

Report of the Supervisory Board of KION GROUP AG

Dear shareholders,

Like the two years before, 2022 was extremely challenging. It was dominated by the war in Ukraine and by numerous unforeseen developments, such as disruptions to supply chains, spiraling costs for materials, energy, and logistics, and high inflation in many countries of particular importance for our Company.

Unfortunately, despite further favorable demand for our products, our Company did not manage to remain profitable at the accustomed level during these crisis-hit times. Following a record year in 2021, our Company registered a loss in the third quarter of 2022, which mainly resulted from an unfavorable economic climate and inefficiencies in our project business in the Supply Chain Solutions (SCS) segment. Our shareholders understandably responded to this news with disappointment, and this was reflected in a significant fall in KION's share price by the end of 2022.

Both the Executive Board and we, as the Supervisory Board, are aware of the particular need to act decisively in such difficult economic times, not only in order to put the Company back on a profitable growth path but also to maintain or restore the trust placed in the Company by its employees, customers, business partners, and shareholders. The Executive Board works tirelessly to achieve these objectives together with the entire workforce and is supported by us, the Supervisory Board, in its efforts.

The Supervisory Board would like to take this opportunity to thank the members of the Executive Board and all employees of the KION Group for their actions and accomplishments in 2022.

Focus of the Supervisory Board's work

The Executive Board responded decisively to the financial results that were posted for the second and third quarter of 2022, and wasted no time in initiating a comprehensive package of measures to increase the Company's profitability again. In the Industrial Trucks & Services (ITS) segment, the measures are mainly focused on strengthening the supplier network, on dynamic pricing, and on increased commercial agility, while in the Supply Chain Solutions (SCS) segment they are targeted at eliminating process-related inefficiencies that came to light when the Company had to cope with a strong level of new business in an extremely volatile macroeconomic climate. The measures had already begun to take effect by the fourth quarter of 2022. The Company managed to reduce the number of critical suppliers, for example. Further positive effects are expected during the course of this year and in the years ahead.

The Supervisory Board provided the Executive Board with ongoing advice and support on this program in 2022. Because of the significance of the measures for our Company, the Supervisory Board was updated on the latest developments more frequently than usual by the Executive Board and discussed these developments in its meetings. The Audit Committee, in particular, monitored the development and implementation of the package of measures and supported the Executive Board in an advisory capacity. It will continue to do so in 2023.

The common objective of the Executive Board and Supervisory Board is to raise the KION Group's level of profitability on a sustained basis and to make the Company more resilient to unexpected developments in economically uncertain times.

The Supervisory Board's work in 2022 also focused on supporting the Executive Board in its implementation of a project that it had already begun to address in previous years, namely the planned harmonization of KION's process landscape and related efforts to put in place a new groupwide ERP system based on SAP S/4HANA. This project will make the KION Group's process and IT landscape even more adaptable to changing needs and therefore represents a milestone in the Company's future development. That is why the Company is pressing ahead with the related activities despite the more difficult economic situation.

The Supervisory Board was involved in every key step of the realization of these fundamental initiatives for the future of our Company and always gave the necessary approvals unanimously.

Last year also saw the KION Group update its KION 2027 strategy and work resolutely on its implementation. The sustainability field of action will be a particular focus going forward so that the Company can drive sustainability in logistics through the use of alternative and environmentally compatible energy sources. Consequently, sustainability topics were discussed in several Supervisory Board meetings and the Company's plans in this area were explained in detail to the members of the Supervisory Board.



Dr. Michael Macht

Chairman of the Supervisory Board of KION GROUP AG

The full meetings of the Supervisory Board in 2022 were also used to address its regular schedule of topics. At its meeting on March 2, 2022, the Supervisory Board addressed subjects such as the adoption of the separate financial statements including the appropriation of profit and the approval of the consolidated financial statements for 2021, target achievement in respect of the Executive Board members' variable remuneration, the financial reporting for 2021 and the preparation of the resolution on the non-financial reporting for 2021, and the agenda for the 2022 Annual General Meeting. It dealt with budget planning for 2023 and the corporate strategy at its meetings on September 27, 2022 and with corporate governance topics and the setting of targets for the Executive Board members' variable remuneration for 2023 at its meeting on December 14, 2022.

Following the Annual General Meeting on May 11, 2022, the Company's Supervisory Board was reconstituted after the majority of its members had either been newly elected or re-elected. Dr. Michael Macht was re-elected as chairman of the Supervisory Board and Özcan Pancarci as its deputy chairman. The members of the committees and their chairpersons and deputies were also elected.

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.

Given the challenging economic situation faced by the Company in 2022, the Supervisory Board worked tirelessly to monitor the Executive Board and advise it on how to manage the Company. In addition, the Executive Board began to report regularly to the Supervisory Board on developments and progress with regard to sustainability matters.

As in previous years, the Supervisory Board – in addition to the areas of focus mentioned above – discussed numerous other issues and transactions requiring consent and made necessary decisions. The Supervisory Board regularly satisfied itself that the Executive Board was carrying out its work correctly, lawfully, and purposefully. It was always fully involved in major decisions affecting the Company from an early stage. Giving the specified period of notice, the Executive Board presented to the Supervisory Board transactions that, according to the law, the Company's articles of association, and / 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. All members of the Supervisory Board had the opportunity to examine the documents and reports that were presented in the full meetings or in the committees and to ask questions or make suggestions with regard to these.

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, who also acted as the Chief Financial Officer on an interim basis. There were also regular discussions between the chairman of the Audit Committee and those responsible for internal audit and corporate compliance in the Company.

The Executive Board and Supervisory Board work together in a spirit of mutual respect and trust and always do so constructively for the benefit of the Company.

Work of the committees

KION GROUP AG's Supervisory Board had five standing committees last year: the Mediation Committee pursuant to section 27 (3) of the German Codetermination Act (MitbestG), the Executive Committee, the Audit Committee, the Nomination Committee, and the Remuneration Committee. These committees, but primarily the Executive Committee, prepare the matters to be discussed at the meetings of the full Supervisory Board. Outside of the formal meetings, informal working sessions took place to prepare for upcoming resolutions and related complex issues, such as remuneration. 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 members of the Supervisory Board for information purposes once the committee members have approved them.

In 2022, the Executive Committee mainly focused on preparations for the full Supervisory Board meetings, on the Company's financial position and financial performance, and on personnel and organizational matters relating to the Executive Board.

The Audit Committee focused on the Group's business performance and financial planning, on the Company's risk situation, on matters related to the audit, its quality control, and the independence of the auditors, on the audit of the separate and consolidated financial statements of KION GROUP AG, and on the quarterly financial statements. It also addressed financial and non-financial reporting, compliance matters, and matters arising from the reform of the German Corporate Governance Code, and, in this context, the KION Group's internal control and risk management system and internal audit system. Supervisory Board resolutions required in this regard were prepared accordingly. The auditors reported regularly to the Audit Committee on their audit work and findings.

Back in 2021, because of the legal requirement for companies to rotate their auditors at least every ten years, the Audit Committee, with the Company's support, completed the legally mandated process for selecting new auditors and prepared the relevant resolutions of the Supervisory Board. On the basis of this process to select the Company's auditors, which was carried out in accordance with article 16 of Regulation (EU) No. 537/2014, the Audit Committee has recommended that the Supervisory Board propose to the 2023 Annual General Meeting that KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, be engaged as the new independent auditors for the separate and consolidated financial statements for the 2023 financial year and for the reviews of the interim financial statements. Preparations to end the audit work of the current auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, and for the audit work to be taken over by the new auditors were made in the second half of 2022. The Audit Committee was provided with ongoing updates on this process in 2022.

The Remuneration Committee discussed target setting and target achievement with regard to the variable remuneration of the Executive Board members, the remuneration report for 2022, and the current Executive Board remuneration system.

There was no cause for meetings of the Nomination Committee and Mediation Committee to be held in 2022.

Summary of the nature of, and members' attendance at, the meetings of the Supervisory Board and its committees

In 2022, the Supervisory Board and its committees dealt with the matters at hand and made the necessary decisions at a total of 20 meetings. These consisted of seven ordinary meetings of the full Supervisory Board, one extraordinary meeting of the full Supervisory Board, four meetings of the Executive Committee, a total of six meetings of the Audit Committee, and two meetings of the Remuneration Committee. The Mediation Committee and Nomination Committee did not meet in the reporting period. Because of the diverse composition of the Supervisory Board and its committees, each of which has members from outside Germany, all meetings of both the Supervisory Board and its committees were held in a hybrid format, i.e. with a combination of video conferencing and attendance in person. The members of the Supervisory Board and its committees based in Germany routinely attended in person with only a few exceptions; the members of the Supervisory Board based in China used video conferencing to participate.

There were also a number of working sessions and telephone and video conference calls for the purpose of providing the members of the Supervisory Board or the relevant committees with advance information. The employee representatives and, where necessary, the shareholder representatives too held separate preliminary discussions to deliberate on the agenda items of the full meetings of the Supervisory Board.

With the exception of Tan Xuguang, all members of the Supervisory Board participated in all seven ordinary Supervisory Board meetings. Due to the time difference, the Supervisory Board members based in China did not participate in the extraordinary meeting held in January 2022 but did take part in the adoption of resolutions in writing. Tan Xuguang was absent from all Supervisory Board meetings and sent his apologies.

With the exception of Dr. Alexander Dibelius and Alexandra Schädler, all members of Supervisory Board committees took part in all of the relevant committee meetings. Dr. Alexander Dibelius sent his apologies for his absence from one of the four meetings of the Executive Committee and Alexandra Schädler sent her apologies for her absence from one of the six meetings of the Audit Committee. The rate of attendance for the meetings of the Supervisory Board and its committees therefore stood at 94.85 percent.

The meetings of the Supervisory Board and its committees were generally attended by the members of the Executive Board as well. However, the Supervisory Board and its committees also met regularly without the Executive Board to discuss individual matters.

Personnel matters relating to the Executive Board

There was a change in the position of Chief Executive Officer at the beginning of the year, with Dr. Rob Smith taking over from Gordon Riske on January 1, 2022. The Supervisory Board advised and closely supported the new Chief Executive Officer in his first year in office. Since taking up his post, Dr. Smith has played a pivotal role in driving forward the modernization of processes within the KION Group. Dr. Smith and the rest of the Executive Board team are also working hard to make the Company more resilient and agile in order to increase its profitability again and to put it in a better position to cope with any unforeseen economic and geopolitical developments that may occur in the future.

In February 2022, Anke Groth, the member of the Executive Board of KION GROUP AG who was responsible for finance and – in her capacity as Labor Relations Director – human resources, and whose contract would have been coming up for renewal, reached agreement by amicable and mutual consent with the Supervisory Board that her employment at the KION Group would end with effect from March 31, 2022 so that she could take on new challenges outside the Group. Dr. Rob Smith, the Chief Executive Officer of KION GROUP AG, took charge of finance on an interim basis from April 1, 2022 and also took over as Labor Relations Director. In the months that followed, the Supervisory Board worked intensively and with the support of external consultants to find a successor for Anke Groth. Marcus A. Wassenberg was appointed as Chief Financial Officer of the KION GROUP AG with effect from January 1, 2023.

In autumn 2022, the Supervisory Board decided to add a further position to the Executive Board, the Chief People and Sustainability Officer (CPSO), who would primarily be responsible for human resources, sustainability, and occupational health and safety. It did this to reflect the KION Group's ambition of swiftly achieving all of its medium-term strategic objectives, which in the sustainability field of action focus not only on social and environmental issues but also on the KION Group's appeal as an employer. Valeria Gargiulo will become CPSO no later than May 1, 2023.

Valeria Gargiulo and Marcus A. Wassenberg bring with them a great deal of experience and expertise in their relevant areas of responsibility as well as a proven track record of success. In a structured process involving all of the stakeholder groups represented on the Supervisory Board, the two new Executive Board members were selected as the most suitable person for their role from among the diverse range of shortlisted candidates. The Supervisory Board is looking forward to a productive working relationship with both these new members of the Executive Board.

In light of the changes to the Executive Board personnel, the Supervisory Board and, in particular, its Remuneration Committee also discussed whether the Executive Board remuneration system should be revised in fiscal year 2022. Due to the difficult economic conditions facing the KION Group in 2022 and the considerable challenges that this entailed for the Executive Board and the entire organization, and because of the changes to the Executive Board's composition in 2022 and 2023, the Supervisory Board decided on the basis of preparatory work by its Remuneration Committee to first focus on improving the Company's economic situation.

Corporate governance matters handled by the Supervisory Board

The German Corporate Governance Code as amended on April 28, 2022 came into force in the second half of the reporting year. This prompted both the Company and the Supervisory Board and its Audit Committee to review their activities and processes to determine whether these were still in compliance with the amended or new recommendations of the Code and to modify them as necessary. The Audit Committee and Supervisory Board discussed this topic in several meetings last year. Although both the Supervisory Board and the Audit Committee had already implemented the bulk of the new or amended recommendations of the Code, the Supervisory Board members agreed to formally codify these recommendations in the rules of procedure for the Supervisory Board and its committees. This is particularly relevant for how the Supervisory Board handles sustainability topics of relevance to the Company. The Supervisory Board delegated the task of preparing these sustainability matters to the Audit Committee because it is the committee responsible for the sustainability report and its review and so should already have relevant experience and expertise. Providing support for the expansion of the sustainability management system will be a particular priority here. This expansion will be needed to ensure that the stricter reporting requirements are satisfied effectively and efficiently and that this can be audited and documented.

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 14, 2022, the Supervisory Board held its final discussion on the alignment of the Company's processes with the recommendations of the German Corporate Governance Code, both retrospectively in respect of the Code as amended on December 16, 2019 and prospectively in regard to the Code as amended on April 28, 2022, and together with the Executive Board – which had discussed and reached its decision on the matter on December 12, 2022 – issued a declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG). This is permanently available to the public on the website of KION GROUP AG at www.kiongroup.com/conformity.

The Supervisory Board must also 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 the Company's auditors for the preparation of this review of the 2021 report, which was presented to the Supervisory Board for a decision in April 2022 and published on April 29, 2022, and also for the preparation of the review of the upcoming report for 2022. 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 2022 non-financial Group report, which will take place in April 2023, 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 2023.

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 31 to 56 of this annual report and on the KION GROUP AG website at www.kiongroup.com/governance.

The Company supports the members of the Supervisory Board in the performance of their tasks by providing suitable training and development opportunities. New members of the Supervisory Board are given special onboarding information in order to familiarize them with the KION Group and its internal structures and processes. The Company continues to provide the members of the Supervisory Board with suitable training and development opportunities after their initial introduction to the role. As explained above, sustainability will be a particular strategic focus for the KION Group in the future. Accordingly, the Supervisory Board was updated on the Company's activities in this area on multiple occasions during the reporting year. As well as addressing these matters at its regular meetings, the Supervisory Board received detailed insights into the relevant legal frameworks and legislative initiatives and into the sustainability topics of relevance to the Company at a total of three additional events organized by representatives of the Company with the support of external consultants. The content of these events included in-depth information, provided by external and internal experts, concerning the German Supply Chain Due Diligence Act (LkSG) and the further development of the Company's governance model in respect of the sustainability management system.

The Supervisory Board members and, in particular, the members of the Audit Committee wish to carry on receiving detailed information on sustainability as a matter of priority. The Company has already promised to continue arranging for this detailed information to be provided to the Supervisory Board members in 2023.

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 22, 2023. The auditors reviewed this report and issued an auditors' report. Based on their audit, which they completed on February 22, 2023, 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 from 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, 2023, after the auditors had presented their report in person. The Supervisory Board approved the findings of the audit conducted by the independent auditors and, based on the final outcome of its own review, did not raise any objections to the Executive Board's declaration at the end of the dependency report.

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

The Company's independent auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, 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, 2022 following their engagement by the Annual General Meeting on May 11, 2022. 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 22, 2023, 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 September 21, 2022. The key audit matters were discussed and set out accordingly at the Audit Committee's meeting on October 26, 2022.

The auditors submitted their report and the documents relating to the 2022 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 22, 2023. Having itself scrutinized the Company's separate financial statements, consolidated financial statements, and combined management report for the year ended December 31, 2022, 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, 2023 and 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, 2022 prepared by the Executive Board, thereby adopting the annual financial statements.

At its meeting on March 1, 2023, 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 €0.19 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.

The Supervisory Board would like to thank its auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, for the long-standing relationship that ends with the publication of this annual report, after which Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, will have audited the Company's financial statements for ten consecutive years since the Company's initial public offering.

Personnel changes on the Supervisory Board of KION GROUP AG

The following personnel changes were made on the employee representative side of KION GROUP AG's Supervisory Board last year:

The Supervisory Board members Stefan Casper, Olaf Kunz and Dr. Frank Schepp, who had all served as employee representatives on the Supervisory Board of KION GROUP AG, stepped down from the Supervisory Board with effect from the end of the Annual General Meeting on May 11, 2022. The employee representative bodies elected Jan Bergemann, Dominique Lembke and Thomas Mainka to the Supervisory Board of KION GROUP AG in their place with effect from the end of the Annual General Meeting on May 11, 2022. Alexandra Schädler was elected to the Executive Committee to succeed Olaf Kunz with effect from the end of the Annual General Meeting on May 11, 2022.

The Supervisory Board members expressed their deep gratitude to the departing members for their many years of excellent and constructive work.

The remaining employee representatives as well as the shareholder representatives Birgit Behrendt, Dr. Alexander Dibelius, Dr. Michael Macht, and Tan Xuguang were re-elected for a further term of office at the Annual General Meeting on May 11, 2022.

The details of this report were discussed thoroughly at the Supervisory Board meeting on March 1, 2023, when it was adopted.

A handwritten signature in black ink, appearing to read "Michael Macht". The signature is written in a cursive, flowing style.

Dr. Michael Macht

Chairman