



**Corporate Governance Statement
in accordance with §§ 289 a, 315 (5) HGB
for the 2016 fiscal year**

**Declaration of Conformity by the Executive Board and Supervisory Board of
JENOPTIK AG in the 2016 fiscal year**

Under § 161 (1) (1) of the German Stock Corporation Act (AktG), the Executive and Supervisory Boards of a stock-listed company are required to issue a declaration once a year that the recommendations of the "Government 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 and Supervisory Boards of JENOPTIK AG support the recommendations of the "Government Commission on the German Corporate Governance Code" and state that pursuant to § 161 (1) (1) of the German Stock Corporation Act (AktG):

Since the last declaration of conformity on December 9, 2015, the recommendations of the "Government Commission on the German Corporate Governance Code" ("Code") in the version dated May 5, 2015 have been followed and will be followed in the future with the following exceptions stated under 1 to 4:

1. *Under Point 4.2.3 (2) (6) of the Code, the remuneration of the Executive Board shall be capped both overall and in respect of its variable components.*

This new recommendation, which was added to the Code dated May 13, 2013 **has not been followed and will not be followed** for the time being. However, it is planned to follow this recommendation when new contracts with members of the Executive Board will be concluded.

The system of variable remuneration for the members of the Jenoptik Executive Board is described in the Remuneration Report on pages 53 to 57 of the 2015 Annual Report. The variable remuneration is capped. To ensure a long-term incentivizing effect, half is payable in the form of virtual shares, which are only paid out after a holding period of four years. This ensures that it is highly consistent with the interests of the shareholders with the interests of the shareholders in a sustainable development of the company and the share price. The conversion of the portion of the variable remuneration granted in the form of

virtual shares is based on the volume-weighted average price of the Jenoptik share over the last quarter of the year before last. Therefore, in the event of a rise in the share price, there is a theoretical possibility that, on the allocation date, the value of the total variable remuneration will exceed the cap. However, as a rule, this will require a high level of target attainment and a positive development of the share price. A negative share price development results in the opposite effect. The Executive and Supervisory Boards are of the opinion that applying a price from the year before last is appropriate as this price is the basis for measuring the share price development of the subsequent year relevant for remuneration. In this respect, the Executive Board also participates in share price development like each shareholder. There is no cap on the payment of virtual shares. The Executive and Supervisory Boards are of the opinion that by applying a volume-weighted average annual rate, "windfall profits" are avoided when determining the amount to be paid.

2. In accordance with Point 4.2.3. (4) of the Code, care should be taken in concluding Executive Board contracts to ensure that payments made to a member of the Executive Board upon premature termination of his/her contract including fringe benefits do not exceed the value of two years' compensation (severance payment cap) and compensate for no more than the remaining term of the contract. The severance payment cap shall be calculated on the basis of the total remuneration for the past full fiscal year and, if appropriate, the expected total remuneration for the current fiscal year as well.

This recommendation **has not been followed** with respect to the President & CEO, Dr. Michael Mertin, who has served as a member of the Executive Boards since October 1, 2006; in this respect, the status quo was upheld. Dr. Mertin will not extend his Executive Board contract of employment so this will expire in mid 2017 as scheduled. In the contract of employment for the Chief Financial Officer, this recommendation has been and **will be followed** in the future. It is planned to also comply with this recommendation when concluding contracts with new members of the Executive Board, therefore will be complied with in the future. Regarding the explanation for the previous deviation, we therefore refer to the declarations of conformity of the previous years.

3. In accordance with Point 5.4.6. (2) (2) of the Code, the remuneration of the members of the Supervisory Board shall be oriented towards sustainable growth of the enterprise if they are promised performance-related remuneration.

This recommendation **has not been followed** and will not be followed in the future. The Executive Board and Supervisory Boards take the view that the performance-related remuneration as stipulated in the Articles of Association is appropriate. Accordingly, members of the Supervisory Board will only receive performance-related remuneration in the amount of 10,000 euros or 20,000 euros if group earnings before tax exceed 10 percent or 15 percent of the group equity at the end of the fiscal year. If the return on equity is lower than 10 percent, there is no entitlement to remuneration beyond the fixed remuneration.

The Code does not define what is meant by sustainable corporate development. If the term was to be interpreted according to § 87 (1) (2) and (1) (3) of the German Stock Corporation Act (AktG), performance-related remuneration components for Supervisory Board members should always have a calculation

base which is several years in length. As this is not the case at Jenoptik, and due to the lack of clarity of the definition, we disclose a deviation from Point 5.4.6 (2) (2) of the Code as a precautionary measure. The members of the Supervisory Board are obliged to serve exclusively the interests of the company and are not affected in their decision-making process by the opportunity for variable remuneration and its amount. Just as for the members of the Executive Board, employees and shareholders, they profit from a generally sustainable development of the company. The return on equity of 10 percent or 15 percent respectively which triggers payment of the variable remuneration is ambitious enough and was decided by the Annual General Meeting in June 2012 with almost 98 percent of the votes.

4. In accordance with Point 5.4.1. (2) (1) of the Code, the Supervisory Board shall specify a regular limit of length of membership in the Supervisory Board when naming specific targets regarding its composition.

This recommendation **has not been followed not and will not be followed** in the future. The Supervisory Board has decided not to specify a regular limit regarding the length of membership in the Supervisory Board. It is not consistently compatible with the procedure for elections of employee representatives to the Supervisory Board as stipulated in the Co-Determination Act.

December 14, 2016
JENOPTIK AG

For the Executive Board

For the Supervisory Board

Dr. Michael Mertin
President & CEO

Matthias Wierlacher
Chairman of the Supervisory Board

I. Other Corporate Governance Practices

Holding company: JENOPTIK AG is a holding company fulfilling the function of a “strategic architect” for the entire Jenoptik Group. Jenoptik’s operating business is divided into segments, divisions and business units as well as the Shared Service Center. The holding company is responsible for developing and implementing the corporate strategy and for defining, implementing, steering and monitoring top-level processes. The strategic decisions of the Executive Board are prepared by the central Strategy department. With respect to strategic and operational cross-sectional decisions for the Group as a whole, the Executive Board also receives support from the Executive Management Board (EMB), which alongside the members of the Executive

Board includes the heads of the segments and divisions as well as the head of Personnel, Purchasing, Supply Chain and Shared Services. These keep the Executive Board informed regularly, comprehensively and rapidly on all events of relevance to the company and the economic situation, particularly within the framework of monthly results meetings. Once a year, the Jenoptik management conference takes place. It is attended by numerous Group managers from within Germany and around the world along with the Executive Board and the other EMB members.

Jenoptik is a high-tech company for which technological innovation is indispensable to profitable and global growth. The Group employs roadmaps for central management of the strategies and processes of its global research and development portfolio as part of group-wide innovation management. Targeted strategic research collaborations also involve partners from science and industry. The strategic intellectual property management program serves to ensure the marketability of innovations through intellectual property rights. The Jenoptik Innovation Days, held once every year, present an opportunity for those involved in innovation processes to come together and share their experiences. Outstanding internal innovations are honored with the Jenoptik Innovation Award. Further information on innovation management at Jenoptik can be found on page 63 of the Combined Management Report in the 2016 Annual Report.

Issues relevant to strategy and the development of business are discussed in the course of the rolling strategy process. Detailed technology, market and competitor analyses are set against internal core competency analyses. This involves the validation of existing strategic priorities on the one hand and the presentation of concepts for identified future growth areas on the other. These may be both new markets and also new business models. The list of options for action are discussed in the strategy and earnings meetings and measures are determined. The segments and divisions then convert these strategic measures into programs and actions which are then passed in the strategy and planning meetings in the second half of the year. These meetings provide a basis in terms of market and competition for the subsequent group planning for the following year and in the medium term.

Based on the strategy process, necessary activities for corporate acquisitions, divestments and partnerships are coordinated with Mergers & Acquisitions and converted into specific projects. Mergers & Acquisitions then prepares and manages the entire transaction process with the respective business unit and the central departments, and selects external experts for support.

Inhouse Consulting works as an internal consultant for the segments for the design and implementation of strategically important areas of action, for example the optimization of (digital) business models, business processes and value creation structures. For example, the "Market Excellence Program" ensures the orientation of all sales and service initiatives with the strategic group targets. Since the start of this program, it has been possible to realize important improvements and synergies between the business units in strategic market development. Operating excellence is also being improved via the group-wide Go Lean program for the sustainable implementation of lean principles, that launched in 2012 and has since been actively pursued.

In order to guarantee uniform standards in project management and consistent transparency with regard to progress in projects of strategic importance to the Group as

a whole, JENOPTIK AG has had a central project management office since 2008 which prepares regular reports and project reviews.

Specific top-level functions were centralized in recent years, in particular including strategic group purchasing, which as part of the global sourcing project has further optimized material group purchasing and, with the help of the established Purchasing Academy, the Group's purchasing activities. Important personnel-related topics such as recruitment, remuneration, the harmonization of target systems and personnel control were centralized, as was uniform branding and the operational legal advice provided by the central legal department. Further information on the control system can be found on pages 61 ff of the Combined Management Report in the 2016 Annual Report.

Social commitment is of particular importance to Jenoptik, primarily in the regions in which the Group operates. Jenoptik thus provides regular support for a number of non-profit projects, organizations and initiatives and is actively involved in science, education and culture as well as in the area of social welfare and charity. Further information on this topic can be found on page 93 of the 2016 Annual Report.

Risk Prevention, Compliance and Code of Conduct: Both compliance with national and internationally recognized compliance requirements and the evaluation of risks and opportunities within the corporate environment are integral parts of risk prevention and of the processes of Jenoptik's risk and compliance management system. The system undergoes continuous further development and adaptation to changing conditions. Detailed information on Jenoptik's risk and compliance management and Code of Conduct can be found on pages 101 ff. of the Opportunity and Risk Report in the 2016 Annual Report and in the Corporate Governance Report on pages 38 ff. The Code of Conduct is also published on the Internet at www.jenoptik.com under the Investors / Corporate Governance / Code of Conduct category.

Sustainability: As a high-tech company, Jenoptik strives to make a significant contribution to the responsible utilization and saving of resources with its range of services and innovative products in the areas of energy efficiency, the environment, health, mobility and security. Further information on sustainability can be found on pages 90 ff. of the 2016 Annual Report.

III. Executive Board and Supervisory Board Procedures

JENOPTIK AG is a stock corporation under German law with a dual management and monitoring system. The Executive Board runs the company on its own responsibility and 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 advises and monitors the Executive Board in its leadership of the company and is involved in decisions of fundamental importance to the company. The two boards work closely together for the good of the company. Debates and discussions between the Executive and Supervisory Boards take place in an open and trusting atmosphere.

The members of the Executive Board of JENOPTIK AG are appointed by the Supervisory Board. Since December 2005, the Executive Board has consisted of two

members who share common responsibility for the overall management of the Group and decide on primary matters of Group corporate policy, its leadership, corporate strategy and annual and longer-term planning. The specific allocation of responsibilities and tasks within the portfolios is set down in a schedule of responsibilities. Further information on this can be found on page 190 of the 2016 Annual Report.

The members of the Executive Board continually update one another on important activities and events within their assigned areas. Executive Board meetings take place at least once a month. The Executive Board's rules of procedure regulate which actions are of major importance and thus require the approval of the entire Executive Board. They contain definitions of the special role of Chairman of the Executive Board, who, notwithstanding the overall responsibility of the Executive Board, defines the thrust of the corporate policy and coordinates the operations in departments with the Group's overall targets and planning. In addition, the rules of procedure also set out in greater detail the internal workings of the Executive Board and the methods of reporting to and coordinating with the Supervisory Board.

The Executive Board continually informs the Supervisory Board in a timely and comprehensive manner, and in both written and spoken communication, on all matters relevant to the current development of the Group's business and finances, corporate planning including financial, capital expenditure and human resource planning, the profitability of the company, essential strategic issues, the risk situation, risk management and compliance. The Supervisory Board is required to give its approval on decisions or actions which may involve considerable changes to the company's assets, finances or earnings. These conditions for agreement are regulated by the Executive Board rules of procedure. The Executive Board members are required to disclose conflicts of interest to the Supervisory Board without delay.

The Supervisory Board of JENOPTIK AG consists of twelve members, with six members elected by the shareholders at the Annual General Meeting and six nominated by employees in accordance with the Codetermination Act. The Supervisory Board is composed in such a way that, as a whole, it is endowed with the knowledge, ability and experience necessary to carry out its tasks in an orderly manner. It considers itself as having a sufficient number of independent members. The period of service is identical for all members and ends on conclusion of the 2017 Annual General Meeting. Prior to the upcoming election for new members, the shareholders' representatives vetoed the principle of joint fulfillment, so in the future, there must be at least two women represented on both the shareholder and the employee side. In preparation for the election of the shareholder representatives at the Annual General Meeting, the Nomination Committee of the Supervisory Board convened and adopted a requirements profile for the candidates, taking into account the targets approved by the Supervisory Board for its composition. Further details on the composition of the Supervisory Board can be found in § 11 of the JENOPTIK AG Articles of Association

The Chairman of the Supervisory Board is elected by its members and coordinates the work of the Supervisory Board, presides over its meetings and represents the body externally. The Chairman maintains regular contact with the Executive Board, and its Chairman in particular, who provides the Supervisory Board Chairman with immediate information on important events which are of crucial importance to the position and

development of the company. In the event of a tied vote by the Supervisory Board, a second round of voting is conducted in which the Board Chairman casts two votes. The Supervisory Board Chairman also chairs the Personnel, Mediation and Nomination Committees, but not the Audit Committee.

The Supervisory Board meets at least four times a year, but as a rule meets five times a year because of the Supervisory Board's strategy day which takes place in the fall. Extraordinary meetings are called for major events that cannot be delayed or a resolution is adopted by unanimous written consent. Taking into account the results of the audit and the recommendations of the Audit Committee, the Supervisory Board examines and approves the Financial Statements and Consolidated Financial Statements, the Combined Management Report for JENOPTIK AG and the Group and adopts the Annual Financial Statements. A new auditor and Group auditor was appointed for the 2016 fiscal year in the form of Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft. Further information on this can be found in the Accounting and Auditing section of the Corporate Governance Report and in the Supervisory Board Report on pages 41 and 42 ff. of the 2016 Annual Report.

The board carries out a comprehensive formal review of the efficiency of its activities by questionnaire at least once every two years and discusses the results at a meeting. The most recent formal efficiency review took place at the end of 2015; no efficiency shortcomings were identified. The next evaluation process is planned for the 2017 fiscal year. All members of the Supervisory Board may also make suggestions at any time relating to improvements in the work of the Supervisory Board and its committees. They are independently responsible for undergoing the training and professional development measures necessary for their tasks and are adequately supported by Jenoptik in ways such as providing information about training opportunities.

The Supervisory Board has adopted rules of procedure which govern important aspects of its internal cooperation and collaboration with the Executive Board. The rules also mandate the creation of committees as a means of improving efficiency when it comes to Supervisory Board work on complex topics. The Supervisory Board currently has four committees that, with the exception of the Nomination Committee, which is composed only of shareholder representatives, are made up of equal numbers of shareholder and employee representatives. The candidates' professional and personal expertise is taken into account in the formation of committees. An overview of the current composition of the Supervisory Board and its committees as well as the individual attendance at meetings can be found on pages 182 f. of the 2016 Annual Report.

The committees prepare decisions for the Supervisory Board and may, in individual cases, make decisions in place of the Supervisory Board insofar as this is permitted by law. The respective committee chairmen report to the board on the content of the committee meetings and the resolutions and recommendations approved at them no later than at the next Supervisory Board meeting.

The **Audit Committee** meets at least four times each year. Its discussions involve, in particular, the monitoring of the accounting process, auditing, with particular reference to the independence of the auditor, the non-audit services provided by the auditor and the main points of the audit. Other focal points of its activity involve reviewing the effectiveness and further development of the risk management and internal control

system as well as regular and close interaction with Internal Auditing as well as the Chief Risk & Compliance Officer. In accordance with the Stock Corporation Act, the committee must have at least one independent member who is well versed in accounting or auditing. The Chairman of the Audit Committee, Mr. Heinrich Reimitz, possesses expert knowledge and experience in applying accounting principles and internal control procedures, is independent and not a former member of the Executive Board of JENOPTIK AG.

The **Personnel Committee** meets at least once a year and deals with the remuneration system for the Executive Board members and in particular with the preparation of the conclusion and settlement of the annual target agreements. In the past fiscal year, it has also been involved with the extension of the mandate of the Chairman of the Executive Board, Dr. Michael Mertin. Following the decision not to extend his contract of employment beyond June 30, 2017, it prepared the search for and evaluation of possible successors. It was aided in this by an external, independent personnel consultant. It also conducted a review of the remuneration system for the future Chairman of the Executive Board and, following consultation with an independent remuneration consultant, provided the Supervisory Board with appropriate recommendations for the reorganization of the remuneration system.

The **Nomination Committee** meets only when necessary to propose its candidates for the Supervisory Board to the Annual General Meeting or prior to a court-appointed replacement. In the past fiscal year, it adopted a requirements profile for the candidates for election at the 2017 Annual General Meeting, taking into account the targets approved by the Supervisory Board for its composition.

The **Mediation Committee**, which deals with matters relating to § 31 (3) (1) of the Codetermination Act, also only meets when necessary.

Further information on the Supervisory Board and its committees in the 2016 fiscal year can be found in the Supervisory Board Report on pages 24 ff. of the 2016 Annual Report.

JENOPTIK AG has taken out D&O insurance for all its Executive and Supervisory Board members, with both boards agreeing to an appropriate deductible for each claim pegged at 10 percent of any liability but capped at a maximum of one and a half times the fixed annual remuneration of each insured board member for all claims within one year.

IV. Specifications for Promoting the Participation of Women in Management Positions in accordance with §§ 76 (4), 96 (2) and 111 (5) of the Stock Corporation Act (AktG)

In accordance with the Act for Equal Participation by Women and Men in Management Positions in the Private Sector and Public Sector, the Supervisory Board at Jenoptik, a listed company subject to co-determination, must comprise at least 30 percent women and 30 percent men. With Doreen Nowotne and Brigitte Ederer on the shareholder side and Astrid Biesterfeld and Sabine Löttsch on the employee side, there are two women represented on the Supervisory Board in each case. This equates to 33 percent. This

share is to be met separately by the upcoming Supervisory Board election at the 2017 Annual General Meeting, as the principle of joint fulfillment was vetoed.

The statute also requires Jenoptik to determine targets for the proportion of women on the Executive Board as well as at both management levels below the Executive Board and to report on whether the targets have been achieved during the reference period. Since Jenoptik's Executive Board consists of only two persons, the Supervisory Board proposed at its meeting in September 2016 that the target for the Executive Board is to maintain the status quo until June 30, 2017, i.e. a zero quota. The determination of a higher quota for a two-member board would mean that, in the event of a vacancy, a woman would always have to be appointed, which would only allow Jenoptik to set a target quota of 50 percent instead of 0 percent, which would then be above the statutory fixed gender quota for supervisory boards. In addition, the Supervisory Board would like to be able to make appointments giving due consideration to the professional expertise and personal integrity of who is, in its opinion, the most suitable candidate, irrespective of their gender. Without a deviation declaration, this would no longer be possible if the Supervisory Board were to set a target of more than 0 percent for a two-person Executive Board.

For the first management level below the Executive Board, the JENOPTIK AG Executive Board has decided on a target of 16.7 percent with a deadline of June 30, 2017. This target corresponds to the current status, but does not exclude an increase in the proportion of women at this management level. In the event of any vacancies at the first management level, the Executive Board will also make appointments giving due consideration to the professional expertise and personal integrity of who is, in its opinion, the most suitable candidate, irrespective of their gender.

A target for the second management level has not been set because JENOPTIK AG is purely a holding company with flat management structures and therefore has no continuous second management level.