

Declaration of conformity pursuant to section 161 AktG (German stock corporation act) of the Board of Management and the Supervisory Board of Leifheit AG

The Board of Management and Supervisory Board of Leifheit AG issue the following declaration of conformity pursuant to section 161 of the German stock corporation act (AktG) regarding the recommendations of the “Government Commission on the German Corporate Governance Code” and will ensure that it is published on the website of Leifheit AG. The following declaration refers to the recommendations of the German corporate governance code (DCGK) in its version of 28 April 2022, published in the Federal Gazette on 27 June 2022.

The Board of Management and the Supervisory Board of Leifheit AG declare that the recommendations of the code – except for those listed below – are being complied with and were previously complied with in the past.

Appropriate consideration of ecological and social objectives in corporate strategy (Recommendation A.1 sentence 2)

In A.1 sentence 2, the code recommends that environmental and social objectives should be given appropriate consideration in the corporate strategy alongside long-term economic objectives.

This new recommendation was only partially complied with in fiscal 2022. In fiscal 2022, the Management Board developed a CSR strategy with long-term ecological and social objectives, which was adopted in December 2022. This CSR strategy will be established in 2023.

Sustainability-related objectives in the internal control system and risk management system (Recommendation A.3)

According to A.3 of the code, the internal control system and the risk management system should also cover sustainability-related objectives, insofar as this is not already required by law. Furthermore, this should include the processes and systems for recording and processing sustainability-related data.

This new recommendation was not yet complied with in fiscal year 2022. The Management Board developed a CSR strategy with targets in fiscal 2022, which will be established in 2023. From the 2023 financial year, the internal control system and the risk management system should also cover these sustainability-related targets.

Competency profile/objectives for the composition (Recommendation C.1 sentence 3).

In the new C.1 sentence 3, the code recommends that the competence profile of the Supervisory Board should also include expertise on sustainability issues of importance to the company.

This new recommendation was only partially complied with in fiscal year 2022. The Supervisory Board adopted a correspondingly adjusted competence profile in December 2022.

Ratio of short- and long-term variable compensation components (Recommendation G.6)

In G.6, the code recommends that the variable compensation resulting from the achievement of long-term targets should exceed the portion resulting from short-term targets.

The service agreement concluded with Mr. Keul deviates from this recommendation in the period from 1 May 2021 to the end of 31 December 2022. In this period, the variable compensation granted to Mr. Keul will consist exclusively of an annual short-term incentive (STI) based on the achievement of short-term oriented targets. From 1 January 2023, in addition to the STI, Mr. Keul will be granted a long-term incentive (LTI) based on long-term targets, which will exceed each the STI if 100% of the targets are achieved. The Supervisory Board considers this arrangement to be appropriate and reasonable in view of the specific situation.

Determination of performance criteria for the upcoming fiscal year (Recommendation G.7 sentence 1)

According to recommendation G.7 sentence 1 of the code, the Supervisory Board shall determine the performance criteria for all variable compensation components for each member of the Board of Management for the upcoming fiscal year, which - in addition to operational - shall be based primarily on strategic objectives.

There was a deviation from this recommendation for the financial year 2022 regarding the financial target values for the STI and the LTI for the following reasons: When determining the financial performance targets relevant for measuring the STI, the budget planning prepared annually by the Board of Management and approved by the Supervisory Board is to be given priority. The budget planning to be prepared for the financial year 2022 was far less reliable than is usually the case. There were considerable planning uncertainties due to the worsening COVID 19 pandemic situation. The target values for the 2022 variable compensation of the members of the Board of Management were therefore not set until March 2022. From the 2023 financial year, recommendation G.7 sentence 1 will again be complied with.

Investment of variable compensation amounts in shares of the Company or corresponding share-based granting (recommendation G.10 sentence 1)

In G.10 sentence 1, the code recommends that the variable compensation amounts granted to the member of the Board of Management should be invested by him mainly in shares of the Company or granted on a corresponding share-based basis, considering the respective tax burden.

The service agreement concluded with Mr. Keul also deviates from this recommendation until the end of 31 December 2022. This is because the respective STI payment amounts will be paid to Mr. Keul after the respective due date in cash and therefore neither in shares of the Company nor share-based. However, Mr. Keul is obliged to use an amount equal to 25% of the annual STI payments to acquire Leifheit shares. The Supervisory Board considers such a personal investment to be sufficient and does not consider share-based variable remuneration in addition of this to be necessary. Recommendation G.10 sentence 1 will be fully complied with as of 1 January 2023.

Availability of granted long-term variable remuneration components (recommendation G.10 sentence 2)

In G.10 sentence 2, the German corporate governance code recommends that granted long-term variable remuneration components should be accessible to Board of Management members only after a period of four years.

The 2022 amended remuneration system deviates from this recommendation with regard to the long-term incentive (LTI). Under the amended remuneration system, LTI tranches will be granted with a performance period of three years from 2023 (previously: four years). The reason for the shortened performance period is that priority is given to the respective medium-term planning – which also covers a period of three years – when the performance criteria relevant for assessing the LTI are determined. The amended remuneration system ensures that medium-term planning and LTI targets are aligned. The Supervisory Board believes that a three-year performance period equally provides an enduring incentive for Board of Management members to carry out their duties in a manner that promotes the business strategy and the long-term development of Leifheit AG.

Claw-back clause for variable Board of Management remuneration components (Recommendation G.11)

The code recommends in G.11 that variable remuneration may be withheld or reclaimed in justified cases.

As a precautionary measure, a deviation is declared from this recommendation, which probably also concerns the system for the remuneration of Board of Management members. The legal admissibility of so-called claw-back clauses, which are referred to in Recommendation G.11, has still not been conclusively clarified and, in particular, has not yet been decided by the highest courts. The Supervisory Board has therefore decided not to include a claw-back clause in the Board of Management service contracts and in the remuneration system.

Nassau/Lahn, December 2022