

## Report of the Supervisory Board



**Dr. Martin Kleinschmitt**

Chairman of the Supervisory Board

### Dear Shareholders,

2023 was another challenging year – globally and also for GRAMMER AG. Longstanding crises, such as the war in Ukraine, continued and new ones were added, such as the war in the Middle East. In this context, the economy did not recover as originally hoped – especially in Germany, where industrial production has recently declined considerably and overall economic output contracted last year.

Despite these challenges, the Executive Board, managers, and employees at GRAMMER did everything possible to keep guiding the company robustly through this difficult market situation. It is particularly in uncertain times characterized by change that the qualities of a company's management and workforce come to the fore. Thanks to their dedication, we are confident that GRAMMER can also continue to ensure stability and long-term success.

Looking back on the past year, there is also a change on the Supervisory Board to report: After Mr. Horst Ott, who had taken on the district management of IG Metall Bayern as of April 1, 2023, resigned at the end of September 2023, Mr. Udo Fechtner, first representative of IG Metall Amberg, was appointed by court order as a member of the Supervisory Board from October 2023. On behalf of the Supervisory Board, I would like to thank Mr. Ott for his great dedication over the last few years.

It was an honor for me to continue in the position of Chairman of the Supervisory Board last year and, together with my Supervisory Board colleagues, help drive GRAMMER's responsible and sustainable development moving forward.

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

The Supervisory Board performed all the duties required of it by law, the articles of association and rules of procedure with the utmost diligence last year. We monitored and advised the Executive Board in its management of the Company on the basis of the Executive Board's detailed written and verbal reports. In addition, the Chairman of the Supervisory Board regularly exchanged information with the Executive Board, and particularly the Spokesman of the Executive Board. This way, the Supervisory Board was informed at all times of the intended business policy, corporate planning (including financial, investment, and personnel planning), the Company's profitability and financial position, business developments, and the position of the Company and the Group. The Supervisory Board was involved directly and at an early stage in

all decisions of key importance to the Company and discussed these in detail with the Executive Board. Where Supervisory Board approval was required for management decisions or measures on account of the law, articles of association, or rules of procedure, the members of the Supervisory Board – in some cases, prepared by the committees – approved these after reviewing and discussing them.

#### **Topics addressed by the Supervisory Board as a whole**

The Supervisory Board of GRAMMER AG held five ordinary and one extraordinary meeting last year. Five of these meetings were held in person and one as a video conference. No meetings were held as conference calls. One resolution was also passed outside of meetings by way of a digital process.

The board as a whole regularly discussed the Executive Board's reporting on the revenue and earnings performance of GRAMMER AG and the Group and the financial position and results of operations. We also dealt with business requiring approval and discussed business in the AMERICAS region in more detail, as required. In addition, the Executive Board reported on the continuing political and economic impact of the war in Ukraine and how this affects GRAMMER. In particular, we focused on the risk of supply chain bottlenecks and higher prices – especially for raw materials, logistics, and energy. The Supervisory Board also met 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.

As well as Executive Board reporting on the Company's current position, agenda items at the first Supervisory Board meeting on March 28, 2023, included the approval and thus adoption of the annual financial statements and consolidated financial statements as of December 31, 2022, and the management reports for GRAMMER AG and the Group, related resolutions, and the appropriation of the profit for the 2022 financial year. The board approved the establishment of two companies in China and adopted the agenda for the Annual General Meeting in 2023. The Executive Board performance evaluation for the 2022 financial year was also carried out without the attendance of the Executive Board.

The second Supervisory Board meeting on May 9, 2023, focused on reporting by the Executive Board on the current business situation and information about GRAMMER AG's Annual General Meeting, which was being held on the next day. The Supervisory Board also discussed sustainability management issues at GRAMMER in detail.

In a resolution passed on July 3, 2023, outside a meeting by way of a digital process, the Supervisory Board approved the termination of a joint venture in China and the acquisition of the corresponding shares of the joint venture partner.

The third Supervisory Board meeting was held on September 19, 2023, at one of GRAMMER's Czech locations. Prior to the meeting, the board gained insights into production during a factory tour. At the meeting, the Executive Board reported in detail on the Company's current business situation, particularly focusing on operational issues in the regions and especially in the AMERICAS region. The Supervisory Board approved the establishment of a joint venture in China for the production of car seats with a Ningbo Jifeng Group company and also discussed issues relating to the GRAMMER Group's strategy. After Mr. Ott had resigned from his position as a member of the Supervisory Board as of the end of September 30, 2023, Mr. Udo Fechtner was elected as Deputy Chairman of the Supervisory Board with effect from October 1,

2023, and the composition of the committees was changed in some cases.

The fourth ordinary Supervisory Board meeting was held as an executive session without the Executive Board on November 14, 2023. Presentations were given on current topics to aid the further training of the Supervisory Board: The Supervisory Board was informed about cyber security at companies, also taking account of the Supervisory Board's perspective, and was given detailed insights into the GRAMMER product worlds presented at the showroom in Ursensollen. The Supervisory Board also looked closely at the results of the 2023 self-assessment that was conducted in the weeks prior to the meeting in the form of questionnaires. It also considered the work of the committees. The Executive Board's perspective was also integrated into the survey. Overall, the work of the Supervisory Board and its committees was rated favorably and considered to be efficient.

At the fifth ordinary Supervisory Board meeting on December 19, 2023, the Executive Board informed the Supervisory Board about the current state of the Company as part of its regular reporting. It particularly focused on the AMERICAS region and planned cooperations with the Ningbo Jifeng Group. For example, the establishment of another joint venture for car seat production in Europe was approved. The meeting also focused on discussing and approving the budget presented by the Executive Board for the 2024 financial year and the medium-term planning for 2025 to 2028. The corporate strategy and cyber security at GRAMMER were also reported on in detail. The Supervisory Board also discussed the recommendations of the German Corporate Governance Code and approved the 2023 declaration of conformity. The board received annual reports on risk management, the internal control and compliance system, and measures by Internal Audit. In addition, the Supervisory Board discussed required changes to its competence profile and adopted the current qualification matrix. The gender targets on the Executive Board were also resolved. In addition, Mr. Guoqiang Li was appointed as a member of the Executive Board of GRAMMER AG. His appointment will take effect as of April 1, 2024.

### **German Corporate Governance Code**

The Supervisory Board agreed upon a declaration of conformity in accordance with section 161 AktG at the Supervisory Board meeting on December 19, 2023. Information on corporate governance can be found in the corporate governance declaration, which is available <https://www.grammer.com/en/investor-relations/corporate-governance/>. The declaration of conformity is permanently available to the public online at <https://www.grammer.com/en/investor-relations/corporate-governance/>. The current declaration of conformity is also included in the corporate governance declaration.

### **Work of the Supervisory Board's committees**

The Supervisory Board had five committees in the reporting year. They prepare resolutions and topics to be discussed by the Supervisory Board as a whole. Decision-making authorities of the Supervisory Board are assigned to committees as permitted by law. The committee chairs generally report on the work of the committees to the Supervisory Board at the following meeting. The tasks and members of the committees are set out in detail in the corporate governance declaration.

The [Audit Committee](#) held four ordinary meetings. Two meetings were held in person, one as a hybrid meeting (i.e. in person with the option to attend virtually) and one as a virtual meeting by video conference. In the presence of the auditor and the Executive Board, the Audit Committee discussed the annual financial statements and the management reports for GRAMMER AG and the Group. It discussed the half-yearly financial report and quarterly statements with the Executive Board. As part of preparing and carrying out the audit, the Audit Committee, primarily the Chairwoman, regularly met with the auditor without the Executive Board and reported on this to the committee. The Audit Committee recommended that the Supervisory Board propose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, to the Annual General Meeting as auditor for the 2023 financial year. It issued the audit engagement to the auditor selected by the Annual General Meeting for the 2023 financial year, determined the main focal points of the audit, and set the fees. It monitored

the selection, independence, qualifications, and rotation of the auditor and the auditor's services, including the approval of certain non-audit services, as well as reviewing the quality of the audit. The Audit Committee also discussed the accounts, the accounting system, the appropriateness and efficacy of the Company's internal control system and risk management system, and the effectiveness and findings of Internal Auditing. In addition, the Audit Committee addressed compliance with legal provisions, regulations, and internal company policies. One topic area related to preparations for the sustainability reporting that was to become mandatory for GRAMMER AG from the 2024 financial year in accordance with Directive (EU) No. 2022/2464 of the European Parliament and of the Council.

The **Personnel and Mediation Committee** met four times last year. One meeting was held in person and three as virtual video conferences. In particular, the committee prepared the Supervisory Board's resolutions for achieving and setting performance criteria and the targets for variable Executive Board remuneration as well as the preparation of the remuneration report for the previous financial year. One focus topic of the meetings was on preparing the Supervisory Board's personnel decisions. For example, the committee prepared the appointment of Mr. Guoqiang Li as a member of the Executive Board of GRAMMER AG.

The **Strategy Committee** held three meetings, one of which was held in person and two as hybrid meetings. These focused on presenting GRAMMER's strategy process and discussing selected strategic issues related to the Automotive and Commercial Vehicles product areas, including sustainable product development. In addition, an external speaker gave a talk on product lifecycle management and the committee discussed GRAMMER's current competitive position and portfolio analysis.

The **Chairman's Committee** met on four occasions, with all meetings held as conference calls. The Chairman's Committee prepared the ordinary meetings and resolutions of the Supervisory Board and coordinated the board's work, chiefly in relation to the content and focus topics of meetings.

The **Nomination Committee** did not hold any meetings in the past financial year.

### **Supervisory Board training**

The members of the Supervisory Board take their own initiative to undertake any training that may be required for their role and are supported here by the Company. Presentations on current issues are given for the purposes of targeted training, primarily at board meetings. For example, at the meeting on November 14, 2023, the Supervisory Board was informed about cyber security at companies, also taking account of the Supervisory Board's perspective, and was given detailed insights into the GRAMMER product worlds presented at the showroom in Ursensollen.

### **Individual disclosure of meeting attendance**

The attendance rate was 96% for Supervisory Board meetings and 100% for all committees that held meetings, i.e. for the Audit Committee, the Personnel and Mediation Committee, the Strategy Committee, and the Chairman's Committee. Meetings in the reporting year were held not only as in-person events but also as virtual video conferences or as in-person meetings with the option of attending virtually (hybrid meetings). Chairman's Committee meetings were held as conference calls.

The individual members' attendance at the meetings of the Supervisory Board and its committees is disclosed below:

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

Number of meetings /attendance in %		Full Supervisory Board		Audit Committee		Personnel and Mediation Committee		Strategy Committee		Chairman's Committee	
		Number	in %	Number	in %	Number	in %	Number	in %	Number	in %
Dr. Martin Kleinschmitt	Chairman	6/6	100	4/4	100	4/4	100	3/3	100	4/4	100
	Deputy Chairman (from October 1, 2023)										
Udo Fechtner		2/2	100			2/2	100	1/1	100	1/1	100
Klaus Bauer	Member	6/6	100								
Andrea Elsner	Member	6/6	100	4/4	100						
Dr. Ping He	Member	6/6	100								
Martin Heiss	Member	6/6	100			4/4	100	3/3	100		
Peter Kern	Member	6/6	100								
Jürgen Kostanjevec	Member	4/6	67								
Dagmar Rehm	Member	6/6	100	4/4	100						
Gabriele Sons	Member	6/6	100			4/4	100				
Prof. Dr. Birgit Vogel-Heuser	Member	6/6	100					3/3	100		
Antje Wagner	Member	6/6	100	4/4	100						
<b>Former members:</b>											
	Deputy Chairman (until September 30, 2023)										
Horst Ott		3/4	75			2/2	100	2/2	100	3/3	100
			<b>96</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>

### **Conflicts of interest**

GRAMMER AG's Supervisory Board members are obliged to immediately report any conflicts of interest, especially those that may arise on account of a consultation or board function at a customer, supplier, lender, or other business partner, to the Chairman of the Supervisory Board and then to the board as a whole. No members of the Executive Board or Supervisory Board were involved in any (potential) conflicts of interest in the reporting year.

### **Audit of 2023 annual and consolidated financial statements**

The Annual General Meeting of GRAMMER AG appointed Ernst&Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, on May 10, 2023, as the auditor of the annual financial statements and the consolidated financial statements for the 2023 financial year as proposed by the Supervisory Board and in accordance with the recommendation of the Audit Committee. Ernst&Young audited the annual financial statements of GRAMMER AG, the consolidated financial statements and the management reports for the 2023 financial year and issued an unqualified audit opinion. The German Public Auditor responsible is Udo Schuberth. Before being proposed as auditor to the Annual General Meeting by the Supervisory Board, Ernst&Young confirmed that there were no circumstances that could compromise its independence as auditor or give rise to doubts about its independence. Ernst&Young also stated the extent to which services outside the audit of the financial statements were provided to the Company in the previous financial year in compliance with the fee cap or are contractually agreed for the following year. GRAMMER AG's annual financial statements and management report were prepared in accordance with the provisions of the German Commercial Code. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and in accordance with the supplemental provisions of section 315e (1) HGB. The audit was conducted in accordance with section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). The auditor confirmed that the management reports provide a true and fair view

of GRAMMER AG and the Group and of the opportunities and risks with regard to future development. The audit of the early risk detection system as part of the audit found that the Executive Board has taken appropriate measures as required under section 91 (2) AktG, in particular to establish a monitoring system, and that the monitoring system is suitable for identifying developments that jeopardize the Company's going-concern status at an early stage. The annual and consolidated financial statements of GRAMMER AG, the management reports, the separate non-financial report, and the auditor's reports were provided to all Supervisory Board members in good time. The Audit Committee performed a preliminary audit of these documents at its meeting on March 26, 2024, and reported on this to the Supervisory Board at the ordinary Supervisory Board meeting on the same day. The statements and reports were then discussed in detail. The auditor's representatives attended both meetings, reported on the results of their audits, and were available to take questions. In particular, they presented the results of key audit matters for GRAMMER AG and the Group for the 2023 financial year. Material weaknesses of the internal control system and the risk management system were not reported.

No objections were raised by the Audit Committee or the Supervisory Board following the final results of the audit of the annual/consolidated financial statements and the management reports. In line with the Audit Committee's recommendation, the Supervisory Board approved the results of the audit. The Supervisory Board approved the annual financial statements of GRAMMER AG and the consolidated financial statements for 2023 prepared by the Executive Board. The annual financial statements were thus approved. As part of its audit, the Supervisory Board also reviewed the separate non-financial report in accordance with sections 289b and 315b HGB and concluded that these comply with existing requirements and that no objections are to be raised. The report prepared by the Executive Board and the Supervisory Board on Executive Board and Supervisory Board remuneration for 2023 (remuneration report) in accordance with section 162 AktG was also formally audited by the auditor. Again, no objections were raised.

The Executive Board proposes, based on net loss of EUR 14.9 million for the 2023 financial year and the resulting retained loss of GRAMMER AG of EUR 146.1 million, which will be carried forward in full, not to propose a dividend payment to the Annual General Meeting in 2024. This proposal was approved by the Supervisory Board.

### **Audit of the report of the Executive Board on relations with affiliated companies**

At the end of the reporting year, the Wang family (Yiping Wang, Jimin Wang, Bifeng Wu) indirectly held 86.2% of the share capital of GRAMMER AG. GRAMMER AG is included in the consolidated financial statements of Ningbo Jifeng Auto Parts Co., Ltd., China, as a consolidated subsidiary. For this reason, the GRAMMER AG Executive Board prepared a report on relationships with affiliated companies (dependent company report) for the 2023 financial year in accordance with section 312 AktG and presented this to the Supervisory Board in good time. The dependent company report was audited by the auditor. As there were no objections to be raised following the completion of its audit, the auditor issued the following auditor's report in accordance with section 313 (3) AktG: "Based on our audit and opinion as required by law, we confirm that (1.) the factual statements made in the report are correct, and (2.) the consideration paid by the Company for the transactions listed in the report was not unreasonably high." The dependent company report and the auditor's report were provided to the Audit Committee and the Supervisory Board, which reviewed the reports. The review did not give rise to any objections. Following the final result of the preliminary review by the Audit Committee and our own review, the Supervisory Board does not have any objections to the Executive Board's report on relationships with affiliated companies in accordance with section 312 (3) sentence 1 AktG. The results of the audit of the dependent company report by the auditor are approved.

### **Changes to the Supervisory Board and the Executive Board**

As mentioned above, the following changes occurred in the Supervisory Board in the reporting year:

Mr. Horst Ott, Deputy Chairman of the Supervisory Board, resigned from his position as a member of the Supervisory Board with effect from the end of September 30, 2023. With effect from October 1, 2023, the Local Court – Registry Court – Amberg appointed Mr. Udo Fechtner as a member of the Supervisory Board. The Supervisory Board elected Mr. Fechtner as its Deputy Chairman with effect from October 1, 2023.

There were no changes to the Executive Board in the reporting year.

### **Expression of thanks**

On behalf of the Supervisory Board as a whole, I would like to express our sincere gratitude and respect to all GRAMMER employees for their work over the last financial year. Thanks are equally due to the members of the Executive Board, who have once again guided the Company through a very difficult market environment. I would also like to thank our employee representatives and the works councils, who always provide 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.

Ursensollen, March, 2024

On behalf of the Supervisory Board



Dr. Martin Kleinschmitt  
Chairman