

## Report of the Supervisory Board

*Dear Ladies and Gentlemen,*

In a year dominated by coronavirus and all the challenges it presented, Leifheit still succeeded in systematically implementing the new corporate culture and the new Scaling up Success business strategy at international level in 2020. All divisions have made impressive contributions to these efforts and laid the foundation for a solid growth and earnings course.

I would like to inform you below about the work performed by the Supervisory Board in financial year 2020:

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 at an early stage in all decisions of fundamental importance to the company. The Supervisory Board made all decisions following a thorough examination and discussion of the corresponding resolutions.

The Supervisory Board has carefully and continuously monitored the management activities of the Board of Management. It confirms that the Board of Management acted properly in accordance with the law and in a commercially responsible manner. The Board of Management has 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 and opportunities as well as compliance. 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.



### Dr Günter Blaschke

Chairman of the Supervisory Board

The Supervisory Board held nine meetings in financial year 2020, all of which via video conference due to the 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. At a number of meetings, the Supervisory Board also addressed issues without the involvement of members of 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 conducted in 2020. It 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.

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).

### Changes in Leifheit AG organs

Mr Ivo Huhmann left the Board of Management when his contract expired on 31 March 2020. Mr Huhmann had been the Chief Financial Officer of Leifheit AG since 1 April 2017. The Supervisory Board would like to thank Mr Huhmann for his commitment. Mr Henner Rinsche took over the function of Chief Financial Officer alongside his current role.

There were no changes in the Supervisory Board in financial year 2020.

## 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.

At the meeting on 24 March 2020, the Supervisory Board, in the presence of the auditor, intensively discussed and reviewed the consolidated financial statements and the annual financial statements, the combined management report of Leifheit AG and the Leifheit Group, the draft resolution regarding the report of the Supervisory Board, the dividend proposal for financial year 2019 and the agenda for the Annual General Meeting. Outstanding items relating to the 2020 budget were discussed. The Supervisory Board also discussed potential cost savings and various business cases with the Board of Management and resolved changes to the rules of procedure for the Board of Management and the annual goals for the Board of Management. The members of the Supervisory Board discussed the results of the efficiency review. Intensive consultations were held regarding the impact of the COVID-19 pandemic and the measures required as a result.

The members of the Supervisory Board participated as follows in the meetings held in financial year 2020:

Member/Meeting	Supervisory Board	Audit Committee	Personnel Committee	Sales/Marketing Committee	Product Range/Innovation Committee
Joachim Barnert	8/9	–	–	0/1	–
Dr Günter Blaschke	9/9	5/5	4/4	1/1	1/1
Georg Hesse	9/9	–	4/4	1/1	1 <sup>1</sup> /1
Karsten Schmidt	9/9	–	4/4	1/1	1/1
Thomas Standke	9/9	–	–	–	1/1
Dr Claus-O. Zacharias	9/9	5/5	–	–	1 <sup>1</sup> /1

<sup>1</sup> Guest.

The quarterly statement for the period ending 31 March 2020 and the postponement of the Annual General Meeting due to the pandemic were discussed at the Supervisory Board meeting on 4 May 2020.

The Supervisory Board meeting on 20 May 2020 focused on the overall structure of the Operations division and the potential for cost reductions.

In the meeting on 24 June 2020, the Supervisory Board and the management addressed the company's Scaling up Success strategy in depth.

The meeting on 4 August 2020 addressed business development in the second quarter, the financial report for the first half-year ending 30 June 2020 and the planned inaugural virtual Annual General Meeting on 30 September 2020. The Supervisory Board also discussed the competency model, the diversity concept, the goals for the composition of the Supervisory Board, the rules of procedure of the Supervisory Board, quality management and the strategy.

At the meeting on 30 September 2020, 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 2020. Succession planning for the management and the recommendations of the DCGK were also addressed. A variety of issues were also discussed without the involvement of the Board of Management.

At its meeting on 7 October 2020, the Supervisory Board dealt with the medium-term planning for the years 2021 to 2023, the medium-term strategy for the production and supply process, the Total Quality Management strategy and investment projects.

The Supervisory Board meeting on 2 November 2020 addressed the quarterly statement for the period ending 30 September 2020.

The Supervisory Board meeting on 9 December 2020 focused on discussing and approving the budget planning for 2021. The corporate governance declaration of conformity was also approved. The Supervisory Board prepared the next self-assessment (previously known as the efficiency review) of the effectiveness of the Supervisory Board and took receipt of reports from the Sales/Marketing Committee and the Product Range/Innovation Committee.

Other issues, such as arranging the internal audit of the sustainability report, the approval and adoption of the 2019 annual financial statements and the increase of the advertising budget, were addressed and resolved outside of the Supervisory Board meetings.

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 2020, the members of the Supervisory Board did not participate in any training or educational measures.

## 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 **Audit Committee** met five times in financial year 2020 to discuss the monitoring of accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the annual audit, the audit of the sustainability 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, determined 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 Board of Management, the Vice President Finance 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 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 2020. It looked, in particular, into the issue of succession planning for the Board of Management, the Board of Management's remuneration system and performance assessment.

The **Sales/Marketing Committee** met once in financial year 2020 and dealt primarily with the effectiveness of TV advertising as well as the national and international sales strategy.

The **Product Range/Innovation Committee** met once in financial year 2020 and looked into the innovation strategy, the current innovation pipeline, the product range focus and success tracking of a product launch.

The **Nominating Committee's** tasks 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 2020 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 2020, 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 2020, 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 22 March 2021; special attention was paid to the defined focal points of the audit. At the Supervisory Board's balance sheet meeting on 23 March 2021, 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. 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 audit opinion was 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 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 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 23 March 2021. 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 updated remuneration system for the Board of Management. The Supervisory Board and Board of Management remuneration system were presented to the 2021 Annual General Meeting for approval.

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 share for financial year 2020.

The Supervisory Board would like to thank all employees, 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, 23 March 2021

The Supervisory Board



Dr Günter Blaschke  
Chairman