

# Report of the Supervisory Board

*Dear Ladies and Gentlemen*

The Leifheit Group saw a number of changes in 2016. Our “Leifheit 2020” strategy is increasingly successful, and turnover is developing well. We are satisfied with the course of development in 2016, especially in the strategically important Brand Business. Also with the profitability we are on the right path. Despite significantly lower foreign currency gains the operating result was above the previous year.

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. It was at all times informed promptly and in depth by the Board of Management with regard to business development, strategic measures, corporate planning and transactions requiring approval. The Supervisory Board was directly involved in all decisions of fundamental importance for the company at an early stage. The Supervisory Board made all decisions following thorough examination and discussion of the corresponding resolutions.

The Supervisory Board carefully and constantly monitored the management activities of the Board of Management. It confirms that the Board of Management acted properly, in accordance with the law and economically in every way. 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. The Supervisory Board was informed regularly and comprehensively about risks, opportunities and compliance.

In 2016, the Supervisory Board held four regular meetings and one extraordinary meeting. Attendance at the meetings of the Supervisory Board and its committees averaged 88%. Mr Schmidt was prevented from attending three Supervisory Board meetings, one Audit Committee meeting and one Personnel Committee meeting; he therefore took part in only half or less of the meetings of the Supervisory Board and the Audit Committee. Mr Gritzuhn was prevented from attending one Supervisory Board meeting. He and all other members of the Supervisory Board otherwise attended

all meetings of the Supervisory Board and its committees. As a result, no other member of the Supervisory Board attended only half or less of the meetings of the Supervisory Board or of the committees of which he or she was a member.

The members of the Board of Management took part in Supervisory Board meetings, barring other decisions by the Chairman of the Supervisory Board. 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, revealed that all requirements for working efficiently have been met. In the reporting period, there was no indication of 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.

## Changes to the Supervisory Board

At the request of the Board of Management of Leifheit AG, Ms Sonja Wärtges and Mr Ulli Gritzuhn were appointed as members of the Supervisory Board of Leifheit AG with effect from 4 February by the district court of Montabaur. The appointment became necessary after Dr Robert Schuler-Voith resigned as a member of the Supervisory Board and as its Deputy Chairman, and after Dr Friedrich M. Thomée also resigned as a member of the Supervisory Board within the stipulated period at the end of 2015.

The Supervisory Board and the Board of Management of Leifheit AG would like to thank the former Supervisory Board members for their many years of service and their great commitment to the board. Special thanks go out to Dr Schuler-Voith, who actively helped shape the strategic focus of Leifheit in his role as a major shareholder and Supervisory Board member starting in 1992, thereby strengthening the company on a lasting basis and positioning it excellently for the future.



**HELMUT ZAHN**  
CHAIRMAN OF THE SUPERVISORY BOARD

In Sonja Wärtnges, member of the Management Board and CFO of DIC Asset AG, and Ulli Gritzuhn, General Manager of Unilever Deutschland GmbH, the company succeeded in attracting both an acknowledged financial expert as well as an authority on the consumer goods industry for the Supervisory Board. The new members of the board were confirmed at the Annual General Meeting of Leifheit AG on 25 May 2016 for the remaining term of the Supervisory Board – and therefore for the period until the end of the Annual General Meeting that will decide on the approval of the actions of the Supervisory Board for financial year 2018.

### **Changes to the Board of Management**

In June 2016, the Supervisory Board extended Thomas Radke's contract by 3 years until 31 December 2019. As Chairman of the Board of Management (CEO) of Leifheit AG, he continues to be responsible for marketing, sales and HR, as well as the Soehnle, Herby and Birambeau divisions.

In addition, the Supervisory Board made changes to the leadership of the board department operations and appointed Ansgar Lengeling as a member of the Board of

Management from 1 November 2016. Having taken over operations from Dr Claus-O. Zacharias and development from Mr Radke, he is also responsible for procurement, production, logistics, quality and development.

Furthermore, the Supervisory Board appointed Mr Ivo Huhmann as a member of the Board of Management with effect from 1 April 2017. Mr Huhmann will take over responsibility for finance, controlling, business processes/IT, legal affairs and auditing from Dr Zacharias, who will leave the Board of Management as planned over the course of 2017. In doing so, the Supervisory Board has completed its prudent succession planning and has set the course for the future of the Board of Management.

### **Important topics discussed at meetings**

The Supervisory Board meetings regularly covered the development of turnover, results and employment at the Group, as well as the segments, the financial position, the main interests, the strategic focus of the company, potential acquisitions and the risk situation.

The new Supervisory Board members were welcomed as part of the extraordinary meeting on 13 February 2016. By elections were held following the personal introductions. Mr Karsten Schmidt was elected as Deputy Chairman of the Supervisory Board. Ms Wärtges and Mr Schmidt were elected to the Audit Committee, with Ms Wärtges taking over as Chairwoman of the Audit Committee. Furthermore, Mr Ulli Gritzuhn was elected to the Personnel Committee.

At the meeting on 30 March 2016, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual financial statements, the management reports of the Leifheit Group and Leifheit AG, the report on relationships with related parties, the draft resolution regarding the report of the Supervisory Board and the agenda of the Annual General Meeting on 25 May 2016. Additional topics were the extension of Mr Radke's contract and consultations on the succession planning for the Board of Management. Another topic was the review of the remuneration system for the Board of Management, which was deemed to be effective. The results of the Supervisory Board's self-evaluation were presented and discussed. There were no further comments or suggestions for improvement. In addition, investment projects were discussed and approved; the objectives of the Supervisory Board and individual items regarding the corporate governance code were also discussed.

The Supervisory Board meeting on 25 May 2016 dealt with the preparations for the Annual General Meeting. Following the Annual General Meeting, the Supervisory Board confirmed – after the election of the new Supervisory Board members – the composition of the Supervisory Board and the committees as resolved at the extraordinary Supervisory Board meeting in February. Furthermore, the Supervisory Board examined the sales and communication strategy in depth. The heads of the respective departments also took part in the consultations. The Supervisory Board approved the motion by the Board of Management to confer the power of attorney to Leifheit AG directors.

On 24 June 2016, the Supervisory Board resolved in writing to extend Mr Radke's contract and appointed Mr Lengeling.

The medium-term planning for the period from 2017 to 2020 was discussed in depth at the meeting on 22 September 2016, as was the profitability target. In addition, the Supervisory Board discussed succession planning at management level and approved the continuation of the employee stock programme. The revision of the rules of procedure for the Board of Management and the allocation of duties (Geschäftsverteilungsplan) were discussed and approved. The Supervisory Board also took a close look at the corporate governance code. A Nominating Committee was formed, consisting of Mr Gritzuhn, Ms Wärtges and Mr Zahn, who took over the position of Chairman. A decision was also made to agree a D&O insurance deductible for the Supervisory Board from financial year 2017, in line with the recommendations of the corporate governance code.

The Supervisory Board meeting on 7 December 2016 focused on operational planning for 2017. The personnel and investment planning were discussed in depth and approved. Additional topics were the performance of the Supervisory Board's self-evaluation and the resolution of the corporate governance declaration of conformity.

## Work of the committees

The Supervisory Board has formed Audit, Personnel and Nominating Committees.

The Audit Committee met twice to discuss the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the annual audit (in particular, the independence of the auditor, the services provided additionally by the auditor, the issuing of the audit mandate to the auditor, the determination of the focal points of the audit and the fee agreement) and compliance. The Board of Management and the Financial Director attended both 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. Furthermore, the internal control system and the risk management system were examined, and the findings of the internal audits were presented and discussed. The auditors were also

present at both meetings and reported in detail on all events that arose during performance of the audit that 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 five times in financial year 2016 and looked intensively into the issue of succession planning for the Board of Management. It prepared the extension of Mr Radke's Board of Management contract, the decision to make Mr Lengeling the Board of Management member responsible for operations and the appointment of Mr Huhmann as CFO.

The Nominating Committee's tasks include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. The search for and selection of Ms Wärntges and Mr Gritzuhn took place in 2015, meaning that no Nominating Committee meetings were necessary in financial year 2016.

## Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2016, which have been prepared in accordance with section 315a 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 2016, 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 statement, 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 statement and the audit reports were discussed in depth at the Audit Committee meeting on 27 March 2017; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance-sheet meeting on 28 March 2017, the Audit Committee and its

chair presented an in-depth report to all members of the Supervisory Board. The auditors took part in the meetings and reported on the key findings of their audit. Furthermore, they presented their findings on the internal control system and risk management with regard to the accounting process and found that the Board of Management had set up an appropriate information and monitoring system that was capable of promptly identifying developments that jeopardise the company's continued existence. The auditors were available for further questions and information.

Based on its own examination of the annual financial statements, the consolidated financial statements and the combined management report, as well as the report and the recommendations of the Audit Committee, the Supervisory Board approved the findings of the audit by the auditor. The Supervisory Board has raised no objections to the final results of the audit. The Supervisory Board has approved both the financial statements and the consolidated financial statements. The financial statements in accordance with section 172 of the German stock corporation act (AktG) are therefore adopted. On the recommendation of the Audit Committee, and following its own examination, the Supervisory Board endorses the Board of Management's proposal for the appropriation of the balance sheet profit involving the payment of a dividend of € 2.10 per share for financial year 2016. In view of the company's dividend policy expanded in 2016, the Board of Management and the Supervisory Board decided to propose in addition a special dividend of € 0.80 per share.

The Supervisory Board would like to thank all of the employees of the Group, the Board of Management and the workforce representatives for their dedicated commitment and their work in the past financial year. We would also like to thank our customers and shareholders for their trust and support.

Nassau/Starnberg, Germany, 28 March 2017

The Supervisory Board



Helmut Zahn  
Chairman