

1.2 SUPERVISORY BOARD REPORT



Dr. Gerald Hommel, Chairman of the supervisory board

Dear shareholders,

In 2020, the capability of va-Q-tec and its products has become clearer than ever. During the coronavirus crisis, the company once again proved that it can quickly and precisely ensure temperature-controlled supply chains anywhere in the world. As the Supervisory Board, we are particularly proud of this achievement.

The Supervisory Board held seven meetings in the 2020 financial year. The Supervisory Board's main task is to consult with and supervise the Management Board. The subject of our regular consultations in the plenary sessions was, among other matters, va-Q-tec's financial position and performance as well as its organizational structure AG. An important focus was also on opportunities and risks, the latter particularly in connection with the possible impact of the Covid-19 pandemic on employees, financial position and performance, and supply chains. Further topics of our activities in the period under review included, in particular, a critical assessment of strategy and business development, the international orientation of va-Q-tec AG, and corporate financing and liquidity.

The fourth Annual General Meeting (AGM) after the IPO was held on 14 August 2020. As a consequence of the general restrictions imposed by the Covid-19 pandemic, the AGM was conducted virtually for the first time. Despite the new format, attendance was high at 64.9% of the share capital. All agenda items were approved by large majorities. From the innovative, multimedia "Curve" event room at the Vogel Convention Center in Würzburg, the Management Board reported in detail on the performance of va-Q-tec AG in the 2019 financial year, for which the actions of the Management Board and Supervisory Board were approved by a clear majority. Almost 300 questions from shareholders were answered.

In the year under review, the Supervisory Board of va-Q-tec AG performed all of the duties incumbent upon it under the law, the bylaws and the rules of procedure with the requisite care and diligence, and in doing so was guided by the German Corporate Governance Code (“DCGK”). We advised and supervised the Management Board in its management of the company. The Management Board involved us directly, at an early stage, and comprehensively in all fundamental decisions. It provided us with regular, timely and comprehensive information through written and oral reports both within and outside the context of meetings. In this connection, we were informed about all relevant aspects of business planning, including financial, investment and personnel planning, as well as the company’s financial position and profitability. We – or the relevant Supervisory Board committees – thoroughly examined and discussed the Management Board’s proposed resolutions. The Supervisory Board was also in regular contact with the Management Board and was kept directly informed of current business developments, particularly with regard to the Covid-19 issue, and significant business transactions. In particular, due to the current development of va-Q-tec AG in times of the pandemic, a total of six telephone conferences with the participation of the Management Board and the entire Supervisory Board were held from April to July 2020 in addition to the regular meetings.

va-Q-tec AG has created a strong basis for the further development of the company, as presented in this annual report. The Supervisory Board conducted a critical evaluation of business transactions central to the company’s development, and contributed corresponding suggestions and ideas for discussion with the Management Board. Measures and transactions requiring approval were consulted about and suitably decided upon between the Management and Supervisory boards.

Personnel changes in the Supervisory and Management boards

The Deputy Chair of the company’s Supervisory Board, Mr. Uwe H. Lamann, passed away on 23 July 2020. The Supervisory Board, the Management Board and employees mourn the loss of an outstanding personality who played a key role in the positive development of the company during his time as a member of the Supervisory Board from 2014 onwards.

By resolution of the Supervisory Board dated 14 August 2020, Dr. Barbara Ooms-Gnauck assumes the role of Deputy Chair of the Supervisory Board. Dr. Eberhard Kroth is elected as a new member of the General Committee as of the same date. In future, the Nomination Committee will consist of Dr. Hommel (Chair), Dr. Ooms-Gnauck and Mr. Krämer.

No personnel changes occurred in the Management Board in the reporting period. Dr. Joachim Kuhn is Chair of the Management Board (CEO). Mr. Stefan Döhmen also continues to serve as the company’s Chief Financial Officer (CFO).

Education and training of the Supervisory Board

In the 2020 financial year, the Supervisory Board fulfilled its training and development obligations responsibly, appropriately and in a variety of ways. The members of the Supervisory Board are responsible for the training and continuing education measures required for their tasks, such as on corporate governance issues and changes to the legal framework (e.g. due to Act Implementing the Second Shareholders’ Rights Directive [ARUG II], and the new German Corporate Governance Code [DCGK]), and are supported in this by the company. The Supervisory Board also regularly trains itself with regard to new technologies or the digitalization area.

In addition, the Supervisory Board was informed at an early stage about new products developed by the company by the managers concerned, so that all members of the Supervisory Board were always well informed about current issues affecting the company. In addition, the individual members of the Supervisory Board continued the further training for which they themselves are responsible by way of studying relevant professional journals and literature as well as by participation in training measures offered outside the company.

New members of the Supervisory Board are given the opportunity to gain an insight into the respective areas of the company, not only with the Management Board but also with employees of the first management level below the Management Board, as part of an on-boarding process.

Meetings of the Supervisory Board and its committees

As part of its regular consultations, the Supervisory Board concerned itself with the operative and strategic position of va-Q-tec AG, with written and verbal reports by the Management Board providing it with extensive information about business and financial developments. The Supervisory Board held a total of seven plenary meetings. In accordance with the suggestions of the DCGK, telephone and video conferences should not be the rule. At va-Q-tec AG, personal attendance at meetings is the rule. Due to the special circumstances of the Covid-19 pandemic, one Supervisory Board meeting and one Audit Committee meeting were held as virtual meetings in the 2020 financial year. All other meetings of the full Supervisory Board and of the committees were held in person, with the possibility of participation in virtual form. The possibility of participation in virtual form was only used in a few individual cases.

Due to the situation, the main part of the **first meeting on 19 and 20 March 2020** was to inform the Supervisory Board about the effects of the coronavirus pandemic on va-Q-tec AG and related measures taken by the company. The Management Board reported that business operations were normal and stable, and that all divisions were acting with the utmost care to prevent as far as possible any impact on business operations, both in production and in the rental and service business. For this purpose, several Covid-19 task forces were also set up to assess the situation on a daily basis and take necessary decisions to ensure the supply chain, production, and security measures in the personnel area etc. The measures to ensure liquidity in worst-case scenarios, including postponements of investments as well as additional financing measures, were also explained to the Supervisory Board. Overall, these statements also reflect the status of the assessment and evaluation of the situation, which are communicated in the risk and opportunity report and in the notes to the financial statements under the section addressing events the balance sheet date, in the recently completed consolidated financial statements. In addition to current developments, the presentation, discussion and resolution on the annual financial statements, management report and notes to the separate and consolidated financial statements of va-Q-tec AG for the 2019 financial year was a key topic of this Supervisory Board meeting. During the meeting, the auditors reported in summary form on the results of the audit, in particular also taking into account the Covid-19 situation. Following in-depth discussion, the Supervisory Board passed a unanimous resolution concerning the approval and adoption of the 2019 separate annual financial statements as well as the approval of 2019 consolidated financial statements, including the management reports.

The second meeting on 27 April 2020 focused on a discussion of current business trends and the Group's liquidity on the basis of the figures for the first quarter of 2020. The focus was once again on the effects of the pandemic on the business activities and in particular on the financial position and performance of va-Q-tec AG. The Management Board had prepared a scenario analysis for this purpose. A further topic of the meeting was risk management in addition to the risk inventory carried out in the second half of 2019. Finally, the preparations for the Annual General Meeting of va-Q-tec AG were discussed with the Supervisory Board. This was originally planned to be a physical meeting, but due to the Covid-19 situation had to be postponed and switched to a virtual format.

The third meeting on 29 June 2020 focused on discussing the Group's current business performance based on the figures up to and including May 2020. Accordingly, business performance was up significantly year-on-year despite the coronavirus, due in large part to the very good performance of the container rental business in va-Q-tec Ltd. (UK). In addition, the Management Board addressed the current development of the VIP segment, which had slowed due to coronavirus-related plant closures at some of va-Q-tec's customers. A further focus of the Supervisory Board meeting was the topic of financing and liquidity. To this end, the Management Board presented various initiatives relating to long-term and short-term financing, which are to be pursued in parallel. In addition, the investments in 2020 were discussed: the overview of investments by the Management Board showed that these were significantly below the original budget due to the reluctance to invest in view of the coronavirus pandemic, although at the same time further investments were being made in growth on a selective basis as opportunities arose. Further topics included the possible investment in ING3D GmbH and the capital increase at the already existing investment SUMTEQ GmbH, as well as the preparation of the Annual General Meeting.

In the **fourth meeting on 14 August 2020**, following the AGM, a convertible loan for SUMTEQ GmbH and various changes under company law at the level of SUMTEQ GmbH were discussed and approved. Furthermore, at this meeting, the Management Board also submitted a motion to acquire an interest in ING3D GmbH. The purpose of the company is the introduction of the “Mineral Direct Laser Sintering” (MDLD) manufacturing process for high-temperature applications, which was developed by ING3D GmbH and for which a patent application has been filed. At present, va-Q-tec AG and ING3D GmbH are already working together on various projects in the area of mobility and high temperature insulation. The Management Board identifies substantial revenue potential in various end markets for the company’s own products with 3D printed products of ING3D GmbH. The Management Board reported on the current status of the financing measures. Furthermore, the placement of a bond in Swiss francs on the Swiss capital market was discussed as a further financing alternative. It should be noted that this segment enjoys an impeccable reputation in Switzerland and also offered attractive financing conditions for va-Q-tec AG. In addition, the issuing bank had declared that it would issue an underwriting commitment for the basic volume of the transactions, which would provide va-Q-tec AG with a high level of transaction security, and investors with certainty regarding the company’s risk profile. Due to the death of Mr. Lamann, the Supervisory Board reappointed the Deputy Chair and rearranged the composition of the committees in an internal meeting.

At the fifth meeting on 24 September, Group business trends up until the end of August were analyzed and discussed intensively. All in all, the Group was well above the previous year’s level at the end of August, although at the same time behind the original plan due to Covid-19. The VIP business was most affected by Covid-19 in the first half of the year. However, at the time of the meeting, the main customer group of va-Q-tec AG, European refrigerator manufacturers, had again ordered significantly more. In addition, an important breakthrough in the VIP insulation area was achieved in a project with a Finnish manufacturer of hot water pipes, which the Head of Technology & Industry also reported on in the course of investment projects planned for this purpose. The pharmaceutical sector’s high share of revenues had a very positive effect on growth and resilience, as this sector was, and is, least affected by coronavirus restrictions, or even tends to benefit from them. As part of its comments on financing and liquidity, the Management Board reported on the due diligence process for the Swiss bond that had in the meantime been initiated together with Helvetische Bank. The Management Board had previously evaluated alternatives for medium-term financing in an extensive selection process since the beginning of the year on the basis of various criteria (term, interest rates, one-off costs, covenants, documentation requirements) and, following the outbreak of the Covid-19 pandemic, reanalyzed these alternatives on the basis of the change in overall conditions. Ultimately, the Swiss bond was selected because of its relatively simple documentation requirements, lower covenant requirements, faster implementation, and significantly lower overall costs compared to other capital market alternatives. The Management Board also reported on the planned medium and long-term strategy and the company’s associated long-term goals. The management’s vision is to develop va-Q-tec AG into the leading high-performance company in the thermal energy efficiency area (thermal packaging and insulation materials). From an organizational standpoint, business units are to be bundled even more strongly on the basis of the topics or megatrends of “thermal energy efficiency” and “TempChain logistics”. This is intended to facilitate knowledge transfer and to exploit synergies. At the same time, this is intended to improve communication both externally and internally and, in general, to increase effectiveness.

At the sixth meeting on 20 November, the Management Board and the management of the Business Development area reported on the potential organizational structure for a reorganization of business units in accordance with the megatrends of “thermal energy efficiency” and “TempChain logistics”. A further topic included current business trends as well as the planning status for 2021. In addition, the head of sales reported on the current target figures and gave an outlook for the following financial year. The distribution of coronavirus vaccines offered, and continues to offer, significant market opportunities for va-Q-tec AG. va-Q-tec systems also enable longer shipment of drugs or vaccines at constant (very) low temperatures. Such shipment temperatures are needed especially at the outset when the thermal stability of the vaccines is uncertain. Independently of this, va-Q-tec AG also has the opportunity to demonstrate itself as a reliable partner in the market for TempChain logistics in the very sensitive area of vaccine shipments, thereby gaining market share in the long term. Further topics of the meeting included liquidity, equity and financing as well as the current marketing phase (roadshow) for the CHF bond. Overall, discussions reflected very positive investor interest.

The **seventh and last meeting** of the plenary Supervisory Board in the 2020 financial year was held on **16 December 2020**. The central topic was the presentation and explanation of the target figures for 2021 as well as the medium-term planning by the Management Board and the management of va-Q-tec Ltd.(UK). Overall, the company is expected to continue its very positive performance in 2020 into 2021 and beyond. In 2021, coronavirus vaccine logistics are expected to make a significant contribution to revenue growth. Further target industries outside the healthcare sector also hold out the prospect of promising opportunities. After in-depth discussion, the Supervisory Board approved the Group budget including the investment budget for the 2021 financial year as well as the medium-term planning. A further topic of the meeting was the once again very pleasing share price performance in 2020, which is attributable to numerous and intensive IR activities in addition to great public attention in the context of coronavirus vaccine logistics.

Work in the Supervisory Board committees

The Supervisory Board has currently set up three committees in order to perform its duties efficiently. Specifically, these are the General, Audit and Nomination committees. These prepare resolutions and issues to be dealt with by the full Supervisory Board. To the extent permitted by law, the Supervisory Board's decision-making powers have been devolved to committees. The committees' chairs report to the Supervisory Board on the work of the committees at the following full Supervisory Board meeting. Due to the coronavirus pandemic and the reduction of the Supervisory Board to five members as a result of the death of the Deputy Chairman of the Supervisory Board, in 2020 the topics of the General Committee and the Nomination Committee were discussed directly as part of Supervisory Board meetings attended by all Supervisory Board members.

The following table shows the individual attendance of the individual members of the Supervisory Board at the meetings of both the full Supervisory Board and its Audit Committee:

Individualized disclosure of Supervisory Board members' attendance at meetings

(Number of meetings / participation in%)	Supervisory Board plenum		Audit Committee	
	Number	In %	Number	In %
Dr. Gerald Hommel Chair	7/7	100%	3/3	100%
Dr. Barbara Ooms-Gnauck (Deputy Chair since 14 August 2020)	7/7	100%	-	-
Uwe Lamann († 23.07.2020)	3/3	100%	-	-
Uwe Andreas Kraemer	7/7	100%	-	-
Winfried Klar	7/7	100%	3/3	100%
Dr. Eberhard Kroth	7/7	100%	3/3	100%

No conflicts of interest arose within the Supervisory Board during the reporting period.

Audit of the separate and consolidated financial statements

The consolidated financial statements of va-Q-tec AG were prepared on the basis of the International Financial Reporting Standards (IFRS), as applicable in the European Union, and the requirements of Section 315e (1) of the German Commercial Code (HGB). The auditors elected by the AGM, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, audited the separate financial statements of va-Q-tec AG as well as the consolidated financial statements, both for the financial year ending 31 December 2020, together with the respective management reports for va-Q-tec AG and the va-Q-tec Group, including the financial accounts, and in each case awarded them unqualified audit certificates on 25 March 2021. The auditors also assured themselves that the Management Board has established an internal control and risk management system appropriate in its implementation and design to provide early warning of developments jeopardizing the company as a going concern.

At the Audit Committee meeting on 25 March 2021 and at the Supervisory Board meeting on 26 March 2021, the Supervisory Board discussed with the auditors and examined in depth the financial statements for va-Q-tec AG and for the va-Q-tec Group, the Management Board's proposal for the application of the unappropriated net result, as well as the reports prepared by the auditor. The auditor participated in the consultations on the financial statements at this Supervisory Board meeting and informed the Supervisory Board of its audit findings and its findings concerning the internal control and risk management system.

The Supervisory Board concurs with the recommendation of its Audit Committee and approved the separate financial statements and management report as well as the consolidated financial statements and Group management report of va-Q-tec AG for the 2020 financial year. The separate financial statements of va-Q-tec AG have been adopted as a consequence. The Supervisory Board also concurs with the Management Board's proposal concerning the application of the unappropriated net result.

Thanks and outlook

The Supervisory Board remains convinced of the outstanding potential for success of va-Q-tec AG, and appreciates the trusting and open cooperation that it enjoys with the Management Board. On behalf of the Supervisory Board, I would like to thank all va-Q-tec AG employees for their extraordinary commitment in a year that was marked by special challenges for each and every one of them, both in their private and professional lives, due to the pandemic. We would like to thank you, our shareholders, for your confidence in the company, the management and our work.



Dr. Gerald Hommel
Chairman of the Supervisory Board of va-Q-tec AG