Objective of corporate governance

The Management Board and Supervisory Board of Carl Zeiss Meditec AG are committed to responsible corporate governance and control that is geared to increasing the value of the Company in the long term. At the same time, the Management Board and Supervisory Board have made it their goal to ensure the best-possible transparency for all German and international interest groups, and firmly believe that this is the way to lay an important foundation for sustainably increasing the confidence of shareholders, business partners, employees and the public.

Declaration of conformity of 5 December 2018

In fiscal year 2017/18 the Management Board and Supervisory Board of Carl Zeiss Meditec AG focused intensively on corporate governance. On 5 December 2018 the Management Board and Supervisory Board adopted the Declaration of Conformity pursuant to Section 161 AktG, which is permanently accessible to the shareholders on the Company’s website. This declaration states that the Company complies fully with the recommendations of the Government Commission on the German Corporate Governance Code (the “Code”) in its applicable version dated 7 February 2017 with just two exceptions.

By way of deviation from section 5.4.1 sentence 2 and 3 of the Code, the Supervisory Board has not stipulated any specific targets for its composition – aside from the legally required target for the proportion of women – or any control limit in terms of length of service. The Supervisory Board has also not set any competence profile for the Board as a whole. However, the Supervisory Board believes that the composition of the board should be geared, first and foremost, to the interests of the Company, and be efficient in advising and monitoring the Management Board. Accordingly, when appointing the Supervisory Board of Carl Zeiss Meditec AG priority shall therefore be given to ensuring that the members have the necessary capabilities, skills and specialist qualifications to properly fulfill their duties, and that they are independent. The Supervisory Board believes that the necessary competencies of the board as a whole have been adequately considered.

The Supervisory Board also sees no need for change regarding a control limit for the length of service of its members, since the Supervisory Board’s rules of procedure already specify an age limit, the members of the Supervisory Board are mandated for a limited period, and, in view of the Company-specific situation, the expertise of longstanding members of the Supervisory Board should not be categorically dispensed with.

Shareholders and Annual General Meeting

A total of 156 shareholders and guests participated in the Annual General Meeting on 10 April 2018 in Weimar. The calculated presence was around 86.76% of the total voting share capital. The voting results from the most recent Annual General Meeting can be inspected on the Company’s website at www.zeiss.com/meditec-ag in the “Investor Relations” section under “Financial calendar”, “Annual General Meeting 2018”.

Carl Zeiss Meditec AG arranges for the appointment of a proxy to exercise the shareholders’ voting rights according to their instructions. This proxy can be reached during the entire event. The Company therefore helped its shareholders to personally exercise their rights once again in 2018, and assists them with voting by proxy.
Cooperation between the Supervisory Board and Management Board

As a company under German law, Carl Zeiss Meditec AG has a dual management system consisting of a Supervisory Board and a Management Board, each of which have specific competencies and are strictly separate from each other in terms of their membership. Further elements of their collaboration, such as their objectives and organization, are outlined in the declaration on corporate governance at www.zeiss.com/meditec-ag/ir within the Corporate Governance section. Specific information on the content and scope of the collaboration between the Supervisory Board and Management Board in fiscal year 2017/18 can be found in the Annual Report for fiscal year 2017/18 within the section Report of the Supervisory Board (page 18 and following).

Management Board

As previously, the Management Board of Carl Zeiss Meditec AG had two members in the period under review.

The Supervisory Board discharged Chief Financial Officer Dr. Christian Müller early from his contract, effective 30 September 2018. Dr. Müller took up his new position as CFO of Carl Zeiss AG on 1 October 2018.

Effective 1 October 2018, Mr. Justus Felix Wehmer and Mr. Jan Willem de Cler were appointed to the Management Board of Carl Zeiss Meditec. Mr. Wehmer was previously Co-Director of the Microscopy division within the ZEISS Group and acted as Managing Director of Carl Zeiss Microscopy GmbH. He succeeds Dr. Müller as CFO. Mr. de Cler has been working for the ZEISS Group since 2004 and was previously Head of Surgical Ophthalmology. Mr. de Cler’s responsibilities shall also include corporate culture and human resources development. The Management Board has therefore consisted of three members since 1 October 2018.

The rules of procedure for the Management Board of Carl Zeiss Meditec AG, which have been inspected and approved by the Supervisory Board, regulate, among other things, the departmental responsibilities of the individual members of the Management Board, matters reserved for the Management Board as a whole, and the majorities required to pass Management Board resolutions. The division of responsibilities that has applied since 1 October 2018 has been amended as a result of the change in the composition of the Management Board.

Both the Supervisory Board and the other members of the Management Board must be informed immediately of any conflicts of interest of a Management Board member. There were no conflicts of interest in the past financial year. In addition, a member of the Management Board may only pursue secondary employment with the consent of the Supervisory Board, particularly in the case of a position on the Supervisory Board of companies outside the Group. The Chairman of the Management Board of Carl Zeiss Meditec AG, Dr. Ludwin Monz, has also been a member of the Management Board of Carl Zeiss AG since 1 January 2014.

Supervisory Board

Pursuant to Art. 11 (1) Sentence 1 of the Articles of Association, the Supervisory Board of Carl Zeiss Meditec AG is composed of six members and is formed in compliance with the German One-Third Participation Act (Drittelbeteiligungsgesetz). Accordingly, the Supervisory Board is composed of four shareholder representatives and two employee representatives.

The Supervisory Board supports the objectives of the Law on the Equal Participation of Men and Women in Leadership Positions, as well as the recommendations of the Corporate Governance Code, and has therefore decided upon a gender quota of at least 30% for the Supervisory Board. This corresponds to two of six seats. The quota was met before the decision.
There was one change to the composition of the Supervisory Board during the course of the past financial year. Ms. Carla Kriwet, who has been a member of the Supervisory Board of Carl Zeiss Meditec AG since 2014, resigned from her office as a member of the Supervisory Board with effect from 31 December 2017. Based on the resolution of the Supervisory Board from 22 January 2018, Ms. Tania von der Goltz (formerly: Lehmbach) was proposed for ordinary election at the Annual General Meeting 2018. Ms. von der Goltz was elected as a member of the Supervisory Board in an ordinary election at the Annual General Meeting of Carl Zeiss Meditec AG on 10 April 2018.

In its own estimation, the Supervisory Board has an adequate number of independent members, with Dr. Markus Guthoff and Ms. Tania von der Goltz, also taking the ownership structure of Carl Zeiss Meditec AG into consideration, in which Carl Zeiss AG directly and indirectly holds a share of around 59.1%, who have no business or personal relationship with Carl Zeiss Meditec AG or the Management Board. Conflicts of interest among the members of the Supervisory Board did not arise in fiscal year 2017/18.

To fulfil its duties, the Supervisory Board has formed three permanent committees, each of which generally has three members: the General and Personnel Committee, the Audit Committee and the Nominating Committee. The Chairman of the Supervisory Board is Chairman of the General and Personnel Committee. Information on the work of the individual committees can be found in the Annual Report 2017/18 within the section “Report of the Supervisory Board” (page 18 and following).

**Remuneration of the Management Board and Supervisory Board**

The remuneration of the Management Board and the Supervisory Board is presented and published in a remuneration report within the management report. To avoid duplication, please refer to the management report in this Annual Report 2017/18 (page 55 and following) for more information.

**Relationship with shareholders, transparency and communication**

For selected press releases and price-related news – so-called ad hoc disclosures – Carl Zeiss Meditec uses electronic distribution channels, which ensure that these disclosures are distributed simultaneously worldwide in German and English. In the past fiscal year the Company published 15 press releases. Four of these releases were published mainly in relation to the course of business in the individual quarters of the fiscal year. An ad hoc disclosure concerning the international distribution system of EQS was also disseminated, which reported on the development of revenue in fiscal year 2017/18.

The Company website at www.zeiss.com/meditec-ag/investor-relations publishes, in German and English, the mandatory publications such as the Company’s 6-month and annual financial statements, among other things, as well as additional information, such as corporate governance, presentations, share price data, press releases and a calendar of events for the various interest groups. Telephone conversations, conferences and regular visits to the Company with or by investors, during which the Company explains its philosophy, the development of its business and its strategy, serve as additional channels of communication for the Company.
Directors’ dealings and holdings

During the past fiscal year the Company was not notified of any reportable securities transactions by either members of the Management Board or Supervisory Board, or by any parties closely related to these in the sense of Article 19 (4) of (EU) Directive No. 596/2014.

According to the information available to the Company, neither members of the Management Board nor members of the Supervisory Board currently hold any shares in Carl Zeiss Meditec AG.

Announcements on voting rights thresholds

In the past financial year Carl Zeiss Meditec AG did not receive any report from shareholders stating that the notifiable voting rights thresholds pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) had been reached, exceeded, or had fallen below the lower limit.

The publication documents and the relevant disclosures are forwarded to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

Accounting and auditing

The legally prescribed single-entity financial statements of Carl Zeiss Meditec AG, which are relevant for the dividend payment, are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) and the German Stock Corporation Act (Aktiengesetz, AktG). The annual consolidated financial statements and the interim reports of the Carl Zeiss Meditec Group have been prepared by the Management Board since 2005 in accordance with the principles of the International Financial Reporting Standards (IFRSs), as they are to be applied in the European Union. The financial statements are audited and approved by the Supervisory Board. The annual financial statements prepared in accordance with German commercial law are thus adopted.

EY GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the consolidated financial statements for 2017/18, as prepared in accordance with the provisions listed above, and issued them with an unqualified audit certificate. This also applies to the annual financial statements for fiscal year 2017/18 prepared by Carl Zeiss Meditec AG in accordance with the provisions of the German Commercial Code (HGB).

The Annual General Meeting on 10 April 2018 appointed EY GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as auditor for the annual financial statements of Carl Zeiss Meditec AG and the consolidated financial statements for fiscal year 2017/18, for the sixth time in succession, after the Supervisory Board had first obtained a declaration confirming the auditor's independence.

The Supervisory Board agreed with the auditor that the Chairmen of the Supervisory Board and the Audit Committee shall be immediately informed of any disqualification or bias issues that may arise during the audit, if these cannot be remedied. The requirements concerning the internal rotation of auditors (Section 319a (1) sentence 1 No. 4 HGB) were complied with.

It was also agreed that the auditor shall promptly report all findings and events of relevance to the responsibilities of the Supervisory Board that may arise during the course of the audit. In addition, the auditor shall inform the Chairman of the Supervisory Board and the Audit Committee, or make a note in the audit report, if circumstances are discovered during the course of the audit that could result in an inaccuracy in the declaration on the German Corporate Governance Code submitted by the Management Board and the Supervisory Board.
II DISCRETIONARY PROVISIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

In accordance with its voluntary commitment to good corporate governance, Carl Zeiss Meditec AG implements not only the recommendations of the Code – with just two exceptions – but also largely observes the relevant “discretionary provisions” of the Code. The following table gives an overview of these provisions.

### Implementation status of the discretionary provisions of the Code by Carl Zeiss Meditec AG in fiscal year 2017/18

<table>
<thead>
<tr>
<th>No.</th>
<th>Discretionary provision</th>
<th>Compliance by the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.4</td>
<td>The meeting chairman should ensure that the annual general meeting proceeds quickly. He should follow the guideline that an ordinary general meeting should last no longer than 4 to 6 hours.</td>
<td>✓</td>
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<tr>
<td>2.3.2</td>
<td>Proxies nominated by the company should also be contactable during the annual general meeting (AGM).</td>
<td>✓</td>
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<td>2.3.3</td>
<td>The company should allow shareholders to follow the AGM via modern communication media (e.g. the Internet).</td>
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<td></td>
<td>Experiences of other companies show that very few shareholders have taken advantage of such opportunities to date, resulting in an unfavourable cost/benefit ratio. Carl Zeiss Meditec shall monitor current developments and respond quickly to any fundamental changes.</td>
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<td>3.7</td>
<td>In the event of a takeover offer the Management Board should convene an extraordinary general meeting.</td>
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<td></td>
<td>This shall be reviewed, if required. However, the necessity did not arise in fiscal year 2017/18.</td>
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<tr>
<td>3.10</td>
<td>The company should comment on the Code’s discretionary provisions in its corporate governance report.</td>
<td>✓</td>
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<td>4.1.3</td>
<td>Employees should be given the opportunity, in an appropriate manner, to communicate statutory violations within the Company confidentially; third parties should also be given this opportunity</td>
<td>✓</td>
</tr>
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<td>4.2.3</td>
<td>Multi-year, variable remuneration components should not be paid out ahead of schedule.</td>
<td>✓</td>
</tr>
<tr>
<td>5.1.2</td>
<td>When new management board members are appointed, the maximum possible term of office of five years should not be the general rule.</td>
<td>✓</td>
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<td></td>
<td>This will be examined on a case-by-case basis; in the case of long service, a maximum possible appointment period of five years may be applied.</td>
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<td>5.2</td>
<td>The Chairman of the Supervisory Board should be willing, in an appropriate setting, to discuss Supervisory Board-specific matters with investors.</td>
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<td></td>
<td>This shall be reviewed, if required. However, the necessity did not arise in fiscal year 2017/18.</td>
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<tr>
<td>5.4.7</td>
<td>If a member of the Supervisory Board only takes part in half or less than half of the meetings of the Supervisory Board and its committees in a single fiscal year, this should be noted in the Supervisory Board report. Participation in telephone or video conferences is also classed as meeting participation; however, this should not be the general rule.</td>
<td>✓</td>
</tr>
</tbody>
</table>