

# Corporate governance report

The Board of Management and the Supervisory Board report below on corporate governance at Leifheit in accordance with 3.10 of the German corporate governance code (DCGK).

To us, trusting cooperation between the Board of Management and the Supervisory Board, efficient internal and external control mechanisms, and a high level of transparency in corporate communications are matters of central importance. This way, we hope to secure the confidence of investors, customers, employees and the public at large in our company in the long term.

We give corporate governance a high priority and are guided by the recommendations of the German corporate governance code (DCGK). The code represents key statutory regulations for the management and monitoring of German listed companies and contains internationally and nationally recognised standards for good and responsible corporate governance.

Leifheit AG is a publicly listed stock corporation with registered offices in Germany. The German law, the regulations of stock corporations and financial markets as well as the articles of incorporation of Leifheit AG in particular besides the DCGK provide the framework for structuring corporate governance.

## Recommendations from the code implemented

In the reporting period, the Board of Management and the Supervisory Board vigorously discussed the recommendations of the government commission on the DCGK in the version of 7 February 2017 and updated the declaration of conformity in accordance with section 161 para. 1 German stock corporation act (AktG) in December 2017 on the basis of these discussions. Leifheit AG applies all of the government commission's recommendations. All previously issued declarations of conformity are publicly accessible on the company's website ([corporate-governance.leifheit-group.com](http://corporate-governance.leifheit-group.com)).

## Shareholders and the Annual General Meeting

The shareholders of Leifheit AG exercise their rights at the Annual General Meeting of the company, which, according to the articles of incorporation, is chaired by the Chairman of the Supervisory Board. The Annual General Meeting is held once a year. Each share represents one voting right.

The invitation to the Annual General Meeting with the forthcoming agenda and an explanation of the conditions for participation are published in accordance with the legal regulations and the articles of incorporation.

Shareholders can either exercise their voting rights at the Annual General Meeting themselves, via a proxy of their choice or via a proxy of the company who is bound by instructions. Shareholders also have the option of casting their votes – without authorising a representative – by postal ballot. Voting instructions can be issued by post, fax, email or through an online service. Employees manning our Annual General Meeting hotline are available to answer questions about registration, proxy voting and postal voting.

All documents and information related to the Annual General Meeting are available on our website ([agm.leifheit-group.com](http://agm.leifheit-group.com)), which contains links to the online service and the live transmission of the public portion of the meeting as well. We also publish attendance figures and the voting results on the website immediately following the Annual General Meeting.

## Cooperation between the Board of Management and the Supervisory Board

As a German stock corporation, Leifheit AG has three organs: the Board of Management, the Supervisory Board and the Annual General Meeting. Their responsibilities and powers result specifically from the AktG and the articles of incorporation.

The AktG provides for a clear separation between the persons staffing the management and supervisory organs. The management organ is the Board of Management, which is supervised and counselled by the Supervisory Board with regard to the management of the company.

The Board of Management and the Supervisory Board of Leifheit AG communicate openly with each other in a spirit of close cooperation. Transactions and decisions that are of fundamental importance to the company are coordinated closely between the Board of Management and the Supervisory Board. The Supervisory Board's rights to reserve approval are regulated by the articles of incorporation of Leifheit AG.

By virtue of systematic internal control and risk management, risks are identified early, assessed and monitored. The Board of Management reports existing risks and their development to the Supervisory Board at regular intervals.

The work method of the Board of Management and the Supervisory Board as well as the composition and work methods of their committees are described in detail in the statements regarding the company management and are publicly accessible on our website.

Taking into account the statutory requirements, Leifheit has taken out directors and officers liability insurance (known as D&O insurance) with an appropriate deductible for the members of the Board of Management and the Supervisory Board in accordance with section 93 para. 2 sentence 3 AktG and in accordance with the DCGK.

## Remuneration of the Board of Management and the Supervisory Board

The main features of the remuneration system for the Board of Management as well as the components of the Supervisory Board's remuneration are described in detail in the remuneration report. It is part of the combined audited management report for both Leifheit AG and the Group.

## Conflicts of interest of the Board of Management and the Supervisory Board

There were no 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.

No consultancy agreements or other agreements for contractual performance existed between members of the Supervisory Board and the company in the reporting period. The memberships of Board of Management and Supervisory Board members in statutory supervisory boards or similar domestic and foreign control committees of enterprises can be found in the "Organs" section of the annual financial statements.

No member of the Board of Management currently holds mandates in supervisory boards at listed companies that are not part of the Group. In financial year 2017, there were no reportable relationships or transactions with related parties.

## Compliance

Through our compliance management system (CMS), implemented as a Group-wide measure, we ensure compliance with laws and regulations, recognised standards and recommendations, as well as our own guidelines. Effectiveness is both a key basic principle for Leifheit and the goal of commercially responsible conduct.

We take guidance in particular from the German corporate governance code and in-house guidelines, such as the Leifheit competency model, the Leifheit Code of Conduct, the Antitrust Code of Compliance, insider guidelines and our own requirements for our suppliers.

The Board of Management and the management team of Leifheit are committed to compliance as a leadership duty. The principles of the compliance management system and standards of conduct have been in place for years and are part of the day-to-day business routine. More information is available on our website.

## Appropriate control and risk management

Dealing with risks in a responsible manner is part of corporate governance at Leifheit. A fundamental requirement of professional corporate governance is the continuous and systematic management of business risks. By means of this process, it is possible to identify risks at an early stage, when they can be assessed and controlled by taking appropriate measures. The Board of Management reports regularly to the Supervisory Board on current developments regarding material risks. The Audit Committee regularly deals with monitoring of the accounting process as well as the effectiveness of the internal control, risk management and internal audit systems. The committee also deals with the annual audit of the financial statements and the independence of the auditors.

## Composition of the Supervisory Board

In accordance with 5.4.1 of the DCGK, the Supervisory Board has named specific targets for its composition and has developed a competency profile for the board as a whole (diversity concept). The targets and concept have been implemented. Details on this matter may be found in the declaration of corporate management on the website. All current shareholder representatives – Ulli Gritzuhn, Karsten Schmidt, Sonja Wärntges and Helmut Zahn – are independent Supervisory Board members as defined by 5.4.2 of the DCGK.

## Transparency in favour of shareholders and the public

In order to ensure the greatest possible degree of transparency and equal opportunities, we have made it our goal to inform all our target groups comprehensively, equally and in a timely manner. For this purpose, interested parties can find key recurring dates in our financial calendar, which is published in our annual financial report, quarterly statements and half-yearly financial reports, as well as on the website ([ir.leifheit-group.com](http://ir.leifheit-group.com)).

We release information on the strategy, the situation of the Group, all major business changes, business development and the financial position and results of operations of our company regularly and in a timely manner in the quarterly statements, the half-yearly financial report and in detail in the annual financial report. These reports are also published on our website.

The Board of Management and the investor relations department are in regular contact with private and institutional investors as part of investor relations activities, which include capital market conferences, for example. More information about our capital market activities can be found in the “The Leifheit share” section of our annual financial report.

We also publish all press and ad-hoc announcements as well as presentations about press and analyst conferences, in addition to the Annual General Meeting, on our website.

## Directors' dealings and shareholdings of the Board of Management and the Supervisory Board

In accordance with article 19 of the market abuse regulation (EU) no. 596/2014, the members of the Board of Management and the Supervisory Board or their related parties are legally required to disclose all transactions involving the purchase or sale of Leifheit AG shares or related financial instruments if such transactions total or exceed € 5,000 in a calendar year. Notifications that are received are published on the website.

## Accounting and auditing

As a listed company, Leifheit AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and the additional requirements of commercial law in accordance with section 315e para. 1 German commercial code (HGB). They also serve as the basis for the half-yearly financial report and the quarterly statements.

The separate financial statements of Leifheit AG, which are the deciding factor for the payment of the dividend, are prepared in accordance with the provisions of the HGB and the AktG.

The management report of Leifheit AG and the consolidated management report were combined in accordance with section 315 para. 5 and section 298 para. 2 HGB.

It was agreed with the auditors that the Chairman of the Supervisory Board will be informed immediately of any grounds for disqualification or partiality arising during the audit, unless such grounds are eliminated immediately.

The auditor must also report without delay on all findings and events that it acquires knowledge of during the performance of the audit that have a direct bearing on the work of the Supervisory Board. In addition, the auditor must inform the Supervisory Board or note in its audit report any facts ascertained during the performance of the audit that are inconsistent with the declaration of conformity issued by the Board of Management and the Supervisory Board in accordance with section 161 AktG regarding the DCGK.

The Annual General Meeting on 24 May 2017 accepted the proposal of the Supervisory Board in line with the recommendations of the Audit Committee and selected KPMG AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as the auditor for financial year 2017. KPMG has been the group auditor of Leifheit AG since financial year 2016. The signatory auditors are Franz Andreas Höfter (since financial year 2016) and Sebastian Hergarten (since financial year 2017). The statutory provisions and rotation obligations under sections 319 and 319a HGB have been complied with.

## **Declaration of corporate management**

The declaration of corporate management in accordance with sections 289f and 315d HGB includes the declaration of conformity in accordance with section 161 AktG, relevant information about corporate management practices, and a description of the work methods of the Board of Management and the Supervisory Board, as well as the composition and work methods of their committees, the declaration on the defined targets according to the German law on the equal participation of women and men in leadership positions and the description of the diversity concept. It is publicly accessible on our website.