

## Report of the Supervisory Board

*Dear Ladies and Gentlemen,*

Before I delve into the work of the Supervisory Board in financial year 2022, I would like to touch on the recent unprecedented course of global events, which have created a new normal for all of us practically overnight. I am referring in particular to the coronavirus lockdowns in China; the collapse of supply chains; war in Europe; energy, raw materials and component price shocks; ballooning inflation and the highest loss of purchasing power among private households in years. The global economy repositioned itself as a result, as did businesses. Flexibly adjusting structures, functions and processes to this increasingly apparent new normal was and remains the key challenge.

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 cyber security. 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 16 meetings in financial year 2022, all of which took place via video conference or as hybrid meetings. The members of the Board of Management took part in Supervisory Board meetings, unless otherwise determined by the Chairman of the Supervisory Board. Seven Supervisory Board meetings took place without the Board of Management. In addition, the agenda on meeting days regularly included items in which only members of the Supervisory Board participated.

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 2023. 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, among other things, to make a declaration of discontinuance due to an infringement of industrial property rights. Thrasio was Mr Hesse's employer from July 2021 to July 2022. The Chairman of the Supervisory Board and Mr Hesse reached the joint assessment that there is a potential conflict of interest here on the part of Mr Hesse. The Supervisory Board was not required to make a decision on this matter, and so Mr Hesse was not able to influence the decision-making process. 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 reporting to 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 2022, the Chair of the Audit Committee took part in several specialist events for supervisory boards.

## Changes in Leifheit AG organs

There were no changes on the Board of Management or Supervisory Board in financial year 2022.

Joachim Barnert, employee representative on the Supervisory Board, sadly passed away at the end of February 2023. His successor as at 1 March 2023 until the end of the current Supervisory Board's term of office is Marcus Kreß. Mr Barnert had been a member of the Leifheit AG Supervisory Board since May 2019. Before that, he was also a member of the Supervisory Board between 2004 and 2009. The members of the Supervisory Board and the Board of Management held Mr Barnert, his wealth of experience and his personable nature in very high esteem. We will treasure our fond memories of him.

Karsten Schmidt is to step down as a member of the Leifheit AG Supervisory Board effective as at the end of the next Annual General Meeting on 7 June 2023 for personal reasons. The members of the Supervisory Board and the Board of Management would like to thank Mr Schmidt for his constructive and valuable contributions to the work of the Supervisory Board over the past years.

## Supervisory Board meetings

The members of the Supervisory Board participated as follows in the meetings held in financial year 2022:

Member/meeting	Supervisory Board	Audit Committee	Personnel Committee	Sales/ Marketing Committee	Product Range/ Innovation Committee	Nominating Committee
Joachim Barnert	15/16	1 1/7	–	1/1	–	–
Dr Günter Blaschke	16/16	7/7	4/4	1/1	2/2	2/2
Georg Hesse	16/16	–	4/4	1/1	–	–
Karsten Schmidt	16/16	–	4/4	0/1	2/2	2/2
Thomas Standke	16/16	7/7	–	1 1/1	2/2	–
Dr Claus-O. Zacharias	15/16	6/7	1 1/4	1 1/1	–	2/2

<sup>†</sup> Guest.

## Important topics discussed at meetings

All Supervisory Board meetings were held as video conferences or hybrid meetings. All committee meetings were also organised as video conferences.

The ordinary Supervisory Board meetings regularly covered the current business situation and earnings 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 cyber security. The Supervisory Board also addressed the following topics:

- In the meeting on 13 January 2022, the Supervisory Board discussed the extension of the Board of Management contracts with Mr Rinsche and Mr Iraeta Munduate.
- On 7 March 2022, scenarios for financial year 2022 were debated and a decision on the implementation of the Annual General Meeting 2022 was made. In addition, new targets for the composition of the Supervisory Board were defined.

- At the meeting on 25 March 2022, 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 remuneration report, the resolution regarding the report of the Supervisory Board, the resolution regarding the appropriation of the balance sheet profit and the agenda for the 2022 Annual General Meeting. The Supervisory Board approved a resolution on the quota of women on the Board of Management and the Supervisory Board and amended the rules of procedure of the Supervisory Board. The budget for 2022 and the medium-term planning for 2023 to 2025 were also addressed. The members of the Supervisory Board discussed the results of the efficiency review.
- Targets for Board of Management remuneration for financial year 2022 were defined at the extraordinary meeting on 29 March 2022.
- The meeting on 2 May 2022 focused on business development in the first quarter and the quarterly statement for the period ending 31 March 2022.

- In the Supervisory Board meeting following the Annual General Meeting on 25 May 2022, standard topics were discussed along with the reports of the committee chairs of the meetings of the Sales/Marketing Committee and the Product Range/Innovation Committee. A decision was also made on the granting of prokurations.
- The extraordinary meetings on 14 and 29 July 2022 covered the efficiency of the work of the Supervisory Board and preparations for the strategy meeting.
- On 2 August 2022, the Supervisory Board discussed business development in the first half of the year and addressed the financial report for the first half-year, market development and preliminary scenarios for financial year 2023.
- In the meeting on 29 August 2022, the Supervisory Board addressed the principles for cooperation within the Supervisory Board and between the Supervisory Board and the Board of Management.
- The Supervisory Board analysed and discussed in detail the business strategy, pricing, cost-cutting potential, the advertising strategy and medium-term business scenarios in the strategy meetings on 27 and 28 September 2022.
- The Supervisory Board meeting on 27 October 2022 addressed the quarterly statement for the period ending 30 September 2022. Medium-term planning for 2023 to 2025 was also discussed alongside TV planning for the first quarter of 2023.
- The meeting on 2 December 2022 centred on business scenarios in 2023, the approval of investments, the status of sustainability targets and innovation targets for 2022 and the approval of the sustainability strategy. In addition, the Supervisory Board also addressed the corporate governance code and the declaration of conformity, the competency profile and targets for the composition

of the Supervisory Board and the implementation of the Annual General Meeting 2023. In this meeting the Supervisory Board also prepared the next self-assessment for the effectiveness of the Supervisory Board. The Board of Management also reported on HR development and its succession planning.

- On 12 and 27 December 2022, the Supervisory Board discussed the definition of targets for the Board of Management remuneration system for financial year 2023.

## 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 the work of their committees to the Supervisory Board in financial year 2022.

A new member was appointed to the Audit Committee in March 2022, which now consists of three members. The Audit Committee met seven times in financial year 2022 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 declaration, the corporate governance declaration 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 four times in financial year 2022 and dealt with concluding and extending contracts with members of the Board of Management, auditing the remuneration report, succession arrangements in the Board of Management, the remuneration system for the Board of Management, setting variable remuneration objectives for the Board of Management and determining the extent to which such objectives have been met. In financial year 2022, contracts with Board of Management members Henner Rinsche and Igor Iraeta Munduate were extended by three years. The Board of Management remuneration system was adjusted and approved by the Annual General Meeting on 25 May 2022.

The Sales/Marketing Committee met once in financial year 2022 and dealt primarily with the communication strategy, market development, pricing and the sustainability strategy.

The Product Range/Innovation Committee also met once in financial year 2022 and looked into the innovation strategy, the current innovation pipeline, the product range focus and sustainability aspects in product development.

The tasks of the Nominating Committee include searching for and selecting suitable Supervisory Board candidates for election by the Annual General Meeting. Two Nominating Committee meetings were held in financial year 2022 for this purpose.

## Audit and approval of the annual financial statements

The annual financial statements of the Leifheit Group and the combined management report for financial year 2022, 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 2022, 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 23 March 2023; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 24 March 2023, 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 as well as 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 both 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 24 March 2023. 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 declaration of corporate management and the remuneration report.

The Board of Management and the Supervisory Board resolved to propose a dividend of € 0.70 per dividend-entitled share to the Annual General Meeting on 7 June 2023.

The Supervisory Board would like to thank all of the employees, the management team, the Board of Management and the workforce representatives for their extremely 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, 24 March 2023

The Supervisory Board



Dr Günter Blaschke  
Chairman