

Report of the Supervisory

Board of KION GROUP AG

Dear shareholders,

Our Company, employees, the Executive Board, and the Supervisory Board faced extraordinary challenges in 2020. On behalf of the entire Supervisory Board, I would like to thank the employees of KION GROUP AG and its Group companies in Germany and worldwide and the Executive Board for their outstanding work in what were sometimes extremely difficult and uncertain times. These efforts were needed in order to continue providing our customers with our high-performance products and services in the adverse economic environment created by the coronavirus pandemic. We particularly commend all the people working in our Company's health services, who very prudently and promptly implemented appropriate and effective measures to protect everyone, both within the KION Group and at our customers' sites.

The past year, which was unusual in so many ways, was characterized by two phrases: crisis management and preparation for the future. The Supervisory Board advised and monitored the Executive Board as it took a prudent but resolute approach to tackling the effects of the coronavirus pandemic. When the health risks of coronavirus and the resulting challenges to our business became apparent, the Supervisory Board began receiving weekly updates from the Executive Board and offered its advice and support. The Supervisory Board gave the Executive Board its backing, not only in respect of measures required at short notice to protect business operations but also with regard to the launch of medium- to long-term structural initiatives in order to safeguard the Company's commercial success in the different markets for its products.

Over the course of the year, it became very clear that the ITS business (industrial trucks and services) and the SCS business (automation solutions for logistics processes) were facing very different market conditions. The market for industrial trucks experienced a softening of demand – with significant regional variation – in various customer markets on the one hand and, on the other, a surge in demand for warehouse trucks at low price points in the Chinese market. By contrast, the SCS business was able to tap into the e-commerce boom. This provided strong proof that the decision made a few years ago to enter the automation solutions business was spot on.

Alongside the necessary structural changes, primarily in the EMEA region, the Company was able to build on the growth-oriented capital expenditure and innovation programs that had been initiated in 2019. This shows that, by firmly pursuing its KION 2027 strategy, our Company is and remains on the right course.



Dr. Michael Macht

Chairman of the Supervisory Board

To protect its funding at a time when the economic and financial implications of the coronavirus pandemic were still difficult to gauge, the Company – in close consultation with the Supervisory Board – reached agreement on a loan facility with the participation of Kreditanstalt für Wiederaufbau (KfW), Germany's state development bank. This sent a signal of financial security and stability at an early stage. KION GROUP AG terminated this loan facility in December 2020, having not needed to draw on it during its term. Besides this facility, the Group extended its funding options by making use of the trust placed in it by the financial markets. A corporate bond that was oversubscribed many times and a very successful capital increase in the fourth quarter – using the authorized capital approved at the 2020 Annual General Meeting – enabled the Company to further improve its equity ratio. The Company thus has additional resources at its disposal that it can use to equip itself for a successful future in fast-growing markets. The capital increase was also a strong sign of the support that our Company has from its shareholders, particularly our anchor investor Weichai Power. The Supervisory Board was involved in every key step of the capital increase and gave the necessary approvals unanimously. This trust that has been placed in the Company is an obligation on all of us to ensure a successful future.

Strengthening of the organizational structure and corporate governance in the Company

The efforts to tackle the coronavirus crisis prompted our Company to review how its business, and thus its governance model, is organized. Recognizing that the Company's core markets have never been so buoyant and, at the same time, the internal organizational structure seemed to have reached its limits, the Executive Board – with the support of the Supervisory Board – drew up a proposal to update the Company's organizational structure and presented a new governance model. This is designed to provide a basis for profitable growth and help to achieve efficiencies within the KION Group. It should also simplify responsibility for the Operating Units and provide even greater clarity about where responsibilities lie. The resulting structure creates the ideal conditions for rapid, organic, and agile growth. Consequently, the Company's governance model was fundamentally re-organized at the start of this year so that the different Operating Units are now directly represented on the Executive Board by the people with operational responsibility for them. The direct dialog between the Supervisory Board and the Executive Board members responsible for these business operations strengthens a fundamental element of the purpose for which the supervisory body is appointed, i.e. its oversight of the Company's management team.

Personnel matters relating to the Executive Board

Two new Executive Board posts had to be created and filled in connection with the updating of the business organization. The Supervisory Board and, in particular, the Executive Committee carefully dealt with these personnel matters, drawing on the support of an external consultant. The starting point was the choice of available candidates within the Company. In a structured process, a profile of the necessary professional and personal requirements and business experience was drawn up for the new Executive Board roles and the internal candidates then underwent a thorough assessment. Following a series of personal discussions between members of the Supervisory Board and the candidates, as well as being introduced during an Executive Committee meeting, Mr. Krinninger and Mr. Dandashly were unanimously appointed to the Executive Board by the Supervisory Board on December 17, 2020, with their appointment taking effect on January 1, 2021.

In parallel to the appointments to these new positions, it appeared opportune in this context to deal with the succession planning for the role of Chief Technology Officer (CTO). The decision to bring forward this process slightly, which had been scheduled to take place over the course of 2021, was reached in full agreement with the current CTO Dr. Böhm, who is retiring. He is currently the Executive Board member responsible for development, procurement, and technical departments. Another very suitable, qualified, and experienced internal candidate, Dr. Puhl, was available to take up this role. The Supervisory Board unanimously resolved to appoint Dr. Puhl as CTO on December 17, 2020. He will take up his post on July 1, 2021.

The appointment of the two new Executive Board members and the early succession planning for the CTO role have paved the way for an effective and experienced Executive Board team. This step is crucial if the Company is to firmly grasp opportunities for growth during the recovery from the crisis. It is a sign of strength that all of the new Executive Board appointments are managers from within the Company's ranks and have a long track record of success.

Collaboration between the Supervisory Board and Executive Board

Last year, the Supervisory Board continued to fulfill the tasks and responsibilities imposed on it by the law, the Company's articles of association, and the German Corporate Governance Code with dedication and diligence.

As in previous years, the Supervisory Board – in addition to the areas of focus mentioned above – discussed numerous other issues and transactions requiring consent, made necessary decisions, regularly advised the Executive Board on all significant matters relating to managing the Company, and monitored the Executive Board's running of the Company's business. The Supervisory Board was always fully involved in major decisions affecting the Company from an early stage. The Executive Board presented to the Supervisory Board with due lead-time transactions that, according to the law, the Company's articles of association, or the rules of procedure for the Executive Board of KION GROUP AG, require the Supervisory Board's consent so that it could adopt resolutions. Between meetings of the Supervisory Board and between those of its committees, the chairmen of the Supervisory Board and Audit Committee remained in close contact at all times with the Chief Executive Officer and Chief Financial Officer. There was also regular contact between the chairman of the Audit Committee and those responsible for internal audit and compliance in the Company.

Updating of the Executive Board remuneration system

Another major focus of the Supervisory Board's work was the development of a new remuneration system for the Company's Executive Board. The Supervisory Board formed a working group – with an equal number of shareholder representatives and employee representatives as its members – in order to implement the new statutory provisions in the German Act Implementing the Second Shareholder Rights' Directive (ARUG II) and the main recommendations on executive board remuneration in the new German Corporate Governance Code, which came into force in March 2020, and to reflect the well-understood expectations of the international capital markets. Building on the preparations carried out in 2019 and supported by an external, independent remuneration consultant, the working group drew up the broad outline for the updated Executive Board remuneration system over five sessions. The Supervisory Board then unanimously voted in favor of this at its meeting in December.

One of the main changes is the inclusion of ESG targets for the Executive Board's short-term and long-term variable remuneration that are linked to the Company's sustainability strategy. The Company's success – and thus the success of the Executive Board – will also be measured using non-financial targets, such as the accident rate in the Company, employee satisfaction, improvement of the Company's sustainability profile, and the certification of sites according to ISO standards.

The new remuneration system will be presented to the Company's Annual General Meeting on May 11, 2021 for approval.

Other corporate governance matters handled by the Supervisory Board

The Supervisory Board and its committees carried out preparations regarding the Supervisory Board's own obligations in relation to the Company's corporate governance decisions and declarations before adopting unanimous resolutions.

At its meeting on December 17, 2020, the Supervisory Board held its final discussion on the alignment of the KION Group's processes with the recommendations in the German Corporate Governance Code and issued its declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG). This has been made permanently available to the public on the KION GROUP AG website.

The Supervisory Board must review the content of the non-financial Group report, which the Company is obliged to publish in accordance with section 315b of the German Commercial Code (HGB). The Supervisory Board had engaged our Company's auditors for the preparation of this review of the 2019 report, which was presented to the Supervisory Board for a decision in April 2020 and published on April 30, 2020, and also for the preparation of the review of the upcoming report for 2020. No concerns were raised as a result of the Supervisory Board's review of the report. As was the case in the previous year, the Supervisory Board will take account of the auditors' assessment in its own review of the 2020 non-financial Group report, which will take place in April 2021, i.e. after this report of the Supervisory Board has been submitted. After carrying out detailed preparations, the Supervisory Board will make a decision promptly to ensure that the report can be published on time by the end of April.

The Executive Board and Supervisory Board provide a detailed report on corporate governance at KION GROUP AG in the corporate governance statement, which can be found on pages 27 to 41 of this annual report and on the KION GROUP AG website at www.kiongroup.com/governance. Information on the steps taken by the Supervisory Board in connection with its regular self-assessment can also be found there.

No conflicts of interest occurred on the Supervisory Board during the year under review.

Relationships with affiliated entities (dependency report)

The Supervisory Board also examined the report concerning relationships with affiliated entities (dependency report), which the Executive Board signed off on February 19, 2021. The auditors reviewed this report and issued an auditors' report. Based on their audit, which they completed on February 19, 2021 without having identified any deficiencies, the auditors issued the following opinion:

"Based on our audit and assessment in accordance with professional standards, we confirm that

1. the facts in the report are stated accurately,
2. the consideration given by the entity for the transactions specified in the report was not unreasonably high,
3. there are no circumstances in respect of the measures specified in the report that would justify an opinion materially different to the opinion of the Executive Board."

The dependency report and the auditors' report about it were distributed to all the members of the Supervisory Board in good time. Both reports were discussed in detail in the presence of the auditors

at the Supervisory Board meeting on March 1, 2021 after the auditors had presented their report in person. The Supervisory Board agreed with the findings of the audit. Based on the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's declaration at the end of the dependency report.

Work of the committees

KION GROUP AG's Supervisory Board had four standing committees last year: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee, and the Nomination Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. The chairman of the Supervisory Board is also chairman of all committees except the Audit Committee. The chairmen of the committees each report regularly to the full Supervisory Board on their committee's deliberations. In addition, the minutes of the committee meetings are distributed to the other members of the Supervisory Board for information purposes once the committee members have approved them.

In 2020, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 19 meetings. These consisted of seven meetings of the full Supervisory Board, four of the Executive Committee, and eight of the Audit Committee. The Mediation Committee did not meet in the reporting period. There were also several telephone and video conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information.

With the exception of Mr. Tan Xuguang, all members of the Supervisory Board participated in all seven Supervisory Board meetings. Mr. Tan Xuguang participated in one of these seven meetings and sent his apologies for his absence from the other meetings. With the exception of Ms. Alexandra Schädler, all members of Supervisory Board committees took part in all of the relevant committee meetings. Ms. Alexandra Schädler was absent from two of the eight meetings of the Audit Committee and sent her apologies.

Engagement of the auditors; audit of the separate and consolidated financial statements

The Company's independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte), Munich, Frankfurt am Main branch office, audited the separate financial statements, consolidated financial statements, and combined management report for KION GROUP AG and the Group for the year ended December 31, 2020 following their engagement by the Annual General Meeting on July 16, 2020. The corresponding proposal to the Annual General Meeting had been prepared in meetings held between the chairman of the Audit Committee and the auditors. The proposal was discussed at the Audit Committee's meeting on February 19, 2021, and committee members were given the opportunity to speak to the auditors in person.

The auditors were appointed by the chairman of the Supervisory Board on November 27, 2020. The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on October 28, 2020.

The auditors submitted their report and the documents relating to the 2020 financial statements to the members of the Audit Committee and the members of the Supervisory Board, in each case with

the required lead time. The Audit Committee and Supervisory Board each discussed the report extensively, in both cases in the presence of the auditors. The auditors reported in detail on the main findings of the audit on each occasion.

The auditors issued an unqualified opinion for the separate financial statements, consolidated financial statements, and group management report, which was combined with the Company's management report, on February 19, 2021 and March 1, 2021, respectively. Having itself scrutinized the Company's separate financial statements, consolidated financial statements, and combined management report for the year ended December 31, 2020, the Supervisory Board – on the basis of a recommendation from the Audit Committee – agreed with the findings of the audit by the auditors after further discussing these findings at its meeting on March 1, 2021. Based on the final outcome of its own review, the Supervisory Board did not raise any objections. The Supervisory Board approved the Company's separate financial statements and consolidated financial statements for the year ended December 31, 2020 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on March 1, 2021, the Supervisory Board also discussed and approved the proposal made by the Executive Board that the distributable profit of KION GROUP AG be appropriated for the payment of a dividend of €0.41 per no-par-value share. In doing so, the Supervisory Board took account of the Company's financial situation and performance, its medium-term financial and capital-expenditure planning, and the interests of the shareholders. The Supervisory Board believes the proposed dividend is appropriate.

Personnel changes on the Supervisory Board

There were no personnel changes on the Supervisory Board during the reporting year. In this context, it should be mentioned that the shareholders at the Annual General Meeting agreed with and approved the proposal made by the Supervisory Board and Executive Board to introduce staggered terms of office for the shareholder representatives. Consequently, four shareholder representatives who, as agreed, had resigned before the Annual General Meeting, were appointed as shareholder representatives for a further five years.

The training offered to Supervisory Board members by the Company related to particular aspects of the Supervisory Board's work. The training primarily consisted of in-depth information on the new requirements concerning the remuneration system for executive boards in listed companies, personnel matters at Executive Board level, and the changes to the Company's governance model. This in-depth information was conveyed by external and internal experts.

The details of this report were discussed thoroughly at the Supervisory Board meeting on March 1, 2021, when it was adopted.



Dr. Michael Macht

Chairman