

### 3. Report of the Supervisory Board



#### Dear shareholders,

GRAMMER' employees have met the challenges of the past financial year – the search for innovative solutions for a vehicle industry in transition as well as the global economic consequences of the COVID 19 pandemic – with impressive commitment and great perseverance with the help of the unique Way of Working @GRAMMER.

After some new members were appointed to positions on the GRAMMER AG Supervisory Board in 2020, we had many opportunities last year to step up collaboration. Our work focused on areas including revising and redesigning the remuneration systems for the Executive Board and the Supervisory Board, regularly discussing the Company's position, further developing regular reporting on governance issues, especially on risk and compliance management. Furthermore, the focus was on the discussion of personnel development and succession planning, taking into account aspects such as diversity and corporate culture shaped by the Way of Working @GRAMMER. By reappointing members of the GRAMMER AG Executive Board, we are commit-

**"In 2021, too, the employees at GRAMMER met the challenges with impressive commitment and great perseverance."**

**Alfred Weber**

Chairman of the Supervisory Board

ting to continuity in terms of corporate governance so that we can address the challenges we face during these constantly changing times.

In 2021, the Supervisory Board collaborated closely with the Executive Board to propel the Group-wide positive cultural shift and advised the Executive Board on developing the strategies of the two divisions, in particularly taking into account customer feedback, advances in digitalization as well as sustainability and climate protection. This is helping make the GRAMMER site in Haselmühl near Amberg the most cutting-edge production plant for offroad commercial vehicle seats in the world. In addition, the transformation of GRAMMER into a Green Company is being driven forward by defining the areas of action necessary to achieve the Group-wide target of reducing CO<sub>2</sub> emissions by at least 50% by the end of this decade.

#### **Monitoring and advisory activities of the Supervisory Board**

In 2021, the Supervisory Board fulfilled its duties with the utmost care in accordance with the applicable statutory requirements, Articles of Association, the German Corporate Governance Code and the rules of procedure. It monitored the activities of the Executive Board on a thorough and ongoing basis, advising it on all matters of importance for the Company.

All important matters were discussed in detail during the meetings of the Supervisory Board on the basis of written reports submitted in advance by the Executive Board. Some were also prepared for resolution in the committees. Both the shareholder

representatives and the employee representatives met before each ordinary meeting of the Supervisory Board for preliminary discussions.

The Supervisory Board's approval was requested in all cases where this was required under the rules of procedure. The individual decisions were preceded by intense discussion normally on the basis of a corresponding submission or presentation by the Executive Board. The Supervisory Board and the Executive Board discussed decisions of fundamental importance such as strategic issues concerning corporate planning, business policy, business performance, the risk situation and risk management.

The Supervisory Board also meets regularly in the absence of the Executive Board to deal with matters relating either to the Executive Board itself or to internal Supervisory Board matters.

The Executive Board and the Supervisory Board worked together constructively, openly and in a spirit of mutual trust. The Executive Board also informed the Supervisory Board outside the meetings of matters of particular significance.

In addition, members of the Supervisory Board regularly exchanged information with the Chairman of the Executive Board and the other Executive Board members. The entire Supervisory Board was briefed on the content of these discussions by no later than at the next meeting.

## **Main matters dealt with at the meetings of the Supervisory Board**

The Supervisory Board of GRAMMER AG held five ordinary (including one executive session) and two extraordinary meetings last year.

No member of the Supervisory Board or its committees attended only half or fewer than half of the meetings. No conflicts of interest on the part of any of the members of the Supervisory Board in connection with the exercise of their duties were reported in the period under review.

At its ordinary quarterly meetings as well as its extraordinary meetings, the Supervisory Board dealt in detail with the Company's current business and financial condition. At these regular meetings, the Supervisory Board deliberated on the revenue and earnings performance as well as the financial condition and liquidity situation of GRAMMER AG and the GRAMMER Group. In addition, the members of the Supervisory Board discussed and passed resolutions on numerous matters as well as measures requiring their consent. The Executive Board reported to the Supervisory Board on a large number of other measures and business transactions, discussing them at length and in detail, for example, managing the global pandemic and dealing with the ongoing supply chain challenges.

In its regular reports on the state of the Company, the Executive Board provided information during the ordinary meetings of the Supervisory Board on the general situation with regard to the business of the Group and the reportable operating segments in the AMERICAS, APAC and EMEA regions, the financial situation and the further strategic orientation. Business performance in the AMERICAS region was particularly relevant in the second half of the year.

Another focus topic in the first half of the year was the establishment of a new remuneration system for the Executive Board and the Supervisory Board. The existing Executive Board remuneration system was drawn up in 2018 and must be revised, in part due to the latest amendments to the German Stock Corpo-

ration Act and the German Corporate Governance Code. The 2021 Annual General Meeting approved the new remuneration systems by a large majority.

Discussion of business requiring approval – chiefly regarding M&A projects such as the establishment of another joint venture in China or the sale of the subsidiary in Spain – the establishment of new Group companies and capital measures at Group companies, were also on the agenda at Supervisory Board meetings. The GRAMMER AG Supervisory Board also looked at the Company's risk management in detail.

All twelve members of the Supervisory Board attended the first extraordinary Supervisory Board meeting on January 15, 2021. At this meeting, they discussed revising the Executive Board and Supervisory Board remuneration systems, the result of the 2020 self-assessment by the GRAMMER AG Supervisory Board, the measures taken as a result and the GRAMMER Group's current opportunity and risk report. The establishment of another joint venture in Harbin, China, and a capital increase at the Spanish subsidiary were also discussed and resolved.

The second extraordinary meeting of the Supervisory Board was held on April 26, 2021 and was attended by eleven members of the Supervisory Board. One Supervisory Board member was excused. At this meeting, members approved resolutions on holding the 2021 Annual General Meeting as a virtual event, the agenda, the sale of the subsidiary in Spain and the establishment of a new GRAMMER company in Hefei as the future headquarters in China.

All members of the Supervisory Board attended the first ordinary meeting on March 29/30, 2021. As well as Executive Board reporting on the current state of the Company and a discussion of ongoing M&A projects, the agenda included an updated resolution on the Executive Board remuneration system. This meeting also established the target values for Executive Board remuneration for 2021 and carried out the Executive Board performance evaluation for 2020. It was also decided to reappoint Mr. Jens Öhlenschläger as a member of the Executive Board from

January 1, 2022 until December 31, 2026 and new rules of procedure were approved for the Supervisory Board and the Audit Committee, which can be viewed on GRAMMER AG's website.

As well as Executive Board reporting on the current state of the Company – including on current focus topics regarding market entry in India, the AMERICAS region, and the discussion of ongoing M&A projects – the agenda of the second ordinary Supervisory Board meeting on June 22, 2021, which was attended by all Supervisory Board members, included the approval of the supplementary budget for investment in 2021 and the preliminary discussion of the potential reappointment of Executive Board members Ms. Jurate Keblyte and Mr. Thorsten Seehars. The Supervisory Board also received up-to-date information on the ordinary Annual General Meeting taking place on the following day.

The main topics discussed at the third ordinary Supervisory Board meeting on September 23, 2021, which was attended by eleven members of the Supervisory Board, were the Supervisory Board's approval of a capital increase at the Group company in Belgium, ongoing M&A projects and the Supervisory Board's self-assessment in 2021. The Supervisory Board resolved to carry out the self-assessment on the basis of an online questionnaire. As well as Executive Board reporting on the current state of the Company and current focus topics, including optimization of the manufacturing footprint and updates on digitalization, the strategy and collaboration projects with the principal shareholder Ningbo Jifeng, the Executive Board also informed the Supervisory Board about personnel development, succession planning at GRAMMER and current questions relating to IT security.

The fourth ordinary Supervisory Board meeting, which was attended by eleven Supervisory Board members, was held as an executive session without the Executive Board on November 16, 2021. Presentations were given on relevant, current topics to aid the further training of the Supervisory Board, in some cases by external speakers. The Supervisory Board was informed about the German Supply Chain Due Diligence Act and the obligations this entails for the GRAMMER Group. Other presentations focused

on issues relating to the obligations and liability of the Supervisory Board, including an overview of D&O insurance, and the German Act to Strengthen Financial Market Integrity (FISG) and its impact on GRAMMER AG. The Supervisory Board also looked closely at the results of the 2021 self-assessment and established appropriate measures. Overall, the work of the Supervisory Board and its committees was considered to be efficient and was essentially rated favorably.

At the fifth ordinary Supervisory Board meeting on December 9, 2021, the Supervisory Board was informed about the current state of the Company, primarily in the AMERICAS region, and about the risk management, internal control and compliance system and measures by Internal Auditing. In addition, the Supervisory Board discussed the recommendations of the German Corporate Governance Code and resolved an updated declaration of conformity for 2021.

The budget for 2022 and the medium-term budget for 2023–2026 were approved by the Supervisory Board at an extraordinary meeting on January 18, 2022, which was attended by eleven members.

### **Circulatory resolutions of the Supervisory Board**

In 2021, the Supervisory Board of GRAMMER AG passed two circulatory resolutions in writing.

Ms. Jurate Keblyte and Mr. Thorsten Seehars were reappointed as members of the Executive Board ahead of schedule on August 6, 2021. Ms. Keblyte was appointed as a member of the Executive Board until June 30, 2027 and Mr. Seehars was appointed as a member of the Executive Board, Chairman of the Executive Board and Human Resources Officer until August 31, 2026. Both circulatory resolutions were discussed in advance at the Supervisory Board meeting on June 22, 2021 and at the Personnel Committee meeting on July 26, 2021.

### **Attendance at the meetings of the Supervisory Board**

A member-by-member breakdown of participation in the meetings of the Supervisory Board and its committees can be found in the corporate governance report and the corporate governance statement. Apologies were duly received from members unable to attend the meetings of the Supervisory Board or its committees, who generally cast their votes in writing. Reflecting the special circumstances arising from the COVID-19 pandemic, most meetings were held in virtual or hybrid form.

### **Supervisory Board committees**

To facilitate the efficient discharge of its duties, the Supervisory Board established the following five committees in the year under review, which had the following composition as of December 31, 2021:

#### **Composition of the committees**

##### **Strategy Committee**

Martin Heiß	Member
Dr. Peter Merten	Member
Horst Ott (deputy Ch SB)	Member
Alfred Weber (Ch SB)	Chairman

##### **Nominating Committee**

Dr. Peter Merten	Member
Gabriele Sons	Member
Alfred Weber (Ch SB)	Member

##### **Personnel and Mediation Committee**

Martin Heiß	Member
Horst Ott (deputy Ch SB)	Member
Gabriele Sons	Member
Alfred Weber (Ch SB)	Chairman

##### **Audit Committee**

Andrea Elsner	Member
Dr. Peter Merten	Chairman
Antje Wagner	Member
Alfred Weber (Ch SB)	Member

##### **Executive Committee**

Horst Ott (deputy Ch SB)	Member
Alfred Weber (Ch SB)	Member

The Supervisory Board of GRAMMER AG has formed an Audit Committee, a Strategy Committee, a Personnel and Mediation Committee, a Nomination Committee and an Executive Committee. Details of the deliberations at the meetings of the committees were reported at the following meeting of the Supervisory Board.

The **Audit Committee** met five times in the reporting year (four ordinary and one extraordinary meetings) prepares the resolutions of the Supervisory Board on accounting matters and monitors the accounts, the accounting system, the efficacy of the internal control system, the risk management system and the internal auditing system as well as compliance. It submits to the Supervisory Board a reasoned recommendation for the selection of the statutory auditor, which must include at least two candidates in cases in which proposals are requested for the audit engagement. It monitors the independence of the statutory auditor and also deals with additional services provided by the statutory auditor, the grant of the audit engagement to the statutory auditor, the determination of the key audit issues and the agreement of the fees. As well as discussing the annual financial statements of GRAMMER AG and the Group and interim financial statements, focal areas in 2021 included monitoring and reviewing the effectiveness of risk and compliance management, internal auditing and the internal control system, as well as approving non-audit services. The Audit Committee also informed the Supervisory Board of its recommendation for auditor. At its extraordinary meeting, it discussed in detail the budget for 2022 and the multi-year planning for 2023 – 2026 presented by the Executive Board and submitted a recommended resolution for the Supervisory Board.

The **Strategy Committee** advises the Executive Board on the development and implementation of the corporate strategy. It monitors the progress being made, prepares the consultations and resolutions of the Supervisory Board in connection with strategy-related matters and submits recommendations to it. The committee met twice in 2021. Key topics were advising the Executive Board on the further development of the corporate strategy, advising on location decisions and discussing ongoing M&A

projects, as well as preparing the corresponding Supervisory Board decisions.

In addition to its duties under the German Codetermination Act, the **Personnel and Mediation Committee** performs tasks relating to Executive Board matters. It prepares personnel decisions to be made by the Supervisory Board as a whole. This committee met seven times in the year under review (five extraordinary and two ordinary meetings). It focused on the redesign of the remuneration system for the GRAMMER AG Executive Board, the reappointment of members of the Executive Board and the preparation of Supervisory Board decisions regarding target setting and target attainment for the Executive Board.

The **Nomination Committee** is responsible for proposing suitable nominees for the Supervisory Board to the Annual General Meeting, taking into account the current competence profile. The Nomination Committee did not meet in the year under review.

The **Executive Committee** supports the Chairman of the Supervisory Board in the performance of his duties, particularly the preparation of the meetings and the coordination of the Supervisory Board's activities as well as the preparation of the resolutions to be passed by the Supervisory Board. The Executive Committee met five times in the year under review.

### **Annual and consolidated financial statements**

The Annual General Meeting held on June 23, 2021, appointed Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, Germany, as statutory auditor of the annual financial statements and the consolidated financial statements for the reporting year. At its meeting of August 3, 2021, the Audit Committee engaged the auditor for the 2021 annual financial statements and the consolidated financial statements. The auditor submitted the Statement of Auditor's Independence as required by the German Corporate Governance Code and disclosed the auditing and consulting fees charged during the financial year. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft audited GRAMMER AG's annual financial statements prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements of GRAMMER Group prepared in

accordance with IFRS as well as the management report for GRAMMER AG and the GRAMMER Group. The auditor issued an unqualified opinion for the annual financial statements and the consolidated financial statements for the period ending December 31, 2021. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft determined that the management report of GRAMMER AG and the GRAMMER Group provides a true and fair view of the Company and of the Group, as well as the opportunities and risks with regard to future development.

The auditor was satisfied in accordance with section 317 (4) HGB that the Executive Board had instituted a suitable monitoring system that meets the statutory requirements for an early warning system to identify risks threatening the Company's going-concern status and that the Executive Board had implemented appropriate measures for early detection of developments and for averting risks.

The reports and financial statement documents were submitted to the members of the Supervisory Board by the auditor in a timely manner and examined thoroughly. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft reported on the primary results of the audit during the meeting of the Audit Committee held on March 29, 2022 dealing with the annual and consolidated financial statements and at the meeting of the Supervisory Board held on the same day reviewing the financial statements.

After thorough examination of the annual financial statements and the consolidated financial statements for 2021, as well as the management report of GRAMMER AG and the GRAMMER Group, the Supervisory Board raised no objections in this regard. The Supervisory Board thus endorsed the audit results established by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and approved the annual financial statements for GRAMMER AG and the Group for 2021. GRAMMER AG's annual financial statements were therefore duly approved. In view of the net loss for the year sustained by GRAMMER AG in the year under review, no dividend will be proposed. The net loss as of December 31, 2021 will be carried forward.

### Dependent company report

The report prepared by the Executive Board on the Company's relationships with affiliated companies (dependent company report) for the period from January 1 to December 31, 2021, was audited by the independent auditors, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, who issued an unqualified audit opinion:

"Based on our audit and opinion as required by law, we confirm that

1. the factual statements made in the report are correct,
2. the consideration paid by the Company for the transactions listed in the report was not unreasonably high or disadvantages were compensated."

The dependent company report and the auditor's report were submitted to all members of the Supervisory Board in good time and discussed in detail at the meeting of the Audit Committee on March 29, 2022 and at the meeting of the Supervisory Board on the same day. The independent auditor was available at both meetings to answer questions and provide information on the dependent company report and the main findings of his audit.

Following its own detailed review and discussion of the dependent company report, the Supervisory Board approved the results of the audit and determined that it had no objections to the declaration of the Executive Board appended to the dependent company report.

### Remuneration report

The report prepared by the Executive Board and the Supervisory Board on Executive Board and Supervisory Board remuneration for 2021 (remuneration report) was audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, which issued an unqualified audit opinion.

On behalf of the Supervisory Board, I would like to thank all GRAMMER employees for their dedicated efforts over the past year. Thanks are equally due to the members of the Executive Board, who have guided the Company through a very difficult market environment. I would also like to thank our employee representatives and the works councils, who have always provided constructive support for GRAMMER's development. Finally, the Supervisory Board would also like to convey its gratitude to the shareholders, particularly the Wang family as the main shareholder, who placed their trust in GRAMMER AG's Executive Board and Supervisory Board last year.

Last but not least, I would like to thank my colleagues on the Supervisory Board, the Executive Board and the entire GRAMMER team personally and on behalf of my colleague Dr. Peter Merten for their excellent cooperation over the past years. For personal reasons, Dr. Merten and I will resign our Supervisory Board mandates at the end of the Annual General Meeting on May 18, 2022. I wish the Company and the entire team all the best and much success in the future.

Ursensollen, March 2022  
On behalf of the Supervisory Board



Alfred Weber  
Chairman