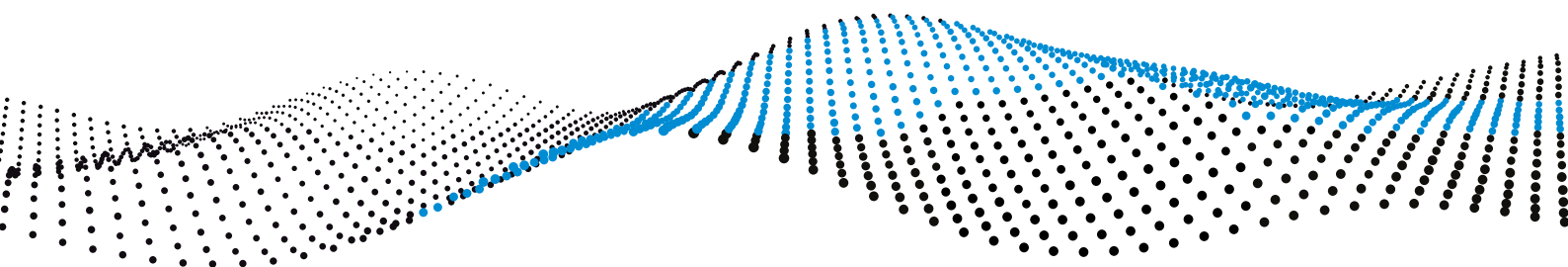


NON-FINANCIAL REPORT 2019/20



ZEISS Group



Seeing beyond

With the following separate Non-Financial Group Report (hereinafter “Non-Financial Report”), Carl Zeiss AG provides information about non-financial material aspects relevant to the ZEISS Group pursuant to Sec. 315b and 289b ff. of the German Commercial Code (HGB) for fiscal year 2019/20 (1 October 2019 to 30 September 2020). Thus, this includes those aspects required for understanding the ZEISS Group’s business development, performance, position and impact of its activities.

The concepts presented in the different sections were prepared based on the current version of the Global Reporting Initiative standards. Unless stated otherwise, the report applies to the entire ZEISS Group as per the bases of consolidation for financial reporting (Annual Report 2019/20 in Notes to the Consolidated Financial Statements).

Material, non-financial aspects are presented here. These have been identified by the ZEISS Group according to their relevance to the business and the impact on the particular aspects outlined in the CSR Directive Implementation Act (CSR-RUG). The departments responsible and the management were involved in the analysis. The analysis resulted in the identification of seven different topics: environmental protection, responsibility toward employees, occupational health and safety, social engagement, product safety, integrity and compliance, and human rights. These have been assigned to the aspects listed in CSR-RUG.

Assignment of the ZEISS areas to the aspects defined in the CSR Directive Implementation Act

Aspects as per CSR-RUG	ZEISS areas
Environment	Environmental protection
Employee matters	Responsibility toward employees Occupational health and safety
Social factors	Social engagement, product safety
Combating corruption and bribery	Integrity and compliance
Respect for human rights	Human rights

As per CSR-RUG on the disclosure of non-financial information, companies must not only report on the material aspects, but also disclose corresponding risks associated with their operations, business relationships, products and services, which have or are highly likely to have a serious negative impact on these five aspects as per Sec. 289c (2) of the German Commercial Code (HGB). In the net assessment, ZEISS did not identify any such risks as per Sec. 289c (3.3 and 3.4) of the German Commercial Code in the past fiscal year. Additional information on the opportunities and risks can be found in the Annual Report’s Risk and Opportunity Report.

The Non-Financial Report was submitted for a voluntary audit by the auditing firm PricewaterhouseCoopers GmbH (PwC) in compliance with ISAE 3000 (Revised) to obtain limited assurance. The Independent Practitioner’s Report begins on page 15. The Supervisory Board of Carl Zeiss AG has assessed the audit findings and approved the Non-Financial Report. It has thus fulfilled its auditing obligations.

References to disclosures in this Non-Financial Report that are not included in the Management Report constitute additional information and hence were excluded from the audit.

Business Model

The ZEISS Group is represented in almost 50 countries. Over 32,000 employees worldwide work at around 30 production sites, 60 sales and service locations and 27 research and development facilities. In fiscal year 2019/20 the ZEISS Group generated revenues totaling 6.3 billion euros (previous year: €6.4 bn).

ZEISS is an international technology enterprise operating in the fields of optics and optoelectronics. The ZEISS Group develops, produces and markets semiconductor manufacturing equipment, measuring technology, microscopes, medical technology, eye-glass lenses, camera and cine lenses, binoculars and planetarium technology. ZEISS is divided up into the four segments Semiconductor Manufacturing Technology, Industrial Quality & Research, Medical Technology and Consumer Markets, and nine strategic business units.

The Annual Report 2019/20 provides information on the general economic framework for the company's development and lists the Group's revenue by region in the Report on Economic Position.

In the year under review, the COVID-19 pandemic impaired different operational procedures of the ZEISS Group, which led to delays in some cases. In order to tackle these challenges and sustain business operations, ZEISS made several adjustments to its operational procedures and day-to-day work. In particular, this affected supply chain management and occupational health and safety. Some scheduled audits that could not be performed on-site due to the travel restrictions were conducted digitally, via remote solutions.

Semiconductor Manufacturing Technology

With its product portfolio and globally leading know-how, the Semiconductor Manufacturing Technology segment covers a variety of key processes in the production of microchips. ZEISS develops and manufactures products using semiconductor manufacturing technology, including lithography optics, photomask systems, and process control solutions, key technologies for the manufacture of extremely fine circuit path structures on silicon wafers – the material from which the microchips are made. The technologies from ZEISS enable the continued miniaturization of semiconductor structures, creating smaller microchips that are more powerful, energy-efficient and

cost-effective. The electronic equipment they feature fosters global progress in a variety of disciplines, including technology, electronics, communications, entertainment, mobility, energy and artificial intelligence.

Industrial Quality & Research

The products and solutions developed at the Industrial Quality & Research segment are focused on increasing productivity, ensuring quality assurance in production, and on visualizing and manipulating the tiniest of structures in the area of science and research. ZEISS' portfolio of coordinate measuring machines, optical and multi-sensor systems, software solutions, comprehensive services and innovative technologies such as 3D X-ray measurements in quality control is utilized in the automobile, aerospace and plastic industries, as well as in medical engineering. In the areas of science and research, the segment covers the complete range of microscopy solutions with light, ion, electron and X-ray microscopy systems. The products and solutions are used in biomedical sciences and materials research, for training purposes and in clinical practice.

Medical Technology

The Medical Technology segment develops, manufactures, markets and sells diagnostic and treatment systems as well as implants and consumables in the field of ophthalmology. Its portfolio also includes visualization systems for neurosurgery, ENT surgery and spine surgery, as well as for dentistry. Intraoperative radiotherapy solutions round off the product offering. The segment aims to help drive progress in medicine and assist doctors all over the world in enhancing their patients' quality of life. This is where digital technologies come into play, which the segment aim to use to shape the medical technology market. The segment's activities are pooled primarily in the listed entity Carl Zeiss Meditec AG, in which Carl Zeiss AG holds a 59.1% stake.

Consumer Markets

The Consumer Markets segment is synonymous with excellence in the areas of eye care, photography, cinematography, nature observation and sports optics. ZEISS develops, manufactures and distributes solutions for the entire ophthalmic optics value chain. Alongside ZEISS precision eyeglass lenses, this includes devices for eye examinations and vision testing, digital consultation and measurement applications, as well as comprehensive services for eye care professionals. ZEISS is one of the world's largest manufacturers of eyeglass lenses and provides a combination of ophthalmic and optical expertise. With its camera and cine lenses, binoculars, spotting scopes and sports optics, ZEISS offers discerning customers high-end products and applications for their hobbies and professional needs.

Corporate Governance

Carl Zeiss AG is the strategic management holding company that manages the ZEISS Group. It develops the ZEISS Group's business activities and its portfolio, and it provides central management and service functions.

The Carl Zeiss Foundation is the sole owner of Carl Zeiss AG. The Carl Zeiss Foundation's statutes govern the activities and accounting of its subsidiaries as well as the duties of the Executive Board and the collaboration between the Executive and Supervisory Boards.

Environment

Effective environmental protection and the responsible use of resources are key concerns for the ZEISS Group.

Raw materials, semi-finished goods and preliminary products, as well as energy and water, are all used to manufacture the company's various products. This generates emissions, effluents and waste that cannot subsequently be reused in the manufacturing process. The use of natural resources is accompanied by certain challenges, including a scarcity of the necessary natural resources or a negative impact on the environment resulting from the mining, processing and disposing of materials. In addition, rising energy, material, or waste disposal prices can adversely affect the company's competitiveness.

ZEISS continues to work on reducing its consumption and emissions and has set specific reduction targets in order to counter the negative impact on the environment and our climate. The current target period will end in fiscal year 2019/20, while the targets for the next five years are already being developed. In order to achieve these targets, ZEISS pays attention to the efficient use of materials and energy from product development through to customer application. ZEISS is also adapting its business processes with a view to ensuring the efficient use of natural resources. When selecting and using raw materials, technologies and production processes, ZEISS considers their environmental compatibility. Wherever possible, potentially hazardous materials are replaced with less harmful substances. Recyclability is a key factor when selecting a material in order to close material cycles and take into account the idea of resource efficiency in its operations. Waste that can neither be prevented nor recycled is disposed of properly. ZEISS selects the most environmentally friendly disposal method that is also economically viable.

Guidelines, structures and processes

To ensure that the company continues to improve its environmental performance, ZEISS first drew up global environmental principles back in 1998. To implement them, the company utilizes an Environmental Management System in accordance with the international ISO 14001:2015 standard. The environmental performance requirements are laid out in a standard operating procedure on environmental protection that is binding throughout the Group. The Chief Financial Officer of Carl Zeiss AG holds overall responsibility for the implementation of the ZEISS Group's environmental management system. An Environmental Officer appointed for the Group assists the business units with the implementation and helps them identify suitable measures. Additional officers are appointed at each site. At the end of the reporting period on 30 September 2020, 32 business units (previous year: 31 business units) at 15 of the ZEISS Group's production facilities were certified to ISO 14001:2015.

ZEISS Energy Management is tasked with keeping energy-related KPIs stable or improving them, even if production quantities increase. The ZEISS Group's sites in the European Union have been certified as per ISO 50001, the international standard for energy management. It focuses on all of the company's (production) processes, machines, systems and equipment, along with its buildings and infrastructure.

Environmental Officers for the various sites are responsible for ensuring compliance with laws, stipulations for government approval and other rules related to the environment. They make sure that the particular regulations and guidelines are stored in the management system. If action is required, the Environmental Officers must make the necessary arrangements, such as issuing procedural and work instructions for their specific site.

Regular internal and external audits and compliance checks are carried out to determine if all legal requirements are being met. If the audit reveals that there is room for improvement, ZEISS will respond to this by defining concrete measures. It is often a challenge to ensure the timely implementation of these measures. The company faces this challenge by defining clear responsibilities and deadlines. The implementation of all other actions is checked through regular follow-up audits. The results also feature in the annual management reviews.

In fiscal year 2019/20, the company created provisions to comply with potential environmental regulations and to undertake potential restoration measures, such as the elimination of contaminated sites. These are part of the "Sundry other provisions" listed in the Annual Report.

An employee suggestion program has been established at eight ZEISS sites in countries like China, the US and Germany. The submissions are assessed based on their feasibility, impact and efficiency. For ZEISS, relevant ideas include suggestions for conserving energy, improving energy efficiency, reducing materials usage, finding substitutes for hazardous chemicals and stepping up efficiency in its production processes.

Objectives and results – Efficient use of natural resources

ZEISS optimizes its business processes in line with environmental and economic aspects and organizes them so that ever fewer resources are required. Between the base year 2009/10 and fiscal year 2018/19, ZEISS has successfully reduced its water consumption relative to the company's value added (as sum of EBITDA and personnel expenses).^{*} However, due to the company's strong growth, absolute water consumption has risen during the period in question. The reduction in relative water consumption can be attributed to a number of causes, including the consistent reuse of water in rinsing processes and the internal circulation of water in production, cleaning and cooling systems. If necessary, all effluents are pre-treated or drained into the public sewer system, thereby meeting the statutory requirements for monitoring and permits. ZEISS was also able to reduce its consumption of solvents in production and the associated environmental impact. This was achieved by sensitizing employees to use solvents sparingly, but also by making technical modifications such as using water-based cleaning technologies.

All of the business units certified in accordance with ISO 14001 have set their own goals for improving their environmental performance as part of their area-specific environmental programs. A regular, usually annual, review at the units is conducted to monitor the achievement of these goals. Moreover, a cross-divisional team of experts meets on a regular basis. Its aim is to better integrate sustainability aspects such as energy and resource efficiency, and alternative materials into the product development process. In fiscal year 2019/20, the team of experts held two meetings at which they shared valuable experiences between the business units and identified the developers' concrete information needs. For example, methods are needed to evaluate the sustainability profile of the materials used and products purchased – and this information can be used to develop more sustainable products.

In March 2018, specific reduction targets to be achieved by fiscal year 2019/20 were set together with the Executive Board of the ZEISS Group: a 40 percent reduction in water consumption and a 30 percent reduction in waste accumulation relative to the company's own value added. The reference year is fiscal

year 2009/10. Alongside reducing water consumption, ZEISS has made good progress in terms of its waste accumulation as it works toward achieving its relative goal.^{*} In line with water consumption, the absolute volume of waste has also increased in recent years. Information on our progress toward achieving our targets is available in the ZEISS Group Sustainability Report for 2019/20.

Objectives and results – Climate protection

ZEISS adheres to the global goal stipulated in the Paris Agreement of limiting global warming to below 2°C. It is taking measures and has set targets in order to achieve this. In fiscal year 2018/19, an analysis was performed to identify the key influencing factors for reducing CO₂ emissions. On this basis, the target was set to make ZEISS' energy supply carbon neutral by 2022. ZEISS plans to achieve this by expanding its own facilities to supply renewable energy (e.g. solar power), purchasing green energy with guarantees of origin, and offsetting emissions that cannot be prevented (e.g. gas supply). The company selects offsetting projects that meet strict quality criteria in line with the ZEISS sustainability approach, and only supports those projects that satisfy the defined, internationally recognized standards.

Furthermore, ZEISS revised its travel rules in fiscal year 2019/20. All employees are encouraged to make use of climate-friendly means of transportation, for example by supplementing the guidelines for company cars and a bonus/malus rule to promote the use of greener cars. Since October 2019, ZEISS has also been fully offsetting the greenhouse gas emissions produced by the flights taken by its business travelers in line with defined criteria. The reduction targets agreed in 2018 - a 50 percent reduction in CO₂ emissions and a 50 percent reduction in energy consumption relative to the company's own value added (as sum of EBITDA and personnel expenses) in relation to the base year 2009/10 expired in fiscal year 2019/20. New targets will be set starting fiscal year 2020/21. Information on achieving these targets is available in the ZEISS Group Sustainability Report for 2019/20.^{*}

As part of risk management, the company regularly assesses the potential effects and opportunities associated with climate change. More specifically, this includes the possible impact of emissions trading, the launch of a CO₂ tax and other regulatory developments. The company also monitors potential physical phenomena, such as extreme weather, which could affect both its own sites and those of its suppliers.

The company is able to contribute to climate protection through its own products, such as the new ZEISS CONTURA measuring machine, which uses an optimized electronic control system,

^{*} The data for fiscal year 2019/20 is only available after the Non-Financial Report has been reviewed, and will be included in the Sustainability Report 2019/20 of the ZEISS Group.

thus targeting an energy savings potential of up to 40 percent. At the same time, the company identifies and achieves potential CO₂ energy savings at its sites. Examples include energy management and increased efficiency in production with the help of LEAN management methods.

In order to continue enhancing the way that energy and emissions data is collected, ZEISS is currently implementing a global energy data platform. The platform is designed to collect data on all ZEISS sites worldwide with significant energy consumption and connect them. The aim is to collect data on all major European sites by the end of fiscal year 2020/21, and subsequently roll out the strategy worldwide. In fiscal year 2019/20, ZEISS once again participated in the CDP (previously: Carbon Disclosure Project). For its reporting in fiscal year 2018/19, in January 2019 the CDP gave ZEISS a B on a scale that ranges from A to D (2017/18: B). ZEISS aims to maintain this high level in the future. The results are publicly available at www.cdp.net.

Additional information on progress related to the environment can be found in the ZEISS Group's Sustainability Report for 2019/20. This will be published in January 2021 on the website at www.zeiss.com/responsibility.

Responsibility toward Employees

ZEISS continually invests in the promotion and professional development of its employees and positions itself as an attractive employer in the race to attract talented individuals. In its efforts to attract the skilled workers it needs, ZEISS benefits from its reputation as a global and innovative foundation-owned company with a strong focus on values that have been enshrined in its corporate culture.

Achieving precision, innovation and unparalleled quality requires motivated and qualified employees. In light of demographic change and the increasing shortage of skilled workers, the diversity and equal opportunities championed at the company will prove to be key competitive advantages. Further important aspects regarding ZEISS' responsibility toward its employees are operational co-determination, helping its employees achieve a healthy work-life balance, and employee development.

In the year under review, the COVID-19 pandemic created a new set of challenges for ZEISS employees and necessitated adjustments to collaboration and working hours in order to maintain business operations. As a result, it became even more important to ensure a healthy work-life balance.

Guidelines, structures and processes

With over 32,000 employees in almost 50 countries, diversity is part and parcel of everyday life at ZEISS. The company is shaped by a diverse array of skills, mentalities, leadership and work styles, cultural backgrounds and lifestyles. This is a great advantage because diverse teams are more creative and solution-oriented, which helps them innovate. In order to strengthen this, the company focuses on ensuring equal opportunities while also actively promoting diversity.

Both the Foundation statutes and the ZEISS Code of Conduct prohibit any form of discrimination. ZEISS further bolstered its commitment to diversity by signing the Diversity Charter in July 2017. Corporate Human Resources is responsible for managing activities that promote diversity. It has the support of multiple committees and reports to the Executive Board.

Operational co-determination is firmly established at ZEISS, and the principles of the Foundation statutes are enshrined at the sites in Germany. Statutory matters and those issues regulated by collective wage agreements are negotiated with the respective employee representatives. In addition, ZEISS regularly discusses planned changes and initiatives with the committees made up of employee representatives, thus going above and beyond the statutory requirements in Germany. In accordance with the provisions of the German Co-Determination Act, half the members of the Supervisory Board of Carl Zeiss AG represent the sole shareholder – the Carl Zeiss Foundation – while the other half represent the employees. The Executive Board regularly reports to the Supervisory Board regarding current issues and planned operational changes. The European locations of Carl Zeiss Vision International GmbH send employee representatives to the European Works Council (EWC).

In Germany, overall responsibility for promoting a healthy work-family life balance lies with Corporate Human Resources. Discussions with the works council, employees and representatives for the different sites focus on evaluating requirements and taking appropriate measures. In fiscal year 2019/20, the focus was on the need for greater transparency and better communication across Germany. By offering flexible workplace and working hours, ZEISS is helping its employees combine their work and family life in the best possible way. Agreements on working models are reached with the respective works council.

Through the promotion and further development of its employees, ZEISS is laying the foundations for attracting qualified and motivated talents, and ensuring they continue working at the company for many years to come. The company offers plenty of training opportunities and works with various universities. Both young and more seasoned professionals have the chance to take part in a host of development programs and international networking events. Special training is available for managers, and web-based seminars round off the global education offering. Corporate Human Resources is responsible for training, strategic personnel development and talent management. It works closely with local human resources departments within functional teams, service areas, and projects. CurioZ is a ZEISS venture which is responsible for learning at ZEISS. Through its eponymous digital learning platform, CurioZ contributes to the continued professional training of ZEISS employees. Meanwhile, innovative formats and offerings aim to promote the expansion of expertise, knowledge and skills in a targeted manner.

Objectives and results – Diversity

ZEISS aims to ensure that all employees can collaborate successfully and appreciate one another – regardless of their professional background, age, gender, origin and working culture. And to strengthen diversity at ZEISS, in fiscal year 2019/20 the company and its employees in Germany have continued the following initiatives:

- » Cooperation network for international employees and their families
- » Women's Award for outstanding students of IT, business informatics and media informatics
- » Mentoring program for women at Aalen University, the Ernst Abbe University in Jena, and the University of Jena, to promote equal opportunities
- » A network for new employees that transcends divisional and departmental boundaries and promotes knowledge sharing, and helps them settle into life at ZEISS

However, further measures have been postponed on account of the COVID-19 pandemic. These include events and offerings related to the German Diversity Day.

Objectives and results – Employer-employee relationship

ZEISS aims to further strengthen and expand the relationship between the company and its employees. In recent years, it has paid out a bonus to all eligible employees, allowing them to share in ZEISS' successful business development. Due to the outbreak of the COVID-19 pandemic in fiscal year 2019/20, employees at ZEISS' sites in Germany received a thank-you bonus of up to €1,500 (net) in place of the usual bonus. This

was done in recognition of their achievements despite the difficult circumstances that prevailed, and will be paid out at the end of the year under review, in October 2020. Some ZEISS sites outside Germany have their own country-specific rules that also allow employees to share in the success of fiscal year 2019/20.

Every two years, ZEISS uses Pulse Check – a global and anonymous employee survey – to measure how the corporate culture is faring, and to evaluate how successfully it is implementing its strategy through the ZEISS Agenda 2020. In addition, the survey is an important indicator of ZEISS' attractiveness as an employer and it addresses the prevalence of the values SERVE – EMPOWER – ACT – WIN in daily activities, and other current cultural issues within the context of the company's strategy, the ZEISS Agenda 2020. For example, Pulse Check 2020 revealed that 84 percent of those surveyed enjoy working at ZEISS, while 75 percent would recommend ZEISS as an employer. This means we have further improved on the results from the last survey in 2018, which were already very good. Other focal points included the future of cultural work, such as the ability to quickly address necessary changes. These positive trends and potential for improvement will continue to be addressed as part of cultural development. The results were discussed with the Executive Board and subsequently communicated to the employees primarily through virtual means but also through a number of in-person events. The aim for the years ahead is to continue on this positive trajectory.

Objectives and results – Balancing work and family life

In addition to expanding flexible working hours and workplace models, further measures were taken in fiscal year 2019/20 by the employer, the works council and the employees in order to make it easier to balance work and family life:

- » Expansion of the collaboration network for childcare and caring for family members for all sites in Germany
- » Reinforcing the offering in terms of talks on caring for family members and scheduling consultations on caring for family members and offering childcare
- » Collaboration agreement with Aalener Sportallianz to expand the number of daycare spaces at the sites in Aalen and Oberkochen, start building a company daycare facility in Oberkochen, and pilot the parent-child workstation
- » Creating a web presence to provide an overview of all offerings in order to better balance work and family life, and regularly communicating offers to a dedicated mailing list

Our experience thus far with flexible working models has played a key role in how ZEISS has been able to face the COVID-19 pandemic by quickly switching to virtual collaboration in the

non-production environment and thus supporting the business. An internal survey for managers on virtual work and leadership revealed that the teams were able to quickly adapt to the new setup and continue performing their duties.

Those employees and their families who have been affected by the COVID-19 pandemic received further support through consultations, and work-related and other individual measures.

Objectives and results – Attracting and developing employees

ZEISS aims to both attract new employees and develop the skills of its existing workforce on an ongoing basis. It is taking various measures to do so.

In order to attract new employees, the company publishes target-group-specific content on global and local online channels like LinkedIn, YouTube, WeChat and ResearchGate. It also attends careers events and visits universities to promote itself as an international employer. The effectiveness of these measures is evident from the continually positive results it enjoys in employer rankings such as the Trendence Ranking of Germany's most attractive employers for graduates and young professionals.

Furthermore, in fiscal year 2019/20, 126 young people began an apprenticeship or combined degree-and-vocational-training program at its German sites in Göttingen, Jena, Oberkochen and Wetzlar. They are either being trained in the fields of industrial mechanics, precision optics, mechatronics and industrial business management, or are completing a combined degree which marries theoretical knowledge with real-world application.

To ensure employees stay with the company and receive further training for many years to come, ZEISS offers in-person training sessions alongside innovative learning formats: there are currently 900 in-person and online courses, as well as numerous e-books and audio books available on the ZEISS CurioZ learning platform. In the year under review, production staff were prepared for the challenges and benefits of Smart Production through an internal professional development program. The program looked at topics like greater networking and automation in production, as well as helpful methods like design thinking, which aim to help them get to grips with new production concepts.

During the COVID-19 pandemic, ZEISS CurioZ helped the company convert some 40 percent of all in-person training sessions to virtual training courses and blended learning formats. Furthermore, the range of relevant courses was expanded – e.g. on the topic of virtual collaboration or

further qualification for employees working reduced hours. The company worked with an international training services provider to get this up and running. The large number of course participants highlighted employees' keen interest in upskilling voluntarily while working reduced hours.

Occupational health and safety

For ZEISS, guaranteeing a healthy work environment and a safe workplace is a fundamental obligation toward its employees.

This also applies to employees from non-ZEISS companies acting on behalf of ZEISS. ZEISS promotes its employees' health and performance through comprehensive safety measures and occupational health examinations.

One of the biggest challenges in terms of occupational health and safety in the past fiscal year was in dealing with the impact of the COVID-19 pandemic. To do this, the company was able to rely on existing plans for Group-wide crisis management. The Task Force core team was expanded by welcoming the Company Medical Center and a team of experts, as well as a site manager team at the German sites. The majority of the procedures adopted and decisions made were set forth as binding for the entire Group and in line with national and regional statutory requirements. The measures included compliance with social distancing and hygiene rules, mandatory mask wearing, travel guidelines and rules on the use of shared spaces. The defined measures were implemented by segment-specific task forces, meaning the segments and countries were able to respond according to their particular situation as needed.

Guidelines, structures and processes

Occupational safety and protecting the health of all employees are principles enshrined in both the Carl Zeiss Foundation statutes and in the ZEISS Code of Conduct. The Chief Financial Officer, a member of the Executive Board, is responsible for occupational health and safety. The respective heads of all ZEISS business units are responsible for occupational safety and employees' health, and consequently for the continuous improvement of occupational health and safety performance as well as the implementation of Group-wide policies. A Global Coordinator for Occupational Health and Safety (OHS) has been appointed. All ZEISS Group entities are obligated to appoint an OHS Officer

in writing. The duties of the OHS Officer can differ as a result of local legislation, but always include advising management and assessing occupational health and safety risks. Appropriate training is organized by each company unit and is the responsibility of the respective managers.

To ensure ongoing communication on occupational health and safety, regular meetings are scheduled between the Chief Financial Officer, the Head of Corporate Auditing, Risk and Quality Management and the Global Coordinator for OHS. The Chief Financial Officer is informed about the frequency and severity of work-related accidents at ZEISS. A globally consistent KPI has been introduced for this purpose.

The management's duties are set out in an internal guideline. This is mandatory for all ZEISS entities and states that the management must provide evidence at the annual management review that:

- » All relevant laws and stipulations related to occupational health and safety have been complied with, fulfilled and monitored
- » All employees have taken part in general training on occupational health and safety

As per Germany's Act on Occupational Physicians, Safety Engineers and Other Occupational Safety Specialists (ASiG), ZEISS has formed safety committees (ASA) that convene every quarter to discuss occupational safety issues and accident prevention. Since at least one representative from each company management team belongs to an ASA, it is not only an advisory committee, but also a decision-making body.

A total of 13 business units at three German sites and four international ZEISS sites are certified in accordance with ISO 45001, the international standard for occupational health and safety management systems. An Occupational Health and Safety Management System based on the requirements stipulated in ISO 45001 has been implemented at all other ZEISS sites in Germany.

Each month, 28 business units in Germany and 31 production sites with a total of around 25,900 employees supply statistics on the frequency and severity of work-related accidents. The OHS coordinator reviews the statistics together with the head of the particular business unit and the employee who submitted the figures. Monitoring plausibility improves the reporting quality and more firmly anchors the topic of occupational health and safety within the company.

Objectives and results

The main objective of the ZEISS Group is to reduce the frequency and severity of work-related accidents. The Executive Board aims to achieve a Lost Time Injury Frequency Rate (LTIFR)* of less than 2.25 for all the ZEISS Group's production units by the end of 2023. The interim goal for fiscal year 2019/20 to achieve a value of less than 3.5 has been met (LTIFR = 2.65**). This means a significant improvement was made compared to the previous year (LTIFR = 3.82). There were no fatal work-related accidents in the reporting year. Most of the accidents that occurred within the ZEISS Group in Germany were caused by personal conduct such as not following work instructions or not paying attention. ZEISS responds to this challenge primarily by organizing training for managers and by running information campaigns for its employees. The COVID-19 pandemic and the working model adjustments it gave rise to, e.g. telecommuting, had no major impact on the accident figures in fiscal year 2019/20, as evidenced by the data.

In order to further standardize the processes related to occupational safety in the workplace, in fiscal year 2018/19 ZEISS began implementing a standardized software solution for the Occupational Health and Safety Management System, which is scheduled to be completed for the ZEISS Group in Germany by the end of fiscal year 2020/21. This means work-related accidents, as well as near miss and unsafe situations, can be reported and monitored. In addition, the planning and documentation of safety training, the creation of risk assessments and the documentation and full transparency of measures derived from occupational health and safety and fire safety inspections will be simplified. Following the implementation in Germany, the long-term goal is to use the software to establish an accident reporting system worldwide.

The launch of the new software presents a key challenge: ensuring widespread acceptance among its future users. In order to ensure its smooth implementation, pilot projects were run at selected sites and employees received thorough training in the software. More than 730 managers and officers received health and safety training to this end in the past fiscal year. In fiscal year 2019/20, these measures were rolled out to further ZEISS Group units.

* The Lost Time Injury Frequency Rate (LTIFR) is the number of workplace accidents per one million target working hours in a fiscal year. Commuting accidents are not included.

** Due to the differing reporting cultures in different countries, however, it can be assumed that some workplace accidents are not reported in the same way as they are at the ZEISS locations in Germany. Such effects are not factored into the performance indicator of reported workplace accidents. In fiscal year 2019/20, more sites were involved in data collection than in fiscal year 2018/19.

Social Engagement

As per its responsibility as a foundation company, ZEISS promotes scientific and technological progress in its four segments and advocates for better living conditions worldwide.

Since 1889, the Carl Zeiss Foundation statutes have set a clear course: In addition to business growth and accepting responsibility for the company's employees, it stipulates high standards for social engagement and the continued promotion of science and education as a corporate responsibility. ZEISS has thus made it one of its company goals to use its core business to improve the lives of people everywhere. ZEISS is thus raising the bar in healthcare by offering solutions for ophthalmology and medical technology and helps drive medical progress by supplying microscopy products. ZEISS is also helping to train tomorrow's scientists by supplying microscopes to education facilities.

Furthermore, the company makes financial and in-kind donations in the form of ZEISS products and solutions through a variety of different projects in order to give people around the globe access to high-quality medical care.

Guidelines, structures and processes

The ZEISS Group's social engagement is governed by clear policies. Three different organizational levels provide sponsorship support.

As the sole stockholder of Carl Zeiss AG and SCHOTT AG, the Carl Zeiss Foundation carries out non-profit activities. These are defined by the Foundation Statute and financed by the dividend payments from the companies ZEISS and SCHOTT. Particular attention is paid to providing sustainable, balanced support.

The ZEISS Group provides sponsorship as per a defined process. The guidelines are laid out in an internal policy that applies to the entire company. One vehicle for supporting scientific research and education, healthcare, nature conservation and regional companies is the ZEISS Promotion Fund. ZEISS uses it to encourage people to get involved in the natural sciences, from preschool children right up to PhD students, as well as to fund social and cultural projects.

Fund managers oversee the funding budget and the applications for sponsorship. Together with the relevant colleagues from the different corporate divisions, they decide which applications for donations or sponsoring to accept in accordance with the

budget, and consult with the Executive Board of the ZEISS Group as needed.

The third level comprises initiatives that are launched through global employee civic engagement. These activities usually receive indirect support from ZEISS, and the company and managers show their sincere appreciation to the employees involved in the form of credited working hours and the opportunity to organize using the company's internal structures.

Objectives and results – Social engagement

Social engagement at the ZEISS Group aims to promote research and education, healthcare, nature conservation and societal topics.

The focus of the ZEISS Promotion Fund is on initiatives to promote education among young people, primarily high school students who have not yet chosen a degree, and to encourage them to develop their scientific skills and take part in projects and initiatives at universities and research institutes. The focus is on the natural sciences and engineering, and on optics and photonics in particular.

In fiscal year 2019/20, the ZEISS Promotion Fund invested almost 1 million euros to sponsor 107 projects (previous year: 1.1 million euros for 150 projects). The drop in the number of projects and funding is attributable to the fact that fewer sponsorship requests were made during the COVID-19 pandemic.

ZEISS helps ensure global access to healthcare through its products and by supporting a range of different projects. For example, the training and continuing education of ophthalmologists is an important part of the fight against preventable blindness. ZEISS and the Christoffel Mission for the Blind (CBM) provide support together with local partners in Australia, China, India, the USA and other countries in Africa and South America for training centers to treat cataract, establish modern eye care techniques even in remote areas, or to directly supply visual aids. Another focal point in 2020 was tackling the COVID-19 pandemic. Since the start of the pandemic, the ZEISS Medical Technology segment has been working on solutions that shield medical staff from infections. The ZEISS NURA video laryngoscope, for example, enables healthcare professionals to maintain a greater distance between themselves and patients, thereby reducing the risk of infection.

Further information on the ZEISS Promotion Fund and the sponsorship areas of conservation and society can be found in the ZEISS Group's Sustainability Report for 2019/20 and on the company's website.

Product safety

Along with optimum quality, product safety and reliability are essential to the business success of the ZEISS Group.

At ZEISS, product safety begins in the development stage, continues through the procurement and production process and remains an important aspect when the product is being operated by the customer, or serviced. A wide range of legal stipulations on the development, production, approval and sale of these products ensure product safety. Defective products may harm users in particular, but can also damage the company's reputation.

Digital product security and the applications related to them, as well as secure networking of products and the interdisciplinary topic of Smart Production, are playing an increasingly significant role.

Guidelines, structures and processes

ZEISS requires all applicable laws governing product safety to be consistently implemented - from customer-specific design and reliable application through to acceptable recycling and disposal.

To this end, and in an effort to meet customers' product quality and safety needs, all ZEISS units use a quality management system based on the requirements of the international standard ISO 9001:2015. Systems and processes at multiple sites have been certified by authorized external and internal testing facilities. To meet the specific requirements regarding medical devices, various sites of the ZEISS segments Medical Technology, Consumer Markets and Industrial Quality & Research have implemented a quality management system certified to ISO 13485. This is also verified through independent external certification.

As part of a comprehensive risk assessment during product development and production, ZEISS ensures that, prior to a product launch, all necessary measures have been taken to guarantee that customers and third parties can use the product safely. Operating instructions, training sessions, security functions for digital products, as well as different kinds of support and opportunities for dialogue, help users operate ZEISS devices safely. A set of guidelines applicable across all ZEISS units helps employees deal with customer issues and complaints in a structured way. In such cases, appropriate measures must be implemented and monitored. This allows ZEISS to implement potential improvements and, if necessary, quickly execute corrective measures.

Responsibility for product safety and its importance for the company's success are enshrined in the ZEISS Group's Code of Conduct. All applicable country-specific laws and guidelines for ZEISS' primary markets lay the foundation for product development, design and sales – in accordance with applicable standards. Individual specialists are involved in their ongoing development through European and international committees and standardization bodies and thereby bring fresh ideas to product development at ZEISS. The trend toward digitalization, which includes Smart Production, is also reflected in the standardization of ZEISS guidelines and processes. A program comprising a range of security measures (e.g. active integration of the Security by Design and Privacy by Design principles) aims to safeguard data through the product life cycle, and in particular in the production development process.

Within the ZEISS Group, directives and monitoring ensure compliance with guidelines, laws and standards. Responsibility for product safety lies with the Executive Board or the Managing Directors of the individual companies, as well as with the employees in charge of a particular product. They must make the structures, resources and necessary skills available to properly meet all legal and internal ZEISS requirements.

The key elements of ensuring product safety are:

- » Observing product safety requirements during each stage of the product life cycle
- » Using customer feedback as the basis for product improvements
- » Performing ongoing market surveillance for selected product groups to ensure products meet the highest safety requirements
- » Independent organizations inspecting selected products to ensure product safety

Objectives and results

ZEISS products must not endanger users' safety or health. To guarantee this, the applicable requirements are met and any necessary approvals are obtained to launch the products. Relevant products are certified by independent testing centers to ensure a high safety standard. Certified products can be viewed on publicly accessible databases like that of the CSA Group, an international certification body.

At the end of fiscal year 2019/20, a total of around 100 business units had been certified to ISO 9001 and 16 business units to ISO 13485. In the current fiscal year, monitoring audits were conducted in line with requirements at all sites certified to ISO 13485 to ensure ongoing improvements. This ensures compliance with the quality management system according to ISO 13485.

Human rights

As a leading global technology enterprise, the ZEISS Group is conscious of its responsibility to uphold human rights.

This issue is particularly important because of the global supply chain and increased regulation, e.g. the German Federal Government's National Action Plan (NAP) for Business and Human Rights. ZEISS categorically rejects all forms of forced and child labor and actively works to ensure that environmental and social standards are met at its sites and in its supply chain.

Guidelines, structures and processes

For ZEISS, compliant, fair behavior forms the basis for responsible business activities. The key principles are set out in the Code of Conduct and apply to all employees and managers of the ZEISS Group. It makes specific reference to the labor and social standards published by the International Labor Organization (ILO) and emphasizes the importance of human rights for the company's employees and the entire supply chain. Additional information on the ZEISS Code of Conduct can be found in the Integrity and Compliance section on the next page.

ZEISS suppliers must adhere to the provisions listed in the internationally recognized Code of Conduct from the Responsible Business Alliance (RBA). These serve as minimum standards for human rights, health and safety, environmental protection and business ethics. The Code of Conduct is based on the UN Guiding Principles on Business and Human Rights and on international human rights standards like those issued by the ILO. ZEISS expects all suppliers who have a direct business relationship with the company to meet the minimum standards in the Code of Conduct. Key strategic suppliers, who make up around 50 percent of the company's external purchasing volume, must recognize the RBA or a equivalent code of conduct, adhere to it and inform their sub-suppliers of the standards. Supplier audits are conducted on a risk-based approach to monitor compliance with the Code of Conduct. In preparation for on-site sustainability audits, suppliers are asked to fill out a Sustainability Supplier Self Assessment Questionnaire. On principle, ZEISS does not enter into any business relationship if there is evidence of human rights violations.

Internal and external stakeholders can use the ZEISS Integrity Line notification system on the company's website to report any human rights violations (see also the chapter on Integrity and Compliance).

To sensitize employees and suppliers to sustainability issues and train them on how to meet requirements, ZEISS offers an e-learning course on the RBA Code of Conduct that includes the content of the NAP to highlight aspects related to human rights.

The Supplier Sustainability Team, which also operates at Group level, pools different activities for integrating sustainability aspects in supply chain management, drives their development and supports their implementation in all strategic business units. The integration of sustainability aspects in the supply chain is monitored by the Supply Chain Expert Panel, which comprises employee representatives from supplier management at the different strategic business units. A working group with representatives from the Supplier Sustainability team, the central Sustainability team and local Compliance Officers deal with the topic of human rights and of developing strategies to implement the NAP in alignment with legal requirements like the British and Australian Modern Slavery Acts.

Objectives and results – Supply chain

In fiscal year 2019/20 the sustainability risk of ZEISS' 510 major suppliers was assessed. This risk assessment is based on the established country indices, such as the Human Development Index, the Corruption Perceptions Index, the Environmental Performance Index and the annual purchasing volume. In order to systematically identify risks in the supply chain, industry risks were integrated in the risk analysis, including those related to human rights.

In the reporting period, international sustainability audits were being planned, but could not be carried out due to the travel ban brought on by COVID-19. In spite of the limitations imposed by the COVID-19 pandemic, additional measures are planned - such as the integration of a supplier self-assessment into the supplier portal - to ensure that suppliers can continue being inspected in terms of sustainability aspects.

This overarching supplier portal is also an effective means for sharing information. Furthermore, it requires suppliers to accept the RBA or an equivalent code of conduct. Numerous suppliers around the world have been required to use the supplier portal since 2019/20, and there are plans to expand the portal in the future.

In fiscal year 2019/20, no violations or complaints pertaining to human rights in the supply chain were reported via the ZEISS Integrity Line.

Integrity and compliance

Business activities in line with statutory regulations and internal rules are an integral part of the ZEISS corporate culture.

The company's aspiration to act with integrity stems from the values that have been shaped by the history of the foundation company ZEISS. For this reason, legality, fair competition and the equitable treatment of business partners and employees are indispensable elements of successful business operations. This requires an open and respectful corporate culture which, along with an effective Compliance Management System, ensures that any deficiencies at ZEISS are detected, identified and corrected.

Guidelines, structures and processes

At ZEISS, the foundation for compliance management is the Code of Conduct, which was first published in 2007 and last updated in July 2020. It describes the risks of conducting business activities and provides specific recommendations on how to behave. As the basis for entrepreneurial activity, the Code of Conduct is mandatory for all employees and managers of the ZEISS Group. It contains rules on various issues, including data protection, product safety, environmental protection and combating corruption. More detailed company directives are available for all the topics addressed in the Code of Conduct. These include policies on the correct handling of competitors, on granting and accepting benefits such as gifts or invitations and on the assessment of distribution partners. In the former case, the goal is to determine whether distribution partners are suspected in the areas of corruption or involvement in a cartel, export control, money laundering or similar crimes, or exhibited any other risk factors that could damage ZEISS' reputation.

Moreover, the periodic inquiry into compliance risks – e.g. due to conflicts of interest, export control law, data privacy and corruption – at all ZEISS companies is an important part of risk management throughout the Group.

At ZEISS, compliance is organized on three different levels: On the Group level is the Chief Compliance Officer, who reports to the Executive Board, and the Director of Corporate Compliance, who is responsible for the Compliance Management System. This area of responsibility encompasses the design of the Compliance Management System and assists with the identification and rectification of significant compliance violations that might jeopardize the reputation of the entire

ZEISS Group. Each strategic business unit has appointed its own Group Compliance Officer, who coordinates compliance activities for a particular area and its companies. In addition, each individual company has its own local Compliance Officer, who is responsible for implementing training measures on-site and resolving any local compliance violations, and who serves as the point of contact for both employees and management.

Ensuring that all ZEISS business activities conform with the prevailing rules is the collective responsibility of the Executive Board and the heads of the ZEISS companies. This includes complying with data protection, customs and export provisions, laws pertaining to the environment as well as regulations on occupational and product safety, and combating corruption.

Regular internal and external audits and assessments are conducted to determine if all legal requirements are being met. An external audit is conducted each fiscal year.

The Compliance Management System has been established at the ZEISS Group for the systematic management of all compliance measures. It features modules on "Leadership", "Shared Communication", "Risk Assessment", "Policies and Procedures", "Organization", "Training" and "Oversight and Controls." The core processes are:

1. Prevent

A clearly structured framework of policies and mandatory training courses is used to continually raise awareness and prevent incidents from occurring.

2. Detect

In spite of all the preventive measures, legal violations and cases of non-compliance can still occur within the company. To identify such cases, employees are called on to actively cooperate and should report any suspected violations. Different departments and experts, such as Corporate Security and Internal Auditing, also assist with the investigation of suspected compliance violations. Depending on the case, the company can also avail itself of external assistance.

3. Respond

The company will then take appropriate measures to immediately remedy unlawful behavior.

4. Correct

Depending on the type of misconduct, systemic or procedural measures may be necessary to prevent recurrence.



Internal and external stakeholders alike have the opportunity to use the ZEISS Integrity Line whistleblower system to report any indicators on possible compliance violations, and they can choose to do this anonymously. The ZEISS Integrity Line is available in 22 languages and can be found on the website at www.zeiss.com/responsibility/compliance and on the ZEISS intranet.

Objectives and Results

ZEISS' primary aim in terms of compliance is to act in accordance with statutory regulations and internal rules. As a result, every two years all employees - including the Executive Board members - must complete a basic compliance training course, and pass a final test. The training covers aspects of the ZEISS Code of Conduct. Employees who work in areas where they are exposed to particular compliance risks, such as in Purchasing, Sales and Marketing, as well as managers, must complete additional training modules on anti-corruption and fair competition.

The majority of ZEISS employees have access to online training on compliance via the ZEISS CurioZ learning platform. Training is currently available in 13 languages. Employees who had no access to the online training courses in fiscal year 2019/20 received in-person training. However, ZEISS is still trying to find ways to grant these employees access to the ZEISS learning platform.

In fiscal year 2019/20, the Code of Conduct as the key document for compliance management was revised and supplemented. A policy on the proper way to deal with ZEISS customer events was also compiled and communicated.

A revision of the basic compliance training course and of the courses on "Fair competition" and "Anti-corruption" is planned for the following fiscal year.

Independent Practitioner's Report on a Limited Assurance Engagement on Non-financial Reporting¹

To Carl Zeiss AG, Oberkochen

We have performed a limited assurance engagement on the separate non-financial group report pursuant to § (Article) 315b Abs. (paragraph) 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Carl Zeiss AG, Oberkochen, (hereinafter the "Company") for the period from 1st October 2019 to 30th September 2020 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1st October 2019 to 30th September 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement, the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- » Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- » Inquiries of personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- » Identification of the likely risks of material misstatement of the Non-financial Report
- » Analytical evaluation of disclosures in the Non-financial Report
- » Performance of web meetings as part of the inspection of processes for collecting, analyzing and aggregating selected data at site level
- » Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- » Evaluation of the presentation of the non-financial information

¹ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the separate non-financial group report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1st October 2019 to 30th September 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to

base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Munich, 9th December 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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