

Report of the Supervisory Board

Dear Ladies And Gentlemen,

Before reporting on the Supervisory Board's work in financial year 2021, I'd like to first talk about the most important issues we have had to contend with this year.

2021 was marked by extreme rises in material costs and major challenges in procuring materials on time. However, by streamlining our range and boosting productivity and efficiency in practically all of our business divisions, we still managed to enhance the quality of our business and continue on our solid growth and earnings trajectory once again.

The Supervisory Board supported the Board of Management constructively, as well as with critical advice, and fulfilled all of its obligations under the law, the articles of incorporation and the rules of procedure. The Board of Management kept us informed of business developments, strategic measures, corporate planning, the risk situation and transactions requiring approval at all times, in writing and verbally, in a timely and detailed manner. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance to the company. The Supervisory Board made all decisions after thoroughly examining and verifying the plausibility of the corresponding resolutions proposed by the Board of Management. The members of the Supervisory Board had sufficient opportunity within the committees and in the plenary to thoroughly examine the reports and decisions proposed and put forward their own suggestions.

The Supervisory Board carefully and constantly monitored the management activities of the Board of Management and regularly advised it on its management of the company. We were always satisfied with the lawfulness, appropriateness and correctness of the



Dr Günter Blaschke

Chairman of the Supervisory Board

Board of Management's work. The Board of Management used the risk management system in operating, financial and legal matters and was supported in the process by the finance, controlling, legal affairs and auditing departments. We were regularly and comprehensively informed of risks and opportunities, compliance and cybersecurity. The remuneration system is the subject of regular discussion and review by the Supervisory Board in connection with concluding and extending Board of Management contracts.

The Supervisory Board held 15 meetings in financial year 2021, most of which were via video conference due to the ongoing COVID-19 pandemic. The members of the Board of Management took part in Supervisory Board meetings, unless otherwise determined by the Chairman of the Supervisory Board. The Supervisory Board also meets regularly without the Board of Management.

Furthermore, the Chairman of the Supervisory Board maintained regular personal and telephone contact with the Board of Management. He informed the other members of the Supervisory Board promptly about the results of these discussions. The self-evaluation of the Supervisory Board, which is to be performed regularly, was last conducted in early 2021. It revealed that all requirements for working efficiently have been met.

At the end of 2021, Supervisory Board member Georg Hesse informed the Chairman of the Supervisory Board that Leifheit AG had asked a company forming part of Thrasio's portfolio to make a declaration of discontinuance due to an infringement of industrial property rights. Thrasio has been Mr Hesse's new employer since July 2021. The Chairman of the Supervisory Board and Mr Hesse reached the joint assessment that there is a conflict of interest here on the part of Mr Hesse. Owing to this assessment, the Chairman of the Supervisory Board and Mr Hesse decided that Mr Hesse shall withdraw from the matter, have no influence on the decision-making process and not participate in any decision by the Supervisory Board, should one be necessary. In the reporting period, there was no indication of further conflicts of interest among the members of either the Board of Management or the Supervisory Board that would have required immediate disclosure to the Supervisory Board and the Annual General Meeting.

The Chairman of the Supervisory Board held discussions with a variety of investors on issues relating to the Supervisory Board, in accordance with the recommendation of the German corporate governance code (DCGK).

The company provides suitable assistance to members of the Supervisory Board with exercising their duties as well as in taking part in training and educational measures. In 2021, the Chair of the Audit Committee took part in several specialist events for supervisory boards.

Changes in Leifheit AG organs

The Supervisory Board appointed Marco Keul as a member of the Board of Management and Chief Financial Officer (CFO) effective as at 1 May 2021. He took over the CFO function from Henner Rinsche, who had taken over the position on top of his role as Chairman of the Board of Management (CEO) in April 2020. In his role on the Board of Management, Mr Keul is responsible for the Finance, Controlling, Business Processes/IT and Internal Sales, which he has already been responsible for since April 2020 in his role as Vice President Finance.

There were no further changes on the Board of Management or Supervisory Board in financial year 2021.

Important topics discussed at meetings

The ordinary Supervisory Board meetings regularly covered the current business situation and earning performance of the Group, as well as the segments, the financial position, the business situation of the main interests, the strategic focus of the company, the risk situation and, from September on, cybersecurity.

The members of the Supervisory Board participated as follows in the meetings held in financial year 2021:

Member/meeting	Supervisory Board	Audit Committee	Personnel Committee	Sales/ Marketing Committee	Product Range/ Innovation Committee
Joachim Barnert	14/15	–	–	1/1	–
Dr Günter Blaschke	15/15	5/5	7/7	1/1	1/1
Georg Hesse	15/15	–	7/7	1/1	–
Karsten Schmidt	15/15	–	7/7	1/1	1/1
Thomas Standke	15/15	–	–	1 ¹ /1	1/1
Dr Claus-O. Zacharias	15/15	5/5	–	1 ¹ /1	–

¹ Guest.

At the meeting on 23 March 2021, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual statements, the combined management report of Leifheit Aktiengesellschaft and the Leifheit Group, the non-financial Group report, the draft resolution regarding the report of the Supervisory Board and the agenda for the 2021 Annual General Meeting. The members of the Supervisory Board discussed the results of the efficiency review.

The Supervisory Board discussed the logistics and finance strategy with the Board of Management on 26 March 2021 and deliberated on Board of Management matters without the involvement of the Board of Management.

At its meeting on 5 April 2021, the Supervisory Board discussed the Board of Management's remuneration system, as well as the extent to which the Board of Management met its variable remuneration objectives for financial year 2020, the determination of objectives for financial year 2021 and an adjustment to the articles of incorporation regarding long-term variable remuneration for the Supervisory Board. The meeting was prepared by the Personnel Committee.

Personnel-related matters were discussed on 9 April 2021.

At its meeting on 20 April 2021, the Supervisory Board appointed Mr Keul as a member of the Board of Management and decided to adjust the DCGK declaration of conformity accordingly and to adjust the Board of Management's allocation of duties.

The Supervisory Board meeting on 3 May 2021 addressed the quarterly statement for the period ending 31 March 2021. The Board of Management presented an analysis of the inventory situation and measures to optimise the inventories in 2021.

The ordinary Supervisory Board meeting on 2 June 2021 dealt exclusively with regular matters.

The meeting on 14 June 2021 dealt with the preparation of the Supervisory Board's meeting, which took place on 23 June 2021, during which the Supervisory Board and the Board of Management discussed the company's strategy.

The meeting on 2 August 2021 addressed business development in the second quarter and the financial report for the first half-year ending 30 June 2021. Discussions also continued with regard to the variable remuneration objectives for the Board of Management.

At the meeting on 27 September 2021, the Chair of the Audit Committee reported on the Audit Committee's meeting with auditors regarding the planning of the audit of the annual financial statements 2021. Succession planning for the management, the recommendations of the DCGK and cybersecurity were also addressed.

At its strategy meeting on 28 September 2021, the Supervisory Board discussed the company's strategy, medium-term planning and potential investments. In addition to approving authorised representation, in-depth discussions were held on current developments in the procurement and freight markets and their impacts on strategy.

The Supervisory Board meeting on 29 October 2021 addressed the quarterly statement for the period ending 30 September 2021.

On 13 November 2021, the TV plan for 2022 and marketing expenses for the first half of 2022 were discussed.

The Supervisory Board meeting on 7 December 2021 focused on discussing different scenarios for 2022, progress in achieving the sustainability objectives for 2021 and the approval of non-financial objectives for 2022. In addition, the corporate governance declaration of conformity was discussed and the next self-evaluation of the effectiveness of the Supervisory Board was prepared.

Other issues, such as the employee share programme and contract extensions, were addressed and resolved outside of the Supervisory Board meetings.

Work of the committees

The Supervisory Board formed an Audit Committee, a Personnel Committee, a Nominating Committee, a Sales/Marketing Committee and a Product Range/Innovation Committee. The five committees are primarily tasked with preparing decisions and topics for plenary meetings. The committee chairs provided regular and detailed reports on their work to the Supervisory Board in financial year 2021.

The Audit Committee met five times in financial year 2021 to discuss the monitoring of accounting, the accounting process, the appropriateness and effectiveness of the accounting-related internal control system and the risk management system, the internal audit system, the audit of the annual financial statements, the audit of the non-financial Group report, the audit of the quality of the financial statements and compliance. The Audit Committee also presented a recommendation on the choice of auditor, monitored the auditor's independence, issued the audit engagement to the auditor, prepared certain focal points of the audit and agreed the auditor's fee. The internal control system and the risk management system were also examined, and the findings of the internal audits were presented and discussed.

The Audit Committee's work focused on the audit of the annual and consolidated financial statements, including the combined management report, the non-financial report, the joint corporate governance declaration of the Board of Management and the Supervisory Board with regard to the declaration submitted by the Board of Management and the auditor's reports, as well as the preparation of resolutions to be taken by the Supervisory Board on these subjects. The Audit Committee also extensively discussed the interim reports (quarterly reports and the half-yearly financial report) and prepared the focal points of the audit for the annual and consolidated financial statements.

The Board of Management and the Financial Director attended the Audit Committee meetings and gave an in-depth presentation of the annual financial statements as well as all reports to be published, explained them and answered the committee members' questions. The auditors were also present at two meetings and reported in detail on all aspects that arose during planning and performance of the audit which have a direct bearing on the work of the Supervisory Board.

The Personnel Committee examined all employment contracts for the members of the Board of Management, including remuneration and the remuneration system. The Personnel Committee met seven times in financial year 2021 and dealt with concluding and extending contracts with members of the Board of Management, auditing the remuneration report, succession planning in the Board of Management, the remuneration system for the Board of Management approved by the Annual General Meeting on 2 June 2021, setting variable remuneration objectives for the Board of Management and determining the extent to which such objectives have been met.

The Sales/Marketing Committee met once in financial year 2021 and dealt primarily with the communication strategy and the national and international sales and field sales strategy.

The Product Range/Innovation Committee also met once in financial year 2021 and looked into the innovation strategy, the current innovation pipeline, the product range focus and tracking the success of a product launch.

The tasks of the Nominating Committee include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. No Nominating Committee meetings were held in financial year 2021 as there were no elections.

Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2021, which have been prepared in accordance with section 315e of the German commercial code (HGB) on the basis of the International Financial Reporting Standards (IFRS), as well as the financial statements of Leifheit AG for financial year 2021, which have been prepared in accordance with the provisions of the HGB, have been audited by the auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, and have not led to any reservations in its audit opinion. The audit – as reflected in the audit reports – did not result in any grounds for objection.

The documents pertaining to the financial statements, as well as the audit reports and the Board of Management's proposal for the appropriation of the balance sheet profit, were handed out to all members of the Supervisory Board. The documents pertaining to the financial statements and the audit reports were discussed in depth at the Audit Committee meeting on 24 March 2022; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 25 March 2022, the Audit Committee and its chair presented an in-depth report to the members of the Supervisory Board.

The auditors took part in the meetings and reported on the key findings of their audit. They also reported their findings on the internal control and risk management systems, in relation to the accounting process. They determined that the Board of Management has set up an appropriate information and monitoring system suitable for identifying developments that could jeopardise the continued existence of the company at an early stage.

The audit opinions were discussed with the auditors. The most significant audit matters in the consolidated financial statements were the impairment testing of goodwill, the completeness of the liabilities and provisions related to customer conditions, the realisation of turnover and the turnover recognition cut-off. The auditor confirmed that the procedures, accounting and underlying assumptions and parameters were appropriate and in accordance with the applicable valuation principles in all three key audit issues. The auditors were available for further questions and information.

Based on its own examination of the annual financial statements, the consolidated financial statements, the combined management report and the remuneration report, as well as the report and the recommendations of the Audit Committee, the Supervisory Board approved the findings of the audit as presented by the auditor. The Supervisory Board has raised no objections to the final results of the audit. The Supervisory Board approved both the financial statements and the consolidated financial statements on 25 March 2022. The financial statements are therefore adopted in accordance with section 172 of the German stock corporation act (AktG).

The Supervisory Board also reviewed and approved the separate non-financial report of the Group (sustainability report) and resolved on the corporate governance declaration and the remuneration report.

On the recommendation of the Audit Committee, and following its own examination, the Supervisory Board endorsed the Board of Management's proposal for the appropriation of the balance sheet profit involving the payment of a dividend of € 1.05 per dividend-entitled no-par-value bearer share for financial year 2021.

The Supervisory Board would like to thank all of the employees of the management team, the Board of Management and the workforce representatives for their dedicated commitment and their work in the past financial year. It would also like to thank the company's customers and shareholders for their trust and support.

Nassau/Buchloe, 25 March 2022

The Supervisory Board

Dr Günter Blaschke
Chairman