTIK AG is composed in such a way that, as a whole, its members are endowed with the knowledge, ability and experience necessary to carry out their tasks in an orderly manner. Taking into consideration the size and purpose of the company as well as the international orientation of the Jenoptik Group, the Supervisory Board has laid down objectives for its composition which take into consideration the idea of diversity. The Supervisory Board has also drawn up a requirements and skills profile to ensure that the Supervisory Board has all the skills and experience deemed essential for the activities of the Jenoptik Group. In addition, members should have sufficient time to exercise their mandate. It is the opinion of the Supervisory Board that the required skills include, in particular:

- in-depth experience supervising a listed company,
- financial and business skills, personnel expertise, distribution and sales experience,
- company-related skills in the following areas: digitalization, technology, strategy and growth/M&A, markets and internationality, entrepreneurship/management and capital markets,
- CEO experience, also in a listed company.

It is the opinion of the Supervisory Board that the above-mentioned requirements are largely fulfilled by the abilities, experiences and skills that are available in the Supervisory Board. The skills, abilities and experiences of the individual members of the Supervisory Board can be found in the CVs, which are published on our website at www.jenoptik.com under the category Investors/Corporate Governance/Supervisory Board.

In accordance with its Diversity Statement, the Supervisory Board will ensure that it comprises members who fulfill the criterion of internationality at all times.

Furthermore, the Supervisory Board should include at least four women. Thus, the quota of at least 30 percent required by the German Stock Corporation Act is met.

With regard to the length of service, the Supervisory Board has decided not to establish a regular limit applicable to all members as it is not consistently compatible with the process provided by the Codetermination Act for election of employee representatives to the Supervisory Board.

In addition, the members of the Supervisory Board will play neither an advisory nor an executive role with customers, suppliers, creditors or other business partners of JENOPTIK AG, if this leads to a significant and not merely temporary conflict of interest.

One of the objectives for the composition of the Supervisory Board is also that at least half of the shareholder representatives must be independent. It is the opinion of the Supervisory Board that all current shareholder representatives are independent in the sense of the Code as amended on February 7, 2017. No persons are to be considered who, at the time of election, have already reached the age of 70.

In its elections to the Supervisory Board, the Supervisory Board shall recommend to the Annual General Meeting the candidates it considers to be the most suitable for election, taking into account their expertise and personal integrity.

Further information on the Executive Board and the Supervisory Board, in particular on their working methods, including the work in the committees, participation in the meetings, on other mandates exercised by the members as well as on implementation of the objectives regarding composition of the Supervisory Board can be found in the Report of the Supervisory Board from page 20 on and in the Group Notes to this Annual Report from page 206 on as well as the Corporate Governance Statement under www.jenoptik.com in the category Investors/Corporate Governance.

Information and Notes relating to Takeover Law

Explanatory report in accordance with § 176(1)(1) of the German Stock Corporation Act (AktG) and reporting on § 289 a and § 315 a of the German Commercial Code (HGB) in accordance with the German Takeover Directive Implementation Act

This information is part of the Combined Management Report.

1. Composition of the share capital

As of the balance sheet date on December 31, 2019, the subscribed capital totaled 148,819 thousand euros (prior year: 148,819 thousand euros). It is divided into 57,238,115 non-par registered value shares (prior year 57,238,115). Each share is therefore worth 2.60 euros of the nominal capital.

The same rights and obligations apply to all the shares of the company. Each share represents one vote in the Annual General Meeting and is the determining factor for the shareholders' proportion of company profits (§ 58 (4), § 60 of the German Stock Corporation Act). The shareholders' rights also include the subscription right to shares in the event of increases in capital (§ 186 of the German Stock Corporation Act). In addition, the shareholders are entitled to administrative rights, e.g. the right to participate in the Annual General Meeting and the authority to put forward questions and motions and to exercise their right to vote. The shareholders' additional rights and duties are defined in the German Stock Corporation Act, in particular in § 12, § 53a ff., § 118 ff., and § 186. Under § 4 (3) of the Articles of Association, any claim by a shareholder to the securitization of their shares is excluded.

2. Restrictions relating to voting rights or the transfer of shares

In accordance with § 136 (1) of the German Stock Corporation Act, legal restrictions affecting voting rights exist with respect to votes for approval of the actions regarding shares which are held

directly or indirectly by members of the Executive and/or Supervisory Boards. Violations of reporting obligations as specified in § 33 (1) or (2) and § 38 (1) or § 39 (1) of the German Securities Trading Act (WpHG) may nullify voting rights, at least temporarily, in accordance with § 44 of this Act.

Pursuant to § 67 (2) of the German Stock Corporation Act, only shareholders recorded in the share register are deemed to be shareholders in relation to JENOPTIK AG. To be recorded in the share register, shareholders must provide JENOPTIK AG with the information required by law (name or company name, address, registered office if applicable, date of birth and number of shares they hold); email addresses and their respective changes to be provided in accordance with the Articles of Association to facilitate communication. Also to be disclosed in accordance with the Articles of Association is the extent to which the shares belong to the person who is recorded as the holder in the share register. Shareholders who do not comply with these disclosure obligations may not exercise their voting rights pursuant to § 67 (2) (2) and (3) of the German Stock Corporation Act.

3. Direct or indirect participations in the capital exceeding 10 percent of the voting rights

Information on direct or indirect investments in capital which exceed ten percent of the voting rights can be found in the Group Notes under item 8.6.16, "Equity", from page 179.

4. Holders of shares with special rights conferring controlling powers

There are no shares in JENOPTIK AG that entail special rights.

5. Form of controlling voting rights if employees own shares and do not directly exercise their control rights

There are no employee shareholdings and therefore no resultant control of voting rights.

6. Statutory regulations and provisions of the Articles of Association relating to the appointment and dismissal of Executive Board members and changes to the Articles of Association

The appointment and dismissal of Executive Board members is carried out exclusively in accordance with the statutory regulations of § 84 and § 85 of the Stock Corporation Act and § 31 of the Codetermination Act (MitbestG). In accordance with this, the Articles of Association stipulate in § 6 (2) that the appointment of members to the Executive Board, the revocation of their appointment and the conclusion, modification and termination of contracts for services with members of the Executive Board shall be carried out by the Supervisory Board. In accordance with § 31 (2) of the Codetermination Act, a majority of at least two thirds of the members of the Supervisory Board is required for the appointment of Executive Board members. Revocation of appointment as a member of the Executive Board is only possible for serious due cause (§ 84 (3) of the Stock Corporation Act).

§ 6 (1) (1) of the Articles of Association stipulates that the Executive Board of JENOPTIK AG must comprise at least two members. In the absence of a required Executive Board member, in urgent cases the court must appoint the member on the application of a party involved (§ 85 (1) (1) of the Stock Corporation Act). The Supervisory Board can appoint a Chairman of or Spokesperson for the Executive Board (§ 84 (2) of the Stock Corporation Act, § 6 (2) (2) of the Articles of Association).

In accordance with § 119 (1) (5), § 179 (1) (1) of the Stock Corporation Act, changes to the content of the Articles of Association are passed by the Annual General Meeting. However, changes relating purely to the wording of the Articles of Association may be passed by the Supervisory Board in accordance with § 179 (1) (2) of the Stock Corporation Act in conjunction with § 13 (3) of the Articles of Association. This also includes the corresponding change to the Articles of Association following the utilization of the Authorized Capital 2019 and of the Conditional Capital 2017. According to § 24 (1) of the Articles of Association, resolutions by the Annual General Meeting require a simple majority of the votes cast unless stipulated otherwise by law. In those cases in which the law requires a majority of the nominal capital represented for a resolution to be passed, a simple majority of the nominal capital represented is sufficient, unless specified otherwise by the law.

7. Authority of the Executive Board to Issue and Buy back Shares

In accordance with § 4 (5) of the Articles of Association, the Executive Board is authorized until June 11, 2024, with the consent of the Supervisory Board, to increase the nominal capital of the company by up to 44.0 million euros through one or multiple issues of new, no-par value shares against cash and/or contribution in kind ("Authorized Capital 2019"). With the consent of the Supervisory Board, the Executive Board is authorized to preclude subscription rights for shareholders in certain cases: a) fractional amounts; b) capital increases against contributions in kind in particular also within the framework of business combinations or the acquisition of companies, units of companies or investments in companies (including increasing existing investments) or other contributable assets in conjunction with such an intended acquisition as well as claims against the entity; c) capital increases against cash contributions, under the condition that the percentage of any new shares in the share capital does not in total exceed 10 percent of the share capital at the time the authorized shares are registered or in total 10 percent of the share capital at the time the new shares are issued, taking into consideration resolutions of the AGM or the use of other authorizations to exclude subscription rights in a direct or corresponding application of § 186 (3) (4) of the German Stock Corporation Act since the effective date of this authorization and the issuance price of the new shares is not significantly lower than the stock market price; d) issuances of new shares to employees of the entity and to associates in which the entity holds a majority interest.

All aforementioned authorizations to exclude subscription rights are limited to a total of 10 percent of the share capital available at the time this authorization became effective – or, if this value is lower, to 10 percent of the share capital at the time this authorization is exercised. This limit of 10 percent includes shares that (i) are sold for the purpose of servicing warrants and/or convertibles that were or could still be issued during the period of validity of authorized capital to the exclusion of subscription rights or (ii) are sold by the entity as treasury shares during the period of validity of authorized capital to the exclusion of subscription rights. Decisions on the details of the issuance of new shares, in particular their conditions and the content of rights of the new shares, are taken by the Executive Board, with the consent of the Supervisory Board. The Authorized Capital 2019 has not yet been utilized.

A shareholder resolution passed at the Annual General Meeting on June 7, 2017 empowered the Executive Board, with the consent of the Supervisory Board, to issue option and/or convertible bonds with a maximum total nominal value of 250 million euros. In order to grant shares to the holders/creditors of such option and/or convertible bonds, the company's nominal capital is conditionally increased by up to 28.6 million euros through the issue of up to 11 million new no-par value shares ("Conditional Capital 2017") in accordance with § 4 (6) of the Articles of Association. The conditional capital increase will be implemented only to the extent that

- creditors or holders of option and/or conversion rights arising from option and/or convertible bonds issued by the entity, or by a domestic and/or foreign corporation in which the entity either directly or indirectly holds a majority interest, make use of their option or conversion rights by June 6, 2022 as resolved by the shareholders in their Annual General Meeting resolution dated June 7, 2017, and/or
- the creditors of the issued convertible bonds obliged to exercise their conversion rights issued by the company or a domestic or foreign company in which the company has a direct or indirect majority stake, on the basis of the resolution of the Annual General Meeting on June 7, 2017, fulfill their conversion rights and/or the shares are tendered by June 6, 2022

and neither treasury shares are used nor is payment made in cash. The new shares participate in profits from the start of the fiscal year for which, on the date of their issue, no resolution has yet been passed by the Annual General Meeting in respect of the appropriation of profits.

The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription rights of shareholders to the bonds under certain circumstances. Authorization to exclude subscription rights is, however, limited in the sense that the pro rata amount of nominal capital corresponding to those shares that must be issued after exercising conversion and/or option rights/obligations may not account for more than 20 percent of existing nominal capital existing at the time this authorization takes effect or – if the figure is lower – at the time use is made of the authorization. This 20 percent limit also applies to the sale of treasury shares that are excluded from subscription rights during the period of this authorization, and to shares excluded from subscription rights that are issued under authorized capital during the period of this authorization.

The Executive Board is authorized to set out the further details relating to the increase in conditional capital (e.g. terms of the bonds, interest rate, form of interest, specific term, denomination, issue price, option/conversion price, option/conversion period) in the bond terms and conditions.

Further details regarding the resolved authorization can be found in agenda item 8 in the invitation to the 2017 Annual General Meeting, accessible on our website at www.jenoptik.com in the category Investors/Annual General Meeting. The authorization to issue option and/or convertible bonds has not yet been utilized.

According to a resolution passed by the Annual General Meeting on June 5, 2018, the Executive Board is authorized up to June 4, 2023 to purchase treasury no-par value shares not exceeding a proportion of 10 percent of the nominal capital existing at the time the resolution is adopted or – if this amount is lower – at the time of exercising the resolution for purposes other than trading in its own shares. The purchased treasury shares together with treasury shares that the entity had already purchased and still holds (including the attributable shares in accordance with §§ 71a ff. of the German Stock Corporation Act) may not exceed 10 percent of the share capital of the entity. The authorization may be exercised in whole or in part, on a one-off or repeat basis and for one or more authorized purposes. The purchase and sales of treasury shares may be exercised by the company or, for specific authorized purposes, by dependent companies, by companies in which the company holds a majority interest, or by third parties for its or their account. At the decision of the Executive Board, acquisition is subject to compliance with the principle of equal treatment (§ 53a of the Stock Corporation Act), by purchase via the stock exchange or by

means of a public offering or a public invitation to the shareholders to submit an offer for sale. For the purpose of protecting shareholders against a dilution of their shares, the proposed resolution expressly provides for a restriction of the use of acquired treasury shares in such a way that the total of the acquired shares together with shares issued or sold by the company during the term of this authorization under another authorization to the exclusion of shareholders' subscription rights or which enable or oblige the subscription of shares is limited to a total of 20 percent of the nominal capital at the time the authorization becomes effective or – if the following value is lower – at the time this authorization is exercised. Further details regarding the buyback of shares are described in agenda item 9 in the invitation to the 2018 Annual General Meeting, accessible on our website at www.jenoptik.com in the category Investors/Annual General Meeting. As of December 31, 2019, the company had no treasury shares.

8. Key agreements in the event of a change of control resulting from a takeover bid

Clauses in contracts concluded by JENOPTIK AG, which apply in the event of a change in control within the ownership structure of JENOPTIK AG following a change of control, exist for the financing agreements described below with a total utilized volume of approximately 104.4 million euros (prior year: 120.0 million euros).

The conditions for accepting a change in control are formulated differently in each of the loan agreements. For the debenture loan with a total utilized volume of 90.5 million euros, a change in control gives the lenders the right to special termination of the loan in the amount corresponding to their share of the total volume and to demand the immediate repayment of this sum plus the interest accumulated up to the repayment date.

A change of control applies if one or more persons acting in concert, with the exception of the existing main shareholders on the date the contract is concluded, acquire more than 50 percent of the outstanding nominal capital or more than 50 percent of the voting rights, directly or indirectly at any time.

Under the revolving syndicated loan signed in 2015, any change in the current shareholder base of JENOPTIK AG, under which at least 50 percent of the shares or voting rights are held by one or several persons acting in concert as described in § 2 (5) of the Securities Acquisition and Takeover Act (WpÜG), results in the possibility of refusing further disbursements and immediate termination of loan commitments in full or in part within up to 15 banking days following notification of the change of control and any disbursements executed becoming due, in full or in part, with an execution period of 16 banking days, including subsidiary credit lines and accrued interest. The syndicated loan has a total volume of 230 million euros, of which 13.9 million euros had been utilized by December 31, 2019 (prior year: 17.0 million euros).

9. Compensation agreements by the company with Executive Board members or employees in the event of a change of control

No right to give notice of termination in the event of a change of control, i.e. the acquisition of at least 30 percent of voting rights by a third party, has been agreed with the members of the Executive Board. In such cases, they also have no claim to any severance payment. If the premature termination of an Executive Board role is agreed with an Executive Board member due to a change of control, the amount of the agreed severance payment is limited to a maximum of three years' annual compensation. Under no circumstances, however, may the severance payment be higher than the compensation due for the remaining term of the service contract.

Remuneration Report

Remuneration for the Executive Board

The Remuneration Report below sets out the basic principles of the remuneration system for the members of the Executive Board and Supervisory Board and gives details of the total remuneration for the individual members. This information is part of the Combined Management Report.

The system of one-year variable remuneration was adjusted with effect from January 1, 2020. Details of this can be found in section III. of this Remuneration Report.

For Hans-Dieter Schumacher, the remuneration system applicable until 2017 will continue to have consequences, as the virtual shares allocated to him from 2015 to 2017 will be paid out in the years 2020 to 2022. Further details can be found in the 2017 Annual Report on page 46.

Executive Board Remuneration System

Following preparation by the Personnel Committee, the Supervisory Board is responsible for defining the remuneration system and the composition of the remuneration for the individual Executive Board members. The criteria for defining the appropriateness of the remuneration for the Executive Board of Jenoptik are primarily the respective tasks and areas of responsibility of the members of the Executive Board, their personal performance, as well as the economic situation, the success of the company and its future prospects. Standard practice within the comparative environment and in relation to established comparative groups within the company is another factor in the remuneration.

I. Non-performance-related remuneration

Fixed remuneration. The non-performance-related basic salary is paid on a pro rata basis each month. In 2019, it totaled 600 thousand euros for Dr. Stefan Traeger and 450 thousand euros for Hans-Dieter Schumacher.

The remuneration for the Executive Board of Jenoptik consists of non-performance-related and performance-related components. The system of performance-related remuneration of the Executive Board, applicable in 2019, was approved by the Supervisory Board with the assistance of an independent external remuneration adviser in 2016/2017.

Retirement benefits and fringe benefits. Agreements relating to occupational retirement benefits were concluded with the members of the Executive Board. The pension commitment is based on a pension fund reinsured by a life insurance policy. This is a defined contribution scheme within the framework of a provident fund. The annual and the long-term costs for Jenoptik are clearly defined. On reaching retirement age, the payments will no longer affect Jenoptik – with the exception of a possible subsidiary liability. The contributions for the provident fund totaled 200 thousand euros for Dr. Stefan Traeger and 160 thousand euros for Hans-Dieter Schumacher in 2019.

G05 The new Remuneration System of the Executive Board Members

| Total remuneration | | |
|-------------------------------|--|---|
| Basic salary approx. 47 %* | Performance-related remuneration | |
| | One-year variable remuneration approx. 22 % (with 100 % target attainment) | Multi-year variable remuneration approx. 31 % (with 100 % target attainment)*** |



* without fringe benefits
 ** payment of multi-year variable remuneration
 *** based on constant share price

There is accident insurance and third-party financial loss liability insurance for the members of the Executive Board. The latter includes the contractual obligation to pay a deductible amounting to 10 percent of the loss per claim, however up to a maximum sum of 150 percent of the fixed remuneration of the Executive Board member in question. Executive Board members are also entitled to the private use of a company vehicle.

Non-competition clause. A post-contractual non-competition clause was agreed with Dr. Stefan Traeger for a period of one year following the end of his contract of employment. An amount equaling 50 percent of one annual salary is agreed as compensation for the non-competition clause. Prior to the termination of the employment relationship, Jenoptik may also waive the post-contractual non-competition clause by means of a written declaration.

II. Performance-rated remuneration components

The **variable remuneration** of the Executive Board is based on personal target agreements concluded with the respective member of the Executive Board in the first quarter of each calendar year. The objectives are oriented towards the company's sustainable business development.

The performance-related variable remuneration comprises two components:

The (one-year) **bonus** (approx. 40 percent of the variable remuneration) is based on the achievement of certain targets within a twelve-month period and is paid in cash in the subsequent year.

The second part of the performance-related variable remuneration (approx. 60 percent of the variable remuneration) is granted in the form of so-called **performance shares**. To this end, virtual shares are allocated to the members of the Executive Board on an annual basis. For each installment of performance shares granted, the target attainment is determined at the end of the four-year performance period and the amount resulting from a predefined calculation method is paid out in cash.

The performance-related variable remuneration can be between 0 euros and a maximum of 1,400 thousand euros for Dr. Stefan Traeger and between 0 euros and a maximum of 1,000 thousand euros for Hans-Dieter Schumacher. The value is 0 euros when less than 50 percent of all targets are achieved. For the respective maximum amount, 200 percent of all targets must be achieved.

Bonus. After the end of the fiscal year, the Supervisory Board determines the degree to which the financial targets for this component have been reached. The financial targets and their weighting for 2019 are shown in the chart below. G06

The yardstick for determining the degree of target attainment need not be linear, i.e. a target attainment of 200 percent does not necessarily require a doubling of the initial value of the financial key indicator. In the same way, a 50 percent target attainment does not necessarily have to be achieved at half of the originally defined financial baseline for 100 percent. The precise calibration of the targets is based on historical experience and future expectations, as well as the adopted budget of the respective year.

G06 One-year variable remuneration (bonus)



* Since 1/1/2020 adjusted financial targets, see III.

The financial targets agreed for 2019 are shown in table T04.

To take account of non-financial aspects, the bonus amount for the respective Board member resulting from the target attainment is then multiplied by a performance factor, the so-called multiplier. The value for this can be between 0.8 and 1.2. The multiplier is determined on the basis of the individual performance of the Executive Board member, the collective performance of the entire Executive Board, e.g. successfully executed acquisition projects, and certain stakeholder targets for example from the sustainability/corporate social responsibility, employee satisfaction or diversity areas. Even if the financial targets have been well achieved or exceeded, the Supervisory Board can use this multiplier to reduce the bonus by up to 20 percent in the sense of a malus system if, for example, the behavior of the Executive Board member strongly warrants it, but is not serious enough to justify termination or liability due to breach of duty or a reduction in remuneration in accordance with § 87 (2) of the German Stock Corporation Act (AktG) is not possible.

With 100% target attainment and a multiplier of 1.0, Dr. Stefan Traeger receives a one-year bonus of 300 thousand euros and Hans-Dieter Schumacher 200 thousand euros. In each case, the bonus for Dr. Stefan Traeger is limited to a maximum of 600 thousand euros and for Hans-Dieter Schumacher to 400 thousand euros. This part of the performance-related variable remuneration is paid in cash after the target settlement and adoption of the annual financial statements.

On the basis of its assessment of the individual and collective performances of the members of the Executive Board, the cooperation in the committees and the implementation of various stakeholder targets for the 2019 fiscal year, the Personnel Committee of the Supervisory Board has decided to propose to the Supervisory Board that a multiplier of 0.95 be used for both members of the Executive Board.

T04 The financial targets agreed for 2019

| Target | Target attainment in % | | |
|----------------------------------|------------------------|----------------|-----------------|
| | 100 | 50 (lower cap) | 200 (upper cap) |
| Revenue growth in % | 8.0 | 4.0 | 12.0 |
| Free cash flow in million euros* | 80.0 | 40.0 | 100.0 |
| EBITDA margin in % | 15.0 | 10.0 | 20.0 |

*Without acquisition effects

T05 Actual target attainment of the one-year variable remuneration for 2019 and payment in thousand euros

| Target | Fiscal year 2019 Actually attained | Target attainment | Payment to Dr. Stefan Traeger | Payment to Hans-Dieter Schumacher |
|-----------------|---------------------------------------|-------------------|----------------------------------|--------------------------------------|
| Revenue growth | 2.5 % | < 50 % | 0 | 0 |
| Free cash flow* | 78.3 million euros | 97.88 % | 58.7 | 39.2 |
| EBITDA margin | 15.7 % | 114 % | 136.8 | 91.2 |
| Multiplier | 0.95 | | | |
| Total | | | 185.8 | 123.8 |

* Without acquisition effects

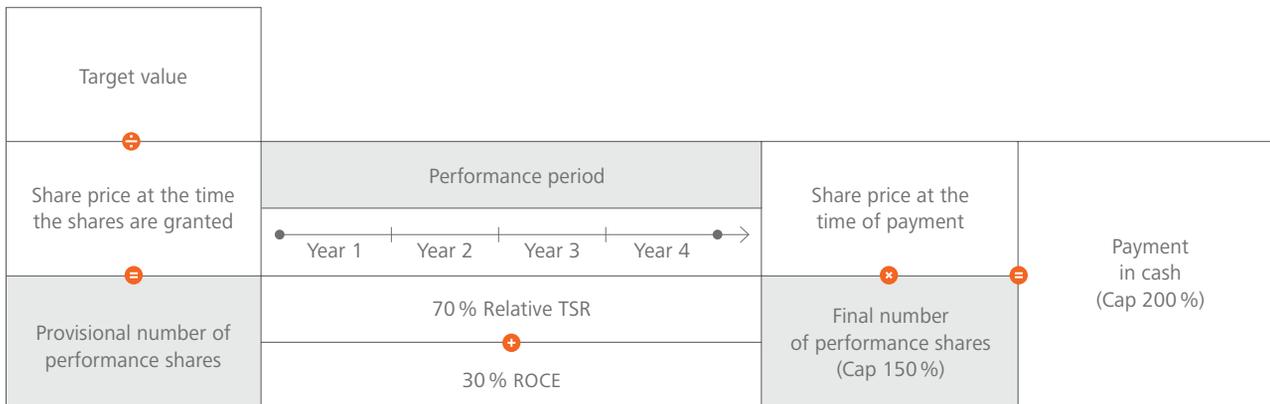
Performance Shares. Based on a value of 400 thousand euros for Dr. Stefan Traeger and 300 thousand euros for Hans-Dieter Schumacher, performance shares are to be allocated to the member of the Executive Board in the first quarter of each fiscal year. In order to calculate the provisional number of performance shares to be allocated, the initial value mentioned is divided by the volume-weighted average price (VWAP) of the Jenoptik share on the twenty trading days following the announcement of the preliminary annual figures. The VWAP for the specified 2019 period was 31.97 euros. Consequently, Dr. Stefan Traeger was provisionally allocated a total of 12,512 and Hans-Dieter Schumacher 9,384 performance shares (2019 installment). Long-term performance targets are agreed for each installment, the achievement of which is measured at the end of each four-year “performance period”. For the

performance shares provisionally allocated in 2019, the performance targets will be measured at the beginning of 2023. G07

The ROCE and relative TSR are calculated using the method described in the glossary on page 225. Again, the yardstick for determining the degree of target attainment need not be linear here. T06

Depending on the level of target achievement, the number of performance shares to be finally allocated is determined at the end of the four-year performance period. Their quantity is limited to one and a half times the number of provisionally allocated performance shares (“allocation cap”). If the level of target attainment is less than 50 percent, the entitlement to final allocation of performance shares shall no longer apply.

G07 Multi-year variable remuneration



T06 Performance targets and their weighting for the 2019 installment of the performance shares

| Targets | 100% target attainment | 50% target attainment | 150% target attainment | Weighting |
|---|--|--|---|-----------|
| Return on capital employed – ROCE | 16% average over the performance period | 11% average over the performance period | 21% average over the performance period | 30% |
| Relative total shareholder return – TSR | Outperformance of the Jenoptik share against the TecDax 5% | Underperformance of the Jenoptik share against the TecDax in the amount of minus 20% | Outperformance of the Jenoptik share against the TecDax 30% | 70% |

The number of finally allocated performance shares is multiplied by the VWAP of the Jenoptik share on the twenty trading days following the announcement of the preliminary annual figures for the last fiscal year of the performance period. The resulting amount shall be paid in cash after the adoption of the annual financial statements. The payout amount is limited to a maximum of 200 percent of the initial value: for Dr. Stefan Traeger to 800 thousand euros and Hans-Dieter Schumacher to 600 thousand euros ("Payout Cap").

The system of remuneration with performance shares is summarized as follows:

- Year 1: Agreement of a performance target for the year 1 installment ("Installment 1") with the member of the Executive Board; provisional allocation of performance shares for Installment 1; calculation of the provisional number by dividing the initial value by a VWAP determined in year 1.
- Years 1–4: Performance period for Installment 1.
- Year 5: Measurement of target attainment, from which determination of the number of final performance shares to be allocated for Installment 1, taking into account the allocation cap; multiplication of this final number by a VWAP determined in year 5. Payment of this amount to the member of the Executive Board, taking into account the payout cap.

In the event of termination of the Executive Board mandate, performance shares which have not yet been allocated finally, but only provisionally, shall not be prematurely finally allocated and paid out, but evaluated, allocated and then paid out in accordance with the regular procedure at the end of the respective performance period. Should JENOPTIK AG terminate the employment relationship for a good reason for which the member of the Executive Board is responsible, all provisionally allocated performance shares for which the performance period has not yet expired shall be forfeited without substitution or compensation.

Dr. Stefan Traeger and Hans-Dieter Schumacher are not entitled to payment of bridging payments following their departures. Nor was any right of termination agreed with them in the event of a change of control. 

III. Changes to the remuneration system from 2020

The target metrics of one-year variable remuneration for the Executive Board, the bonus, was adjusted with effect from January 1, 2020. Accordingly, 30 percent of the bonus is reached at

100 percent if the revenue growth in the annual plan adopted by the Supervisory Board for the Jenoptik Group is achieved for the corresponding year. 10 percent of the bonus is reached at 100 percent if a certain level of revenue attributable to new acquisitions is achieved. 40 percent of the bonus is calculated on the basis of the EBITDA margin contained in the annual plan. The previous free cash flow target, which still represents 20 percent of the bonus, will be replaced by a target that is 100 percent achieved if the ratio of free cash flow to EBITDA for the year in question (the so-called "cash conversion rate") reaches the value in the annual plan adopted by the Supervisory Board. With the exception of the acquisition target, unplanned amounts from acquisitions or divestments of companies or parts of companies shall not be taken into account in the target settlement.

In the course of the reappointment of Dr. Stefan Traeger as Chairman of the Executive Board for the period from July 1, 2020 to the end of June 30, 2025, which was resolved by the Supervisory Board on July 29, 2019, the remuneration system for the Executive Board was adjusted in further points with effect from July 1, 2020. Should the Annual General Meeting reject the remuneration system and/or the remuneration report, the members of the Executive Board shall enter into discussions on an adaptation of the remuneration system. In addition, a right of the Company to repayment of the multi-year variable remuneration (so-called **clawback**) was agreed if, within three years of its payment, it becomes apparent that one of the audited and approved consolidated financial statements during the four-year performance period was objectively incorrect and therefore had to be subsequently corrected in accordance with the relevant accounting standards.

An adjustment of the level of remuneration was agreed with Dr. Stefan Traeger as follows:

T07 Remuneration of Dr. Stefan Traeger

| | Fixed remuneration | Bonus (with 100% target attainment and a multiplier of 1.0) | Initial value Performance Shares |
|-------------------|--------------------|---|----------------------------------|
| in thousand euros | | | |
| since May 2017 | 600.0 | 300.0 | 400.0 |
| from July 2020 | 650.0 | 320.0 | 430.0 |
| from July 2023 | 700.0 | 340.0 | 460.0 |



For the amount of any settlement in the event of a change of control, see the chapter on Information and Notes Relating to Takeover Law on page 41

T08 Remuneration of the Executive Board – Benefits granted

Dr. Stefan Traeger
President & CEO

| in euros | 2019 | | | | 2018 |
|---|------------------|----------------|------------------|------------------|------------------|
| | Actual | Minimum | 100 % | Maximum | |
| Fixed remuneration | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
| Fringe benefits | 18,034 | 18,034 | 18,034 | 18,034 | 14,956 |
| Total | 618,034 | 618,034 | 618,034 | 618,034 | 614,956 |
| One-year variable remuneration | 185,752 | 0 | 300,000 | 600,000 | 521,664 |
| Multi-year variable remuneration | 376,248 | 0 | 400,000 | 800,000 | 324,274 |
| Thereof performance shares 2019 (performance period until 2022) | 376,248 * | 0 | 400,000 | 800,000 | 0 |
| Thereof performance shares 2018 (performance period until 2021) | 0 * | 0 | 0 | 0 | 324,274 |
| Thereof LTI dividends on outstanding LTI tranches | n. a. | n. a. | n. a. | n. a. | n. a. |
| Total | 1,180,034 | 618,034 | 1,318,034 | 2,018,034 | 1,460,894 |
| Pension contribution | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Total remuneration | 1,380,034 | 818,034 | 1,518,034 | 2,218,034 | 1,660,894 |

* fair value at the time of provisional allocation

Total Remuneration for the Individual Members of the Executive Board

The tables T08 and T09 contain a list of the remuneration components granted to Dr. Stefan Traeger and Hans-Dieter Schumacher in the fiscal year just past. The summaries differentiate between six components – fixed remuneration, fringe benefits, performance-related variable remuneration with one-year (bonus) and multi-year calculation base (performance shares) and pension contributions.

Based on the degree to which the target for the bonus has been achieved (see table 05) and using the multiplier of 0.95 recommended by the Personnel Committee, the variable remuneration for the 2019 fiscal year for Dr. Stefan Traeger will be 185.8 thousand euros in cash and for Hans-Dieter Schumacher 123.8 thousand euros in cash, subject to the consent of the

Supervisory Board. For the 2019 installment, Dr. Stefan Traeger was provisionally allocated a total of 12,512 performance shares and Hans-Dieter Schumacher 9,384 performance shares. Whether and to what extent the performance shares provisionally allocated in 2019 can be finally allocated and paid out in cash will be decided at the beginning of 2024, depending on the achievement of the multi-year targets agreed in 2019 (see table G07).

Further details on the share-based remuneration in the form of performance shares/virtual shares can be found in section 5.20 in the Notes on page 205. We consider this to also be an integral part of this Remuneration Report.

T08 Remuneration of the Executive Board – Benefits granted

Hans-Dieter Schumacher,
Executive Board member

| in euros | 2019 | | | | 2018 |
|---|------------------|----------------|------------------|------------------|------------------|
| | Actual | Minimum | 100 % | Maximum | |
| Fixed remuneration | 450,000 | 450,000 | 450,000 | 450,000 | 437,500 |
| Fringe benefits | 18,390 | 18,390 | 18,390 | 18,390 | 18,337 |
| Total | 468,390 | 468,390 | 468,390 | 468,390 | 455,837 |
| One-year variable remuneration | 123,834 | 0 | 200,000 | 400,000 | 347,776 |
| Multi-year variable remuneration | 301,552 | 19,366 | 319,366 | 619,366 | 257,868 |
| Thereof performance shares 2019 (performance period until 2022) | 282,186 * | 0 | 300,000 | 600,000 | 0 |
| Thereof performance shares 2018 (performance period until 2021) | 0 * | 0 | 0 | 0 | 243,217 |
| Thereof LTI dividends on outstanding LTI tranches | 19,366 | 19,366 | 19,366 | 19,366 | 14,651 |
| Total | 893,776 | 487,756 | 987,756 | 1,487,756 | 1,061,481 |
| Pension contribution | 160,000 | 160,000 | 160,000 | 160,000 | 160,000 |
| Total remuneration | 1,053,776 | 647,756 | 1,147,756 | 1,647,756 | 1,221,481 |

* fair value at the time of provisional allocation

T09 Remuneration of the Executive Board – Inflow

Dr. Stefan Traeger
President & CEO

Hans-Dieter Schumacher,
Executive Board member

| in euros | 2019 | | 2018 | |
|----------------------------------|------------------|------------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Fixed remuneration | 600,000 | 600,000 | 450,000 | 437,500 |
| Fringe benefits | 18,034 | 14,956 | 18,390 | 18,337 |
| Total | 618,034 | 614,956 | 468,390 | 455,837 |
| One-year variable remuneration | 521,664 | 200,000 | 347,776 | 235,330 |
| Multi-year variable remuneration | 0 | 0 | 0 | 0 |
| Total | 1,139,698 | 814,956 | 816,166 | 691,167 |
| Pension contribution | 200,000 | 200,000 | 160,000 | 160,000 |
| Total remuneration | 1,339,698 | 1,014,956 | 976,166 | 851,167 |

Remuneration System for the Supervisory Board

Each member of the Supervisory Board receives a fixed annual remuneration of 40 thousand euros for their services. The Chairman of the Supervisory Board receives double and their deputy one-and-a-half times this amount.

In addition, each member of a committee receives an annual remuneration in the sum of 5 thousand euros per year. The Chairman of the committee receives double this amount. The annual remuneration for members of the Audit Committee, whose duties are particularly labor- and time-intensive, is 10 thousand euros. The Chairman of the Audit Committee receives double and their deputy one-and-a-half times this amount. Members of committees which have not met during the fiscal year receive no remuneration. Members of the Supervisory Board who have only served on the Supervisory Board or a committee for part of the fiscal year receive a pro rata temporis payment. All the aforementioned remuneration is payable on expiry of the fiscal year.

The members of the Supervisory Board are paid a meeting allowance of 1 thousand euros for attending a meeting. Half of this amount is paid for participation in conference calls. The

same applies from the second meeting on any day on which several meetings are convened. Verified expenses incurred in connection with a meeting are reimbursed in addition to the meeting allowance, but limited to an amount of 1 thousand euros for meetings held in Germany. JENOPTIK AG also reimburses the members of the Supervisory Board for any value added tax applicable to the payment of their remuneration.

The members of the Supervisory Board are covered by third-party financial loss-liability insurance. This comprises the contractual obligation to pay a deductible amounting to 10 percent of the loss per claim, however up to a maximum sum of 150 percent of the fixed remuneration per year of the Executive Board member in question.

In the 2019 fiscal year, 758.4 thousand euros (gross, after withholding tax in accordance with § 50a (1) (4) Income Tax Act (EStG)) were recognized as liabilities for the fixed remuneration of the Supervisory Board and its committees to be paid in January 2020. Jenoptik did not pay any other remuneration or benefits to the members of the Supervisory Board for services rendered personally by them, in particular consulting and intermediary services. 



Information on the individual total remuneration for the members of the Supervisory Board see Group Notes page 208

Combined Non-financial Report

» In short «

In the past fiscal year Jenoptik rose
the engagement score to

72 %

and thus by 4 percentage points.

The Combined Non-financial Report fulfils the requirements
of the CSR Directive Implementation Act.

Separate Combined Non-financial Report in accordance with the CSR Directive Implementation Act

Position and Business Model

Jenoptik sees its entrepreneurial activity as more than purely the realization of commercial objectives; it is also something that brings with it an obligation to society and the environment. Together with our customers, we create forward-looking trends in the fields of energy efficiency, healthcare, the environment, mobility, and safety. As an international technology company, innovation is our driving force and the basis of our success in business. Our products allow us to make significant contributions to overcoming the societal challenges we face as well as to the conservation and efficient use of resources.

Since the beginning of 2019, Jenoptik has been operating in the new organizational structure with the Light & Optics, Light & Production, Light & Safety divisions, and VINCORION as an independent investment. Jenoptik mainly operates in the photonics market and is a supplier of high-quality capital goods. The Group is thus primarily a technology partner to industrial companies and public sector contractors.

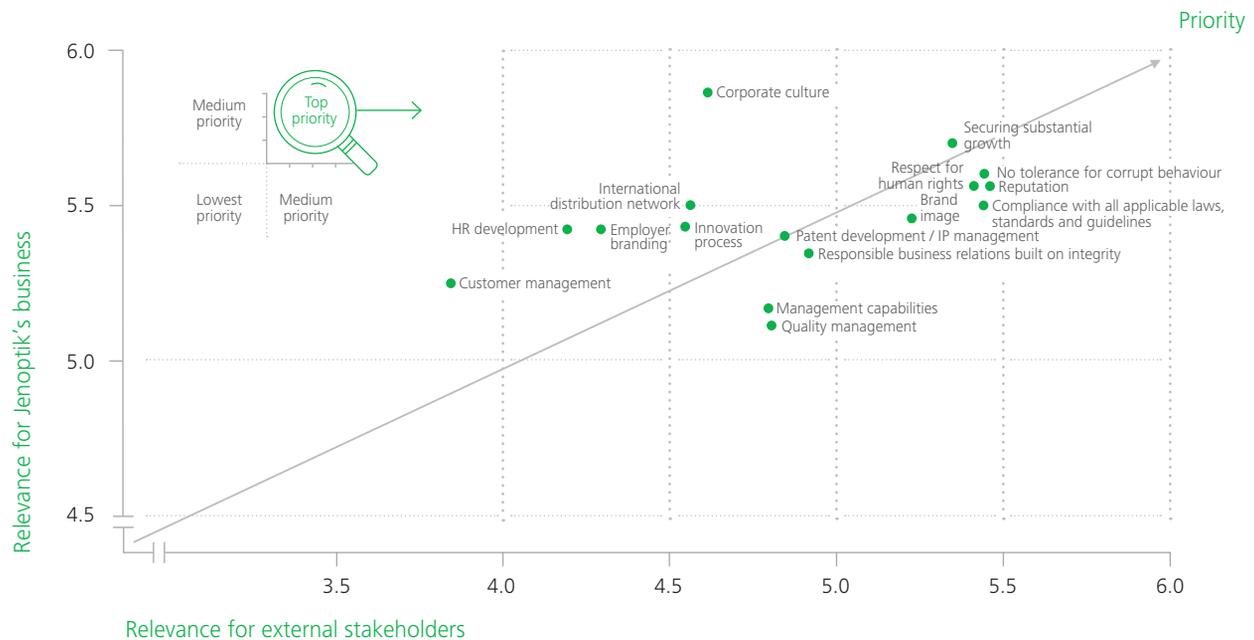
More information on the business model and markets can be found from page 74

Our Take on Sustainability

Our understanding of sustainability is based on the conviction that the best way to achieve our economic goals and lastingly profitable growth is to adopt a position of responsibility to the environment and society. To meet this requirement the issue of sustainability at Jenoptik falls within the responsibility of the Chairman of the Executive Board. Since mid-2019, the Investor Relations & Sustainability department has been responsible for group-wide sustainability management at Jenoptik and reports regularly to the Executive Board and Supervisory Board. The Sustainability Working Group – comprising representatives of the Investor Relations & Sustainability, Communication & Marketing, Human Resources, Finance, Environmental Management and Compliance & Risk Management departments – regularly discusses relevant cross-cutting issues.

What follows is information on sustainability issues which are essential to a better understanding of our business performance and the company's development in the future.

G08 Materiality matrix



The separate Combined Non-financial Report published here serves the purpose of fulfilling the requirements of the CSR Directive Implementation Act (CSR-RL-UG) in accordance with §§ 289b (3) and 315b (3) of the German Commercial Code (HGB). The report covers the key issues in the areas of employees, the environment, social commitment, human rights and anti-corruption for both our external target groups and the company in the 2019 fiscal year. The information in the non-financial report applies equally to the Group and JENOPTIK AG; any information that differs is indicated. The description of the approaches set out here is guided by Standard 103 of the Global Reporting Initiative (GRI). This means that Jenoptik describes components such as goals, existing guidelines, responsibilities, but also specific measures such as projects, programs and initiatives. The GRI standard served as an orientation aid for the selection of key figures, but was not used for further detailing. This includes information on the number of employees, employees on parental leave or the fluctuation rate. The materiality analysis and the risk assessment were prepared in accordance with the requirements of CSR-RL-UG. In accordance with § 315b (1) (3) of the German Commercial Code, reference is occasionally made to other information available in the Group Management Report. The list below shows all the relevant passages in the Management Report that are relevant to the separate Combined Non-financial Report.

- Business model page 74
- Strategy from page 77 on
- R+D/Innovation management from page 84 on
- Risk & opportunities from page 117 on
- Diversity policy see Corporate Governance Statement, www.jenoptik.com/investors/corporate-governance

Materiality Analysis

Jenoptik maintains ongoing dialog with all stakeholders. On the basis of the analysis and independent assessment of all non-financial aspects which are essential for sustainable business development both from Jenoptik's perspective and from the perspective of the respective external target groups (customers, business partners, employees, shareholders, suppliers and the general public), further additional non-financial objectives (see table page 57) were prioritized in 2019. The results of the overall assessment are summarized in a materiality matrix and were also entirely valid for 2019. Topics in the upper right quadrant are of major significance to the Group's business development from the perspective of both Jenoptik and its stakeholders. G08 T10

The following overview reveals where Jenoptik sees its priorities in the value chain.

T10 Jenoptik's key topics

| | | | | | |
|---|---|--|---|--|---|
| Employee Matters <u>Corporate culture</u> <u>HR development</u> | Environmental Matters <u>Environmental management</u> <u>Waste management</u> <u>Processes to ensure compliance with regulations</u> <u>Resource management</u> | Social Commitment <u>Commitment to science & education, art & culture as well as in social projects</u> | Human Rights <u>Respect for human rights</u> | Anti-Corruption <u>No tolerance for corrupt behaviour</u> <u>Responsible business relations built on integrity</u> <u>Compliance with all applicable laws, standards and guidelines</u> | Other Topics <u>Brand & reputation</u> <u>Quality management</u> <u>Innovation & patent development</u> <u>Corporate strategy</u> |
|---|---|--|---|--|---|

● Jenoptik's key topics ● Topics reported on a voluntary basis

Non-financial targets

Our Strategy 2022 also goes hand in hand with a change in corporate culture towards a more open, agile and less complex company whose employees contribute to its success with commitment and motivation. The JENOPTIK AG Executive Board and Supervisory Board are actively committed to more sustainability and have determined additional non-financial objectives for the Group in 2019. After “Employee Matters” had already been a top priority in human resources work since 2018 and measures aimed at increasing employee satisfaction and the attractiveness of Jenoptik as an employer had been implemented, management focused on the topic of “More Innovation” as well as the reduction of CO₂ emissions and a more transparent supply chain in 2019. The promotion of good framework conditions for more innovations and greater investment in research and development ensure substantial growth and play a decisive role in our future performance. In addition to our already defined strategic goal of increasing our R+D output, including customer-specific developments, to 10 percent of revenue by 2022, we therefore want to continuously increase the share of revenue generated by products and platforms that have been developed in the last three years (so-called Vitality Index). 

However, a need for action was also identified in other areas: The requirements in connection with the goal of international climate policy to limit global warming are constantly increasing, and companies are being increasingly called upon to contribute actively to the reduction of CO₂ emissions. Therefore, we at Jenoptik want to increase the proportion of green electricity used at our main production sites to 70 to 80 percent of our total electricity requirements by 2022, expand our vehicle fleet to include vehicles with alternative drive systems and create an appropriate infrastructure at our sites for charging all battery-powered vehicles. In addition, we also wish to implement the increasing transparency requirements regarding human rights. With regard to our supply chain, our goal is to meet the higher standards of due diligence, thereby increasing transparency.

The non-financial objectives are described in detail in the respective chapters on the following pages, and are stated in table T10.

In addition, we report on environmental issues as well as our social engagement on a voluntary basis, since our obligation to the environment is particularly close to our heart and environmental issues are of key concern in all our business decisions.

However, our future success also needs a deep understanding of customer and market requirements as well as a functioning sales network.

Quality management and compliance are also of great significance to Jenoptik. We are equally committed to law-abiding and compliant conduct with respect for human rights as we are to ensuring the above-average quality of our products and services. As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its environment. Dedication to our region is therefore another high priority.

All key topics are reflected in our new corporate strategy and are value drivers in our various areas of business. 

Our materiality matrix sets out the basis of all our long-term activities. These key topics are explained in detail in the sections below.

Risks in Connection with Non-Financial Aspects

Acting in conformity with rules and considering business risks and rewards—for Jenoptik, these are the principles of responsible corporate governance. The Group has a risk manual and a system of guidelines, thus providing a reliable reference framework for all employees worldwide. The group guidelines were revised in 2019 in a structured process involving the central corporate departments, divisions and regions. The new version reduces the scope of the content regulated at group level, and for the first time provides a globally uniform framework that can be underpinned by more detailed regulations. The guidelines are reviewed annually, and extended or updated as necessary. The new group policy structure has been in force since January 1, 2020. 

Twice a year, Compliance & Risk Management identifies all risks within the Group and discusses the top issues—set in net terms—with the Executive Board. Our risk identification, risk management and risk control processes incorporate non-financial risks in the areas of environment, social issues and corporate governance, including climate-related risks in the form of physical risks and transition risks.

The net analysis did not identify any risks that are very likely to have a serious negative impact on the specified key non-financial aspects now or in the future. 



Further information on this can be found in the chapter Targets and Strategies



For more on the topic of innovation and IP management see R+D chapter from page 84



See Corporate Governance Report from page 36 on



Detailed information on our risk management system and major risks, including in connection with non-financial aspects, can be found in the Risk and Opportunity Report from page 117

Employee Matters

Our employees, with their experience and abilities, are our greatest asset and absolutely essential to the Jenoptik Group's business success. Structured HR work and the responsible and contemporary approach to working conditions are therefore among our most important tasks, because excellent business performance is only possible with dedicated employees.

HR work at Jenoptik covers all employee-related operating and strategic measures for the implementation of the Group's objectives and is thus an essential component of the overall leadership and management process. HR is an internal, internationally active business partner which supports both the operating business and participates in the implementation of strategic decisions in all Jenoptik divisions. In doing this, HR fulfills three different requirements. It delivers local service for

T11 Non-financial objectives and performance indicators

| Aspect | Objectives | Performance indicators | Status 2019 | Target |
|--------------------------|--|---|--------------------------------|---|
| Corporate culture | <ul style="list-style-type: none"> We want to increase the satisfaction and commitment of the employees | <ul style="list-style-type: none"> Fluctuation Sick leave Engagement Score Net Promoter Score | 4.1 % 5.6 % 72 % 69 % | < 5 % < 5 % > 68 % > 67 % |
| Recruiting | <ul style="list-style-type: none"> We want to fill more internal vacancies with specialists who have been trained by Jenoptik | <ul style="list-style-type: none"> Training ratio in Germany Number of trainees taken on | 3.8 % 93 % | > 4 % 100 % |
| Brand & Reputation | <ul style="list-style-type: none"> We want to increase the attractiveness of Jenoptik as an employer | <ul style="list-style-type: none"> Fluctuation Engagement Score | 4.1 % 72 % | < 5 % > 68 % |
| Innovation and R+D | Securing and boosting competitiveness, revenue and earnings through successful innovations: <ul style="list-style-type: none"> We want to increase our R+D output including customer-specific developments We want to increase the share of revenue generated with products and platforms which have been developed in the last three years | <ul style="list-style-type: none"> R+D output Vitality Index * | 8 % – | 10% by 2022 Increase |
| Environmental management | Reduction in CO ₂ emissions: <ul style="list-style-type: none"> We want to increase the proportion of green electricity used at our main production sites and take this issue into account in the purchasing process We want to expand our fleet of vehicles with alternative drive technologies and create an appropriate infrastructure | <ul style="list-style-type: none"> Proportion of green electricity Number of vehicles with alternative drive technologies in the fleet Number of charging stations | 45.3 % 4 1 | 70 to 80% by 2022 Increase Increase |
| Supply chain management | <ul style="list-style-type: none"> We want to increase transparency in our supply chain in order to guarantee the protection of human rights and the environment | <ul style="list-style-type: none"> CRSA Coverage Rate of the purchase volume | 25 % | > 40 % |

* Will be recorded in the 2020 fiscal year

all employees and managers, supports division-specific projects and offers expert knowledge in the areas of recruiting, employer branding, HR development, labor law and remuneration. HR reports directly to the Chairman of the Executive Board, who is also HR Director, via the function Head of Global HR.

The first point of contact for all HR-related issues in day-to-day business concerning the Group's employees and managers are the HR Service Partners. Each division has an HR Business Partner who is part of the management team. Working with the Division Management, the HR Business Partners develop and implement strategic HR topics.

Alongside an appealing corporate culture, we see our employees' efforts, expertise, experience, and commitment to the company as key value contributions. This was also confirmed by the results of the materiality analysis, which in Human Resources in particular point to topics such as corporate culture, HR development and employee satisfaction.

In 2019, the topic of "Employee Matters" was the focus of our activities. For monitoring purposes, during the past fiscal year, an internal reporting system has been developed for special non-financial performance indicators (KPIs); it provides the Executive Board with regular information. In order to achieve the defined goals, our HR team developed specific measures which are described in the following sections.

Detailed information on gender equality and targets for the proportion of women on the Supervisory Board, Executive Board and the management level below the Executive Board can be found in the Corporate Governance Report and in the Corporate Governance Statement. 



More detailed information on the targets for the proportion of women can be found at www.jenoptik.com under Investors/Corporate Governance in the Corporate Governance Statement

A pleasant **corporate culture** provides guidance not only for employees, but also for customers, suppliers, and potential applicants. With the implementation of the group strategy the focus is also on establishing a dialog-based corporate culture characterized by initiative, respect for diversity and equal opportunities. An intensive exchange with employees, customers and management representatives in the form of surveys, workshops and interviews formed the basis for the three newly defined Jenoptik values – **open, driving, confident**. We believe that committed and curious people always perform outstandingly. We value new ideas and develop them further in an open dialog. In order to achieve our targets, we encourage employees who drive things forward and who have the will to succeed. We have the courage, the conviction and the expertise to seize opportunities that present themselves and to be a leader in

the field of photonics. At the beginning of 2019, we introduced the Jenoptik values company-wide with an information and workshop program.

Jenoptik is modern and flexible in terms of leadership culture. Key to this will be the respectful behavior in the workplace, balancing of career and family, flexible working hours, and a healthy work environment. Examples of measures for 2019 include the introduction of remote working and the creation of a health management position.

We measure the satisfaction and commitment of our employees through an annual employee survey. This was conducted globally for the second time in 2019 in order to obtain a holistic picture. In the survey, employees evaluate the various facets of their work as well as the corporate and leadership culture. The commitment of our employees (so-called Engagement Score) and the recommendation rate (so-called Net Promoter Score) are also measured. We have already achieved our non-financial objective of increasing both of these KPIs in 2019.

68 percent of our employees, took part in the 2019 survey (prior year 67 percent). The engagement of our employees, the so-called "Engagement Score" improved by 4 percentage points to 72 percent, i.e. 72 percent of our employees identify positively with their duties at Jenoptik and are actively involved. With a "Net Promoter Score" of 69 percent (prior year 67 percent) more than two thirds of our employees would recommend Jenoptik as a good employer. This puts Jenoptik four percentage points above the benchmark of 65 percent determined by our service provider Qualtrics, the targets set by management to increase the engagement and net promoter scores were achieved.

Our managers communicated the results of the employee survey to their teams, who developed team-specific measures in a joint workshop. All measures are regularly presented to the EMC (Executive Management Committee). The next employee survey is scheduled for May 2020 and will measure the effectiveness of the measures implemented. In the most recent employee survey, the top 3 topics were:

- Career advancement and development opportunities,
- Support from their supervisors in identifying areas of development, and
- Transparent communication between Jenoptik and its employees.

In 2019 we also conducted a survey of our new employees (entries January to September 2019) on the onboarding process at Jenoptik for the first time, with the objective of further improving this process. Among our new colleagues, the Engagement Score and the Net Promotor Score were both 90 percent. The satisfaction with our recruiting process is 93 percent, while satisfaction with our onboarding process is 86 percent. From 2020, structured exit interviews will also be conducted in addition to the two surveys.

Jenoptik is family-friendly and responds to the needs of its employees with flexible working hour models. Flextime, part-time work, and flexible parental leave all make it easier for our employees to strike their own balance between family and working life. In 2019, 154 employees made use of parental leave in Germany (prior year: 157 employees). The number of part-time contracts in Germany rose to 7.1 percent in 2019 (prior year: 6.7 percent). One of the most important pre-conditions for balancing career and family is the availability of childcare. For several years, Jenoptik has been investing in daycare centers at the Jena, Wedel, and Monheim locations, as well as in flexible childcare models. Therefore, our employees are assured a place at the daycare centers.

The global staff fluctuation rate of 4.1 percent in 2019 itself reflects a high level of employee satisfaction within Jenoptik as an attractive employer. (prior year: 4.5 percent). Across Germany, the fluctuation in the past fiscal year was 3.1 percent (prior year: 3.7 percent).

HR development is a key factor that determines the future viability of the company and the commitment of our employees. To help promote them in line with their potential and interests, the development needs are assessed in regular staff appraisals and appropriate training is sought. Regular staff appraisals were held at all sites in 2019, which we verified in the employee survey. In 2019, Jenoptik invested around 2.6 million euros (prior year 2.5 million euros) in the professional development of its employees. This includes both the costs for trainees and students at the Cooperative State Universities and the costs for further training for our employees. Learning at Jenoptik is structured according to the 70:20:10 principle: as employees and their supervisors are the experts for their own further development, 70 percent of learning takes place in the workplace and 20 percent through learning from others. Classroom or online training makes up only 10 percent. The topic of e-learning will be the focus of HR development in 2020.

We are also following the 70:20:10 learning principle in the development of our managers: since 2019, there have been three target-group specific programs aimed at high potentials, new managers and experienced managers. Our managers continue to be key drivers of a uniform leadership culture at Jenoptik and thus of our corporate success. They are responsible for motivating the employees and have a direct influence on their satisfaction.

HR Recruitment. Jenoptik's HR requirements are guided by the Group's international growth strategy, resulting in a greater need for recruitment in Asia, Canada and the USA. However, experts and managers are also being sought in Germany. The audiences addressed by recruitment and thus also HR marketing are primarily specialists and skilled workers in the natural and engineering sciences as well as experts with business management and legal backgrounds.

In order to fill more vacant positions with internal specialists trained at Jenoptik, the training ratio was increased, taking into account the retirement of employees in the context of succession planning. This meant that significantly more trainees could be hired in 2019. 65 young people began their training at Jenoptik in 2019 (prior year 38). Thus, at the end of 2019, a total of 142 trainees were employed by the Group throughout Germany. For 2020, the number of trainees is to be increased to a total of 172. This will create 30 additional apprenticeships. The trainee retention rate in 2019 was 93 percent (prior year 90 percent). The trainees were taken on for an unlimited period by the company.

Specific support for school students, university students and graduates forms part of the Group's expertise strategy, ensuring early loyalty to the company and thus simplifying the recruitment process. A selection of targeted initiatives and cooperation arrangements is shown below in table T12.

Increasing **attractiveness as an employer** is the focus of employer branding at Jenoptik. Clear and distinctive positioning as an attractive employer should support recruitment and develop a positive and unmistakable employer image as a future-oriented, innovative high-tech company in the photonics industry. The definition of the employer brand and the development of the associated values (Employer Value Proposition) were carried out on the basis of the Jenoptik Strategy 2022 under the motto "More Light". Last year, the focus was on target-group oriented communication using social media channels. This makes it possible to flexibly adapt communication with the target groups to the current market situation and to measure the success on the basis of different key figures as well as to derive further measures.

Since 2019, Jenoptik has been using a uniform international applicant management system which replaced the previous country-specific systems.

Occupational health and safety are also key topics affecting the basic needs of our employees and their satisfaction in the workplace. They are firmly anchored in the Group's operating processes and aim to minimize risks arising in the work environment that may endanger employees. The Jenoptik companies are each responsible for applying the law on all aspects of occupational health and safety. The central Environment, Health and Safety (EHS) department reports directly to the Chairman of the Executive Board and is available to advise all companies. It coordinates the relevant tasks and assists the Executive Board on enforcing necessary measures. There are health and safety committee meetings in all divisions each quarter. In addition, all employees are briefed on issues relating to health and safety at work at least once a year. At all of the German locations, around ten percent of the workforce are trained as first-aiders. The number of reportable workplace and commuting accidents in Germany fell to 10.72 per 1,000 employees in 2019 (prior year 12.42 per 1,000 employees). This figure includes workplace accidents (WA) at 43.75 percent and commuting accidents (CA) at 56.25 percent. Compared to the members of the ETEM trade association, Jenoptik is thus clearly below the average figure of 22.71 in 2018. In the interests of our employees' health and performance, the Group offers regular medical examinations by a company physician. In 2019, we once again held health days for employees at German sites. Since 2019, company health management at Jenoptik in Germany has been centrally managed by the Corporate Center. In the current fiscal year the associated structures in the company will be further developed and various initiatives launched.

T12 Initiatives and cooperations (selection)

Jenoptik supports

- career guidance projects at schools, also offering their students the opportunity to complete an internship
- young researchers in Thuringia as a longstanding state-level corporate sponsor of the "Jugend forscht" initiative
- various industry organizations to promote professional development activities
- students in the form of degree theses, internships, and scholarships

Jenoptik works with

- selected universities around the world with regards to HR marketing and recruitment, for research purposes, and to foster the professional development of its employees
 - selected universities around the world via projects and is active through a range of committees and networks in an advisory capacity
-

Environmental Matters

Long-term protection of our environment is of top priority for us. We see the efficient use of resources and energy at all our global locations as our corporate responsibility and here report voluntarily on key environmental matters in the Jenoptik Group. As many of our products contribute to the efficient and responsible use of resources, Jenoptik primarily makes an indirect contribution to conserving resources and therefore also to protecting the environment. In order to make an active contribution to reducing CO₂ emissions, we want to increase the share of green electricity used at our main production sites to 70 to 80 percent of total electricity requirements by 2022, expand our vehicle fleet to include vehicles with alternative drive systems, and create an appropriate infrastructure at our sites for charging all battery-powered vehicles.

Environmental management is a key part of our business practices. We comply with national and international laws and set standards in resource conservation and energy efficiency with respect to the manufacture of our products. However we also require our suppliers and contractual partners to comply with relevant regulations to minimize environmental risks. As a manufacturing company, we set our focus on efficient resource management so as to reduce energy consumption and greenhouse gas emissions to the best of our ability, use commodities and materials in a safe and resource-saving manner and to largely avoid producing hazardous waste. We espouse good environmentally friendly design and the economical use of resources as early as the development stage while minimizing the impact on people, the environment and nature through regulated recycling and disposal. In line with their environmental relevance, selected Jenoptik companies are certified in accordance with the ISO 14001 environmental management standard which globally sets out requirements for an environmental management system. In 2019, all Jenoptik companies and sites were again audited for the required energy audit in accordance with DIN EN 16247. 

Environmental management lies within the remit of Safety, Occupational Health and Environmental Protection. The Jenoptik companies are each responsible for applying the law on all aspects of environmental protection. The central environmental protection officer is available to provide assistance where required and, as just one example, reviews all group investment projects with regard to their environmental relevance. The managers responsible for environmental issues at the German locations meet twice a year to share their experiences and ensure a standard approach to implementing environmental law requirements and processes. Waste officers take care of all matters relating to the prevention, accrual, recycling, and disposal of hazardous and non-hazardous waste.

Jenoptik continues to implement and in part exceed statutory requirements relating to nature conservation and environmental protection for new buildings, extensions and the modernization of production facilities. State-of-the-art technologies for saving resources and protecting the environment are applied when fitting out production facilities. The company building for the Light & Production division at the Villingen-Schwenningen site, construction of which has already begun, fully complies with the environmental protection standards introduced at Jenoptik. For example, the new building is equipped with modern insulation, sensor-controlled LED lighting and energy-saving heating and air conditioning technology. In addition, several charging stations for electric mobility will be installed.

At the Jena site, an infrastructure project for a large building complex was successfully completed in 2019 with the renewal of a central ventilation system, the installation of an exhaust air purification system and a system for heat recovery from exhaust air. The roof of another large production complex was refurbished to improve energy efficiency, including renewed and more efficient building heating as well as sustainable water heating and ventilation technology.

The conversion of existing lighting to LED lighting is being examined and successively implemented at several sites worldwide in ongoing rebuilding measures taking into account cost and environmental aspects. In addition, the energy efficiency of the plant technology at the Jena-Göschwitz site was analyzed in 2019. In the future, obsolete and resource-intensive technology will be replaced by low-emission and more resource-efficient systems if necessary.



For further information see section Quality management from page 67

Greenhouse gases. As a technology company, Jenoptik generates only small volumes of emissions within its plants. The majority of its pollutant emissions are attributable to procured and externally purchased energy (district heating or electricity). Due to the availability of data, we report our environmental data with a time lag to the reporting year. In addition to absolute energy consumption, we are also reporting for the first time energy consumption in relation to revenue, thus making the development of energy efficiency in our production transparent. Total energy consumption came to 90.59 MWh per group revenue of 1 million euros and thus remained in 2018 at the prior-year level (prior year: 90.15 MWh/revenue of 1 million euros).

Through the targeted purchase of renewable energies, Jenoptik will source green electricity from European hydro power throughout Germany from 2020. International sites will follow gradually. This will take us a major step closer to our goal of increasing the proportion of green electricity used at our main production sites worldwide to 70 to 80 percent of total electricity requirements by 2022. In 2018, this already amounted to 45.3 percent.

The consumption of the various media (electricity, district heating, gas, heating oil, wood pellets) at all major Jenoptik production sites was used to calculate the CO₂ emissions. The goal remains to record energy consumption throughout the Group, and to this end additional sites were included in the past fiscal year. Rochester Hills, Jupiter and Huntsville (USA), Shanghai (China), France and the UK, Barrie (Canada) and Switzerland have been included for the first time. Therefore, CO₂ emissions rose by 10.8 percent to 12,843 tons in 2018 (prior year: 11,596 tons). T13

Water. Jenoptik does not require large volumes of water for its manufacturing processes. Water is only used as a coolant, as a process medium and for sanitary purposes and comes primarily from the public drinking water supply and from groundwater. Nevertheless, as part of our water management, we take care to keep water consumption as low as possible at all our sites. In 2018, 70,790 m³ of water were consumed at our main production sites (previous year 71,296). T14

T13 Energy consumption and CO₂ emission by the major Jenoptik sites (in MWh and t)

| | Energy consumption | | CO ₂ emissions | |
|--------------|--------------------|-----------------|---------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| Germany | 58,447 | 58,348 * | 8,038 | 8,188 * |
| Europe | 1,332 ** | 983 | 158 ** | 148 |
| Americas | 15,543 ** | 7,814 | 4,455 ** | 3,068 * |
| Asia/Pacific | 283 | 283 | 192 | 192 |
| Total | 75,605 | 67,428 * | 12,843 | 11,596 * |

* Corrected value due to harmonization of methodology

** Figures cannot be compared with prior year as the number of the included production sites of Jenoptik increased in 2018

Due to low volumes of water required for production processes, we do not see ourselves encountering any key risks in this area. Conservation regulations also play a very minor role for the Group due to its business purpose and the location of its sites outside conservation areas.

Waste. Within the scope of our business activities, hazardous waste is also generated in the production processes, for example, electronic scrap, adhesive residues or solvents. Our goal is to avoid producing such waste generated during production as far as possible or to recycle it or, at the very least, dispose of it properly in order to minimize negative effects on the environment. In the production of semiconductor lasers in Berlin-Adlershof, for example, a new process helped to use less solvents. The volumes sent for disposal or recycling are recorded locally and we distinguish between hazardous and non-hazardous waste within these categories.

In Germany, waste types are systematically recorded in all divisions categorized and their quantities calculated. The volume of hazardous waste disposed of in waste treatment/disposal plants in the 2019 reporting year increased to 179 tons (prior year: 162 tons). In contrast, the quantity of non-hazardous waste rose to 1,100 tons (prior year: 1,022 tons), caused primarily by

so-called "clean days" at the German sites. In general, Jenoptik aims to recycle waste through certified waste management facilities. Through continuous waste separation and training of the employees on waste prevention, the amount of residual waste was again further reduced. At the Triptis site, for example, more plastic materials are being channeled back into the recycling process, thereby conserving resources, avoiding expenditure on waste disposal and generating income.

As a high-tech company, Jenoptik is dependent on a wide range of raw materials. In the face of an increasing scarcity of resources, Jenoptik is committed to making sparing use of the materials it uses. We comply with applicable regulations, for example the requirements of the European chemicals regulation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and the European RoHS directive (Restriction of certain Hazardous Substances), and are involved on associated committees. The Product Compliance project was launched in 2019 as a means of implementing efficient processes for the collection of relevant data. In the future, declarations from suppliers, raw material and chemical data can be systematically and automatically evaluated and the respective declarations issued. The objective of our purchasing processes is to meet all regulations relating to conflict minerals in compliance with the Dodd-Frank Act.

T14 Water consumption (in m³)

| | | |
|--------------------------------------|---------------|---------------|
| Water consumption | 2018 | 2017 * |
| Communal water supply | 43,767 | 47,008 |
| Groundwater from internal production | 27,023 | 24,288 |
| Total | 70,790 | 71,296 |

* Values are partly based on estimates

Resource Management. Many of Jenoptik's innovative products and services make a contribution to the efficient and responsible use of resources. As a technology company, we are involved primarily in the areas where our customers' production processes and products can be made more efficient. The table below provides an overview of the contribution of selected Jenoptik products to resource conservation. T15

- A commitment to the younger generation with projects in science, education, and in the social arena.
- Art and cultural projects to lend an attractive design to our company locations and create good conditions for our employees' work/life balance.
- A commitment to integration and internationality to strengthen the foundations of business and society in the future.

Social Commitment/Corporate Citizenship

Supporting young people in their education and scientific activities, as well as in social projects – this is at the heart of Jenoptik's social engagement. The Group supports a whole range of non-profit projects, organizations and initiatives and is actively involved in the following three areas, primarily in Germany but increasingly also abroad:

As a responsible and socially committed company, Jenoptik considers it its duty to play an active role in shaping its business environment. As part of this process, our main concern is to achieve close, long-term partnerships, with the aim of providing not just financial but also non-material assistance. With our commitment to society, we want to strengthen the confidence placed in Jenoptik and boost our employees' sense of identification with the company. We also expect this to have a positive effect on our brand image, reputation and our attractiveness as an employer.

T15 Contribution of our products to resource conservation

Product

Jenoptik diode lasers and laser machines for a wide range of applications, e.g. in medical technology or the automotive industry

Contribution to resource conservation

- The most efficient light sources available with an efficiency of up to 70 percent
- Resource-friendly alternative to conventional machining processes, especially when processing high-strength steel with a lower weight

Optical systems and components for information and data transmission as well as medical diagnostic procedures

- Continuous further development towards even smaller crystalline structures in semiconductor production opens up ever newer application options,
- Time-saving processes and cost-effective production, thereby conserving resources

Metrology – systems and equipment to check shape and roughness, particularly in the automotive industry

- The results are more precise surfaces and tighter tolerances in engine components (downsizing) and thus entire vehicles that require less fuel and produce fewer emissions
- More complex transmissions for hybrid cars demand the increased use of metrology

Hybrid power generation systems to enable an efficient power supply to the Patriot missile defense system

- Use of battery technology to reduce fuel consumption
- Longer life cycles for customers, lower service expenditure and this product sustainability

Traffic monitoring systems check compliance with current road traffic regulations and improve traffic flow

- Contribution to increasing road safety and reducing accidents
- Reduction in emission of pollutants and noise
- Installation at the side of the road limits interference in the environment (no installation of monitoring gantries)

Toll monitoring systems on federal highways

The duties of Corporate Citizenship are the responsibility of Marketing & Communication. Group-wide guidelines govern the principles of a structured and standardized approach to defining "Jenoptik as a Corporate Citizen" and ensure a uniform method of handling donations and sponsorship queries, as well as carrying out sponsorship projects.

Our dedication to our region is of particular relevance. Since 1996, the Group has acted as the patron of the "Adult Initiative for Children with Cancer Jena". Donations both made by Jenoptik and collected from partners, and the organization of various events, have helped to support children with cancer and their parents. Particularly worthy of note is the Easter Charity Concert given by the International Youth Orchestra Academy, the proceeds of which are donated to the initiative. T16

In 2019, the group-wide program "Mitarbeiter im Ehrenamt" (Employees and Volunteering) was launched as a further pillar of social engagement. Volunteering is an important link in society. Many Jenoptik employees make an important contribution to associations and organizations through their volunteering work. The new program encourages and honors this engagement.

Together with numerous partners, the Group is also active as a member of "Familienfreundliches Jena e.V." (Family-Friendly Jena) support group for projects conducted by the "Jenaer Bündnis für Familie" (Jena Family Alliance) to improve general underlying conditions, the work/life balance and equal opportunities in education. Jenoptik supports various models of family-friendly childcare, the "Saaleknirpse" in Jena, the "Wasserstrolche" in Wedel, and the "Talentschuppen" in Monheim. For schoolchildren, once again there was the summer camp jointly organized for children of Jenoptik employees and children of recognized refugee families.

T16 Social commitment - exemplary projects

| | | |
|---------------------|--|---|
| Social | Jenoptik supports | <ul style="list-style-type: none"> Easter charity concert by the International Young Orchestra Academy on behalf of the Elterninitiative für krebskranke Kinder Jena e.V. "Friends of Foster Children", Jupiter (USA) Fundraising campaign on the occasion of the New Year's Eve reception on behalf of ARCHE Berlin Summer camps for children of Jenoptik employees and children of recognized refugee families Promotion of "Mitarbeiter im Ehrenamt" Project "Mitten im Leben" in the Bürgel parish Christmas campaigns on behalf of sick and needy children at the Jenoptik locations Jena, Jupiter and Huntsville |
| Science & Education | Jenoptik is a partner for ... | <ul style="list-style-type: none"> Global competition "SPIE Startup Challenge" The Thuringian young researchers competition "Jugend forscht" (since 1991) Competition "Schüler experimentieren" (since 2012) Applied Photonics Award of Jena-based Fraunhofer IOF Student project "Hinterm Horizont macht Schule" Lothar Späth Award for Outstanding Innovations in Science and Economy 70 years of the German Basic Law: New version as magazine in modern layout – for schools and educational institutions |
| Art & Culture | Jenoptik promotes artists through its own series of "tangente" art exhibitions (since 1994): | <ul style="list-style-type: none"> tangente: Thomas H. Saunders "Art of Microscopy" Art exhibition OSTER+KOEZLE "raum+stoerung" at the Friedrich Schiller University and tangente "rooms + architectures" as part of the 100th anniversary of the Bauhaus in 2019 |
| | Jenoptik supports cultural projects with partners: | <ul style="list-style-type: none"> Open-air Cultural Festival "Kulturarena" organized by the city of Jena Summer theater spectacular by Theaterhaus Jena Summer concert series at the Thalbürgel monastery church |

2019 was marked by a number of important anniversaries, which were also reflected in our social engagement. For example, Jenoptik sponsored a project in which schoolchildren addressed the 30th anniversary of the fall of the Berlin Wall and, under the patronage of the Udo Lindenberg Foundation, brought the musical "Hintern Horizont geht's weiter" (Behind the Horizon Life Goes On) to the stage of the German National Theater in Weimar. In the USA, Jenoptik employees at the Jupiter site worked with "Friends of Foster Children" from Palm Beach County to bring holiday joy to children. Also in Jupiter, staff members provided family-style Thanksgiving meals to the needy in the region and participated in food collections. Employees in Huntsville supported the "Kids to love" foundation and collected toys and donations for children for Christmas. At the Jenoptik site in Barrie, Canada, employees support the "Great Cycle Challenge", a charity campaign for the fight against childhood cancer. The employees fulfilled gift requests in the form of toys and cash donations to bring a smile to the children's faces during this time.

Since the company's earliest days, Jenoptik has been enriching life in Jena with art and cultural projects. The in-house "tangente" series of art exhibitions is a key part of this endeavor. Jenoptik also sponsors art projects by partners, such as an art exhibition organized by the Friedrich Schiller University in Jena to mark the 100th anniversary of the Bauhaus in 2019.

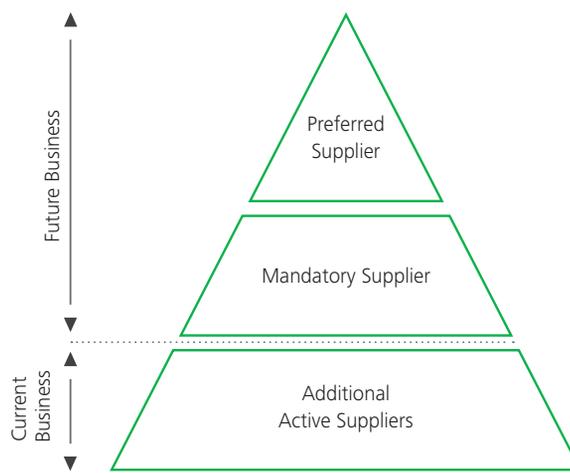
Responsible Corporate Governance

In a globalized market environment, Jenoptik is fully committed to responsible corporate governance and law-abiding, compliant conduct. We make our business decisions with this in mind and always work to ensure that our actions are in accordance with regulations, laws and our values. Compliance & Risk Management therefore lies within the remit of the Chairman of the Executive Board, and the department reports directly and regularly to him. The Director of Compliance & Risk Management is in close contact with all employees throughout the organization, controls the Group's opportunity and risk management system in close cooperation with the central divisions and the divisions' risk officers. Over the past fiscal year, our compliance organization has been expanded and internationalized. A data protection officer is the group-wide contact for all data protection matters. In the North America and Asia/Pacific regions, the team was strengthened with regional compliance officers. Since the beginning of 2020, Compliance & Risk Management has also taken on group-wide responsibility for export and customs controls.

Respect for human rights is a high priority for Jenoptik, especially in the supply chain. Jenoptik is committed to internationally recognized standards of human rights and does not tolerate any form of slavery, forced labor, child labor, human trafficking or exploitation in its own business operations or those of its supply chain. We also expect our suppliers to comply with and respect internationally recognized human rights standards, e.g. the Slavery and Human Trafficking Statement. The compliance-relevant processes are continuously revised in order to identify violations and high-risk business partners in good time. In a two-step process, a supplier compliance declaration and an additional code of conduct for distributors first oblige all our business partners to adhere to the law. In the second step, a centralized high-risk business partner screening process is used to ensure that Jenoptik cooperates only with those business partners that meet all of its compliance requirements.

Anti-corruption. Jenoptik fights all forms of active and passive corruption and expects all its business partners to do the same. We also see it as our responsibility to ensure that our customers and suppliers act in compliance with the law. For detailed information on Jenoptik's compliance management system, the company guidelines and codes of conduct for employees, suppliers and sales partners, our online training, and our whistleblower system, we refer you to the Corporate Governance Report from page 36 as well as the Risk and Opportunity Report from page 117.

G09 Classification of suppliers



Supply chain management. As one of our most important resources, our supplier base has a significant influence on the value contribution of our products, but also sustainability and environmental protection. We partner with our suppliers all along the value chain on a long-term basis. When selecting our business partners and when working together, we take into account their performance in terms of safety, health, the environment, social standards and fair business practices in order to further develop an integrated supplier management system.

Our business partners are classified and assigned to different phases of a supplier life cycle within the scope of strategic supplier management. Our Preferred Suppliers are distinguished by their strategic importance for the future business with Jenoptik. They are qualified according to uniform criteria applying group-wide. We hold a strategic meeting with our Preferred Suppliers at least once a year at which we discuss supplier assessment and their development. We use a scorecard to help set targets and measures relating to quality, logistics, technology, costs and sustainability. G09

Our Code of Conduct for Suppliers to the Jenoptik Group is binding on all suppliers worldwide, irrespective of procurement volume, and serves as the basis for contractual relationships. Among other things, it includes topics such as compliance with laws and regulations, respect for human rights, the prohibition of forced and child labor, the responsible handling of conflict materials and the obligation to protect the environment. As part of a qualification process, the Code of Conduct of new suppliers is requested. The qualification process also includes the request for a “Corporate Social Responsibility Supplier Self-Assessment (CRSA)” – a questionnaire for suppliers on sustainability topics in the social, compliance, governance and environmental areas. An evaluation of the questionnaire is carried out inter-divisionally with the Compliance & Risk Management, and Safety, Occupational Health and Environmental Protection departments. As a last resort, a phase-out process is initiated.

Purchasing in the Jenoptik Group is globally positioned and responsible for all procurement activities and the implementation of responsible supply chain management. The various purchasing categories and product groups are controlled and managed by category/commodity managers worldwide. The Vice President for Corporate Supply Chain Management & Procurement reports directly to the CFO of JENOPTIK AG.

Quality Management and Brand Image

Quality management. The key to Jenoptik’s success as a technology company primarily lies in the quality of its products and solutions. Longstanding collaborations with key customers, sometimes in the form of development partnerships, and the confidence placed in us by our partners are proof that our products and solutions are of superior quality. As a quality leader in many of our product areas, we are committed to ensuring that the quality of our products and services is above average. Quality management at Jenoptik is managed locally in the business units and falls within the responsibility of the head of the divisions. Each division applies individual quality indicators. The following overview summarizes key KPIs for quality management in the Jenoptik Group. T17

T17 KPIs for quality management

| Criterion | Examples for KPIs of the divisions |
|---|---|
| Quality from a customer perspective | <ul style="list-style-type: none"> • Customer satisfaction • Complaint cost ratio • Warranty and guarantee costs |
| Quality as an internal business partner | <ul style="list-style-type: none"> • Internal audits • Measures in the process of continual improvement • Process and product quality <ul style="list-style-type: none"> - Production yield/quality grade - Reworking costs - Reject costs |
| Quality from the supplier’s perspective | <ul style="list-style-type: none"> • External supplier audits • Suitable suppliers • Supplier quality and delivery of defective parts |

One measure to ensure and further improve our quality is our quality initiative, the impact of which can be seen in all areas of the business – from the development of new products to quality planning and assurance and all the way to the quality of the finished product. In 2019, topics such as international quality and occupational health and safety as well as environmental protection programs were developed on the basis of the Jenoptik and divisional strategies. Within the Automotive area, for example, the Jenoptik subsidiary Five Lakes Automation was integrated into the division's international QM system and a new quality reporting and rollout plan was developed for upcoming certifications. The initiative will continue to run

in 2020, now with an increased focus on internal customer and supplier relationships.

In addition to certifications, further issues in quality management at Jenoptik include standardization, process controls, tests as well as continuous dialog with customers, e.g. analyses of customer satisfaction. Almost all the group companies comply with the requirements of quality management standard ISO 9001; many of them also meet the requirements of the ISO 14001 environmental management system.

T18 Certification within the Group (selection)

| Certification | Description | 2019 actions |
|---|--|---|
| ISO 9001 | Certification of quality management processes | <ul style="list-style-type: none"> Matrix certification of all German sites of the Light & Optics division Certification in the Light & Production division Certification in the Light & Safety division Certification of JENOPTIK Shanghai PIE Co. Ltd. |
| ISO 50001 | Certification of the energy management system | <ul style="list-style-type: none"> Certification of Photonic Sence GmbH due to energy-intensive machining processes |
| EN 9100 | Certification of quality management processes specific to the aerospace and defense industries | <ul style="list-style-type: none"> Re-certification at VINCORION |
| ISO 13485 | Certification of comprehensive quality management systems for the design and manufacture of medical products | <ul style="list-style-type: none"> Recertification in the Light & Optics division |
| ISO 14001 | Certification of the environmental management system | <ul style="list-style-type: none"> Matrix certification of all German sites of the Light & Optics division, integration of Laser GmbH in the environmental management system of Jenoptik Optical Systems Germany Re-certification in the Light & Production division Re-certification at VINCORION |
| ISO/TS 16949 | Certification for the automotive industry | <ul style="list-style-type: none"> Follow-up audit and special audit at the Triptis location (among others due to merger of the German companies Jenoptik Optical Systems and Jenoptik Polymer Systems) |
| IRIS | International Railway Industry Standard | <ul style="list-style-type: none"> Certification at VINCORION |
| ILO - OSH - 2001 / OHSAS 18001 or DIN ISO 45001 | Certification of occupational safety and health management | <ul style="list-style-type: none"> Re-certification in the Light & Production division Re-certification at VINCORION |
| AQAO 2110/2210 | NATO quality assurance system | <ul style="list-style-type: none"> Renewal of certification at VINCORION |

The table on page 68 shows a selection of group certifications and actions undertaken in 2019. The Light & Optics division has successfully passed the matrix certification in accordance with the ISO 9001 and ISO 14001 international standards for quality and environmental management for several sites. The German sites of VINCORION also received the re-certification audits for the implementation of their quality and environmental management systems. Successfully audited were the implementation of the environmental management standard ISO 14001:2015 (in Wedel and Essen) and compliance with the industry-specific standard EN 9100:2018 (in Wedel and Essen). In 2019, the Light & Production division also received the certifications for the ISO 9001:2015 quality management system and the ISO 14001:2015 environmental management system. The auditors certified a good system of integrated process analysis, a good risk/opportunity analysis and saw strengths in innovation management. In addition, they certified that the employees receive a very high level of training. In June, the Automotive division's production area at the Shanghai site successfully passed an audit by the Deutschen Gesellschaft zur Zertifizierung von Managementsystemen (DQS). For the first time, the plant was audited comprehensively with respect to the requirements of ISO 9001. The shop floor management in assembly received an especially good report. T18

Our **brand image and reputation** are of key importance—the trust placed in us by our stakeholders, our position in the competitive environment, our attractiveness as an employer, and the identification of the employees. As an international photonics group, we work in many different markets and compete with numerous companies. Our brand image makes us visible, assessable and attractive to customers, as a supplier of high-quality capital goods, and to future employees. We strengthen trust and therefore lasting and stable relationships with our customers and suppliers, shareholders and other stakeholders through transparent communication. Internal and external communications are the task of the central Communication and Marketing department at Jenoptik, which reports directly to the Chairman of the Executive Board and ensures a consistent image for the overall Group and the Jenoptik brand. The aim is to ensure that the company's communications and public image are modern, distinct, ongoing and memorable, as well as oriented towards the Executive Board's strategic targets. Operational topics relating to markets, technologies and products are managed locally by the division marketing managers in the operating areas. Group-wide guidelines govern cooperation between the Corporate Center, divisions and regions. Communications to the capital market are the responsibility of Investor Relations & Sustainability, which also reports to the Chairman of the Executive Board and remains in close contact with Communications and Marketing.



Further information on the subject of innovations can be found in the chapter R+D from page 84

Within the highly specialized photonics market, which is characterized by a multitude of smaller companies, the Jenoptik brand is perceived as synonymous with a major supplier – with an integrated brand image covering all products. We have been shaping the Jenoptik umbrella brand throughout the Group for over ten years. With “Strategy 2022,” the Group is concentrating on the core photonics competencies in light and optics under the Jenoptik brand. Our mechatronic business is managed under the independent VINCORION brand, which better meets the specific market requirements. A uniform corporate culture which supports the strategy on the basis of a common understanding and shared values is essential for a clearly positioned brand. Using surveys, workshops and interviews, employees, representatives of Jenoptik’s management as well as customers and partners were intensively involved in the development of the three Jenoptik values “open, driving and confident” and the positioning of the Jenoptik brand. Jenoptik has been positioning itself in the market and against the competition as a top photonics provider since the beginning of 2019. The new Jenoptik brand house with a clear customer promise, defined distinguishing features and a new corporate design has been in place since February 2019. In order to reinforce the new values more strongly, various marketing processes were revised in 2019 and aligned with the value “open”. Employees are being involved more than before in marketing topics:

- A voting tool enables employees to participate in the choice of advertising materials
- “Corporate Volunteering” encourages our employees to carry out volunteering activities
- Photo competition for employees on the subject of “more light”



More information can be found in the Corporate Citizenship section of this chapter, on page 64

In addition, new social media channels were opened (e.g. Instagram). Further projects will follow in 2020. Our departments are also focusing on the new values. For example, our entire innovation process has become more open and is oriented towards the value “open” with the motto “Speed up innovation”.

A new and globally developed communications concept was derived from the brand house in 2019 in order to strengthen the value “confident” in group-wide communications. A modular concept allows for uniform communication for various marketing instruments such as advertisements, trade fairs or video statements, which can yet be tailored to the needs of the divisions.

Jenoptik benefits from the reputation of our main location Jena, which is highly renowned by scientists and customers as an “Optical Valley”. Jenoptik is conscious of this reputation and is involved in various activities aimed at sustainably improving the location.

The audit report for the separate Combined Non-financial Report can be found on page 220.