

Annual Report Sustainability report **2022**

Detect and Protect

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1. Sustainability Management



1.1 Statement from the CEO

Thomas Müller
Chief Executive Officer
of HENSOLDT AG



Dear Readers,

The year 2022 was a difficult one for democracy in Europe. We live in a different world now since Russia's brutal invasion of Ukraine. It has triggered an epochal shift for Germany's foreign and security policy, and this had a decisive influence on the events of last year. The war in Ukraine has shown us, painfully, how crucial it is to maintain, protect, and defend our democratic values.

On top of that, we are experiencing a climate crisis that requires our attention in these challenging times, too. Summer 2022 made it clear to all of us that drought, wildfire, and water scarcity are top news items around the world. Climate change demands a rapid response and reminds us that the time to implement concepts purposefully and take concrete measures is now.

Security is the foundation of a sustainable future, which is why sustainability is a core element of our DNA. For HENSOLDT, sustainability means taking a clear look at our company's activities, our emissions, and our resource consumption. In 2021, we initiated our Group-wide ESG Strategy 2026 and are now pushing ahead determinedly with its implementation. One of our milestones is to be climate-neutral by no later than 2035. As a contribution to this, our site in Kiel will become mostly self-sufficient for its entire energy supply in the future by using hydrogen as an energy source.

We are very serious about our responsibility to the environment, to our employees, and in respect of our company's activities (environment, social, and governance; ESG). Corporate integrity, respect for our coworkers, the careful use of resources, and the development of efficient solutions in the interests of our stakeholders are all part of the HENSOLDT ethos.

This third Sustainability Report that you are reading not only reflects on the milestones that our company achieved in 2022, but also explores the consistent implementation and ongoing development of HENSOLDT's ESG Strategy 2026 at the same time. Our holistic sustainability management constitutes the basis for our overarching goal of having a leading role for ESG in our industry.

We are conscious of the responsibility that you, our stakeholders, place on us. Together with all the committed employees at HENSOLDT, we work every day to advance our company's development.

I hope you greatly enjoy reading this report.

Yours truly,
Thomas Müller

1.2 About This Report

Dr. Lars Immisch

Chief Human Resources Officer at HENSOLDT AG and Chairman of the ESG Committee

"Sustainability is a core strategic issue for us that not only involves our responsibility to the environment and society, but is also a key factor for our attractiveness as an employer and an overall catalyst for our business success. I am very impressed by the progress we have made so far and the commitment of each and every HENSOLDTian. I am proud of the special culture in our company and our consistent efforts towards becoming an even more sustainable, even more motivating, even more transparent, and even more inclusive company."



In April 2023, HENSOLDT is publishing its third Group-wide Sustainability Report about all activities of the HENSOLDT Group in the areas of the environment, society, and responsible corporate governance (ESG). The report presents HENSOLDT's approach for each one of the topics identified as material, explains the developments and progress in 2022, and provides an outlook for the next year.

The focus topics during the reporting period were the following:

- For **Responsible Procurement**, the Supplier Code of Conduct which was implemented in 2021 was expanded and revised to reflect Germany's new Supply Chain Due Diligence Act; the current version was published in December 2022. The new rules have been firmly incorporated into the HENSOLDT management system since December 14th, 2022.
- In relation to **Corporate Integrity**, a special focus has been further put on the topic of human rights, the approach for a human rights programme developed in light of the Supply Chain Due Diligence Act (LkSG), and a Human Rights Officer appointed.
- "Elevate," an in-house programme to boost diversity and inclusion, was enhanced and rolled out internationally, particularly with a view to further increasing the share of women in leadership positions (see Human Potential).
- In having a target of becoming CO₂-neutral by 2035, HENSOLDT is aligning itself with the Science Based Targets initiative and taking measures to reduce carbon emissions (see Planet and Resources).

With this Sustainability Report, HENSOLDT is fulfilling its obligation to disclose non-financial information pursuant to sec. 315b and 315c in conjunction with sec. 289c to 289e of the German Commercial Code (HGB) in the form of a separate non-financial Group report. Pursuant to sec. 289d HGB, the provisions of the Global Reporting Initiative (GRI) were applied as a framework, with the separate non-financial Group report prepared accordingly in line with the GRI standards.

In addition to the requirements of the HGB, HENSOLDT also decided during the reporting period to compile its Sustainability Report in accordance with the GRI Standards.

This Sustainability Report simultaneously serves as the HENSOLDT Group Communication on Progress (CoP) as part of the Global Compact of the United Nations.

The reporting period corresponds to the 2022 fiscal year.

To determine the material sustainability criteria, an extensive and holistic materiality analysis was conducted in fall 2020 according to the GRI Standards and the CSR Directive Implementation Act (CSR-RUG) requirements. All relevant stakeholders, that is, management, employees, the sustainability team, customers, banks, investors, and suppliers, were involved in it. In the 2021 and 2022 reporting periods respectively, an update to the materiality analysis was initiated in order to ensure that current developments and requirements are reflected. In particular, the updates were carried out with the involvement of internal stakeholders (ESG functions, departments, and management).

Our business model is set out in the Combined Management Report in subsections I.1 Business Model and I.2 Organization and Corporate Structure. Significant non-financial content pursuant to sec. 315c in conjunction with sections 289c to 289e of the HGB has been audited (limited assurance) by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an audit engagement pursuant to ISAE 3000 (Revised), is marked with a gray frame in the text and highlighted in light green in the GRI Performance Table.

Sustainability is a core part of HENSOLDT's corporate culture. ESG reporting will be continued in future years, too. All reports can be found online at <https://www.hensoldt.net>.

1.3 Corporate Governance

Embraced Values – Now and in the Future

The long-term success of our business is based on the values of cooperation, excellence, responsibility, and innovation. They are immutable for all employees and are exercised by top management in their role-model function each day.

Corporate governance at HENSOLDT comprises all leadership structures, processes, and directives. They are bound together by the principles of responsible and transparent management and controlling that seek to grow the value of our enterprise. These principles unify our enterprise as a cohesive entity and, with their emphasis on sustainability, ethical responsibility, and the integrity of our business practices and leadership, ensure HENSOLDT's future success. Firmly embedded in our enterprise strategy and activities, they promote the trust of investors and financial markets, business partners, employees, and the public in the HENSOLDT Group.

Our company also follows the recommendations and suggestions of the German Corporate Governance Code.

Becoming an Industry Leader for ESG

An enterprise can only function, succeed, and stay ahead of the curve when it has strong leadership. We have firmly embedded the themes of environment, social, and governance (ESG) in our corporate culture under the motto, "set an example every day." The following values and principles represent the foundation of all our actions:

- Corporate integrity forms a core pillar of HENSOLDT's business success. Our Code of Conduct defines the basic rules for positive and respectful cooperation within the company and with customers, suppliers, and other partners. It also forms the basis of an internal system to safeguard against corruption and other illegal actions, including of our suppliers. Their ESG risks and performance are continuously analyzed, too.
- The excellence of our enterprise is supported by a quality strategy and quality policy, which are helped by effective business and quality management as well as efficient configuration and data management.
- HENSOLDT takes responsibility for its employees, the environment, and society in its risk management and day-to-day business practices. To this end, the traditional risk management – which chiefly operated from an outside-in perspective – now also includes an inside-out standpoint (see below). Here, the spotlight is on risks and opportunities that may emerge for society and the environment because of HENSOLDT.
- We aim to offer competitive working conditions and corresponding remuneration. Additionally, HENSOLDT promotes diversity and equal opportunities within its company. In particular, it aims to significantly increase the share of women in leadership positions, for example, to 35 percent in the Executive Committee and 25 percent in the leadership team by 2024.
- As a responsible employer, HENSOLDT supports initiatives and talent around the world at all its sites. For instance, we offer part-time training and professional-development programmes at our key locations (Germany, France, the UK, and South Africa) (see chapter 4 Human Potential).
- HENSOLDT places a high priority on protecting the environment and climate. Our enterprise has committed to using and handling resources and hazardous substances carefully and responsibly. There is monitoring in all company areas to ensure that this is the case.
- HENSOLDT has implemented measures to avoid and reduce emissions in relevant enterprise processes. In addition to investing in renewable energy sources and energy-saving actions, this includes the reduction of waste flows, paper consumption, and hazardous component substances. Compliance with all statutory and company regulations is reviewed each month based on a schedule of legal provisions and monitored with random inspections and internal audits by Health, Safety, & Environment (HSE). If deviations are found, they are documented in the reports and assigned an action plan. These actions are also added to Jira, which is where the actions are monitored. Furthermore, the company continuously expands initiatives that reinforce the principles of the company and its leadership and, in doing so, benefit employees and society

as well as contribute significantly to long-term commercial success. The iLEAD programme encourages this thinking. Not just a programme made up of workshops, it is also a new development pathway that develops and coaches “managers” into “leaders.” Moreover, the Elevate initiative – a part of HENSOLDT’s sustainability strategy – represents an aim to shift strategy by addressing the three key areas of corporate culture, career development, and exemplary corporate citizenship. This includes taking responsibility for diversity, regardless of gender, nationality, sexual orientation, religion, disability, or cultural background. This Sustainability Report outlines HENSOLDT’s initiatives in greater detail.

HENSOLDT strives to meet future national and international standards of good and sustainable corporate governance. What’s more, its corporate governance already makes a key contribution to the company’s success. The relevance of this corporate governance is only going to continue to increase, which the HENSOLDT leadership is aware of.

Sustainability has therefore not only always been part of the practiced values at HENSOLDT, but is now also part of the Group-wide corporate strategy. A strategy with a clearly defined objective to “become the ESG sector benchmark.”

Long-Term Incentive Components: ESG Targets for “Diversity” and “Climate Impact”

Pursuant to section 289c (3)(5) of the HGB, a report must be made in respect of material non-financial performance indicators that are of significance to the company’s business activities (see Remuneration Report). The Management Board remuneration with sustainability components is also a central component in the attainment of the ESG targets by 2026. All Management Board members receive an entitlement to a multiyear performance-related remuneration component (long-term incentive, LTI). The basis for determining the amount of the LTI is the target amount (“LTI target amount”), that is, the amount to which a Management Board member is entitled if the multiyear targets are met in full. At its own discretion, the Supervisory Board determines, at the start of each four-year measurement period for an LTI tranche, the conditions for each LTI component and the corresponding target amount for the bonus tranche in question. The long-term incentive is calculated based on the following LTI components:

- 40 percent based on the company’s relative total shareholder return (TSR) compared to the MDAX
- 30 percent based on the HENSOLDT Group’s order intake, and
- 15 percent each based on defined ESG targets

Success parameters for the LTI programme therefore not only include financial targets and a strong focus on the share price, but also ESG targets from the areas of environmental, social, and corporate governance. In the current LTI agreements, these ESG targets are:

- “Diversity” which provides for the achievement of specific quotas of women at various levels of the company.
- “Climate Impact¹” which seeks to increase the share of renewable energy and reduce carbon emissions.

¹ The sub-target “Reduction of the Use of Volatile Organic Compounds (VOCs)” was deleted as it was found to be not meaningful and insufficient for controlling the behaviour.

1.4 Strategy, Vision, Materiality Analysis

Shared Goals

For us, our company’s motto of “Detect and Protect” not only means the protection of people, but also equally the protection of the environment, nature, and all aspects of ESG that enable sustainable living and business in the first place. The basis for responsible actions is HENSOLDT’s sustainability management, which is firmly integrated into its business. Our vision, “Without security, there is no sustainability,” illustrates this and shows how HENSOLDT’s high-security products and services contribute to a sustainable future.

The Group-wide ESG Strategy 2026 defines the corresponding commitments and milestones. In publishing an annual Sustainability Report, HENSOLDT creates transparency and clarity. The company seeks to be among the best in the industry in relation to ESG, too.

HENSOLDT’s Sustainability Management

Sustainability is an integral part of our business strategy. The ESG Committee, which is made up of members of the Management Board and selected executives, sets the priorities for the company’s strategic direction for sustainability, integrates them into the business strategy, and supports their implementation. Working together with a Group Sustainability Manager, the committee coordinates all ESG activities and continuously improves the cooperation between the company’s various departments and between international sites with a cross-functional ESG team. Moreover, staffing numbers in the central ESG department are going to be boosted further in the future.

To enable a holistic sustainability management, HENSOLDT also maintains a close dialog with all the company’s stakeholder groups – employees, management, investors, customers, suppliers, associations, and municipalities – at all times. New ESG training promotes and sharpens employees’ awareness of sustainability-related topics in particular. With its ESG Strategy 2026, HENSOLDT has also defined its pledged objectives for the future and will keep developing sustainability management continuously with significant investment and full commitment.

HENSOLDT's Stakeholder Engagement

A regular exchange with stakeholders is a high priority for HENSOLDT. On December 14, 2022, HENSOLDT AG held its second Capital Markets Day in London. During the event, the company announced the increase of its short- and medium-term targets. Investors also had the opportunity to obtain comprehensive information about HENSOLDT AG and to engage in an exchange with the Management Board team and Executive Committee.

Materiality Analysis

We have employed an extensive materiality analysis, a well-established method, since 2020 to identify, evaluate, and prioritize the biggest impacts of our business activities on the economy, society, and the environment. It was updated for the 2022 reporting period and incorporates the most recent economic and political change as well as the revised GRI requirements.

The materiality analysis identifies the issues that HENSOLDT deems relevant to business, sets out the relevance of individual areas, and examines how they interact with each other. To this end, the existing list of topics and stakeholders was assessed in line with the sector standard of the Sustainability Accounting Standards Board (SASB) in 2022 so that all potential fields of sustainability could be considered thoroughly. Internal representatives of relevant interest groups evaluate the individual topics according to the topics' commercial relevance and, in particular, according to their influence on HENSOLDT's business divisions. This evaluation did not include direct surveys of the external individuals responsible for the topics (see materiality analysis). The ESG Committee then reviewed the evaluation before it was presented to the Management Board for the latter's approval.

The results of the HGB-based materiality analysis have been presented in the form of a matrix again this year. The material non-financial topics according to the new 2021 GRI Standards are presented in a list.

Based on the new 2021 GRI Standards, HENSOLDT has developed an approach for presenting the matrix in line with the CSR-RUG (HGB) as well as a list of material topics in line with the GRI Standards this year.

To determine which topics are considered material and should be reported on, HENSOLDT has followed the guidelines and guidance provided in the GRI Standards 2021.



Cluster
1 Business Integrity
2 Health and Safety
3 Product Responsibility
4 Community Relations
5 Responsible Sourcing
6 Human Potential
7 Planet and Resources

GRI Topic List with Results 2022

The list of GRI topics indicates the seven areas of the sustainability strategy that are influenced most by HENSOLDT's business activities.

Detecting and Avoiding Risk

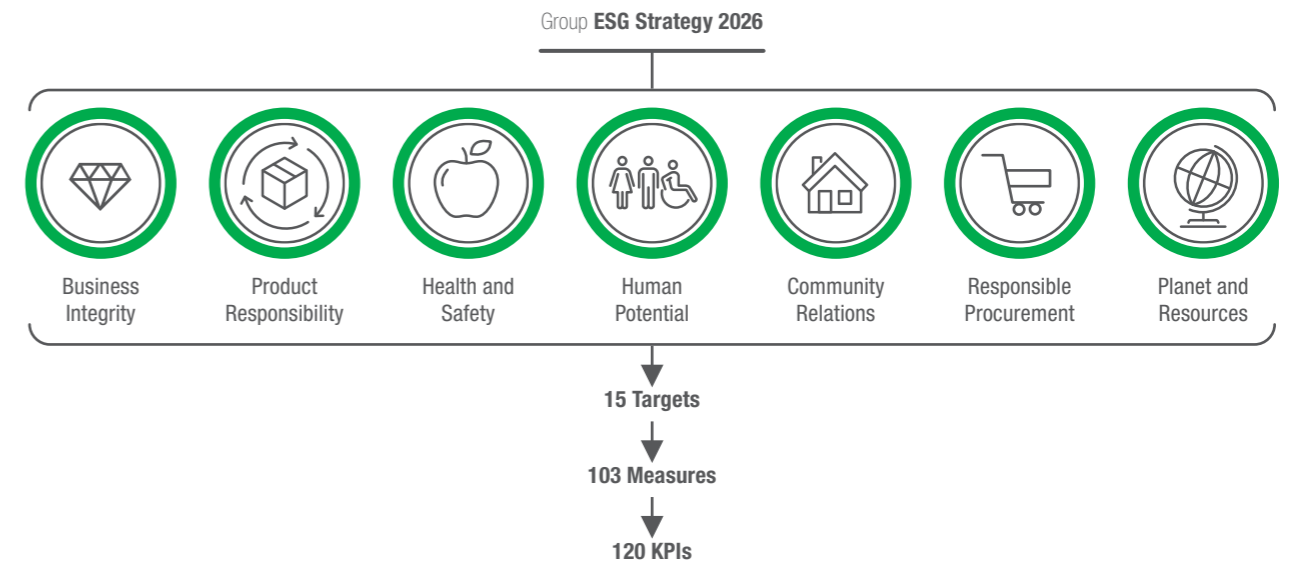
Concepts were prepared for the material issues identified in the matrix, and risks and opportunities were analyzed by means of an enterprise risk management (ERM) process. The risk analysis also evaluates the non-financial risks in relation to all double-materiality aspects under the HGB in accordance with the specifications in HGB section 289c(3). This means that the company studies aspects of sustainability from outside-in as well as inside-out perspectives. The outside-in perspective identifies sustainability risks that can affect the company from outside in, in line with the specified aspects. The inside-out perspective looks at sustainability risks that have consequences for the planet and society. The latter perspective is the subject of the risk analysis pursuant to HGB section 289c. All risks identified from both perspectives are recorded in the ERM system (ERM report) and documented and evaluated in a quarterly sustainability risk report. The risk analysis for the material non-financial aspects this year put an overall stronger focus on risks related to human rights and the environment.

Further details about the identified risks are explained further in the management report.

With respect to the material non-financial issues, the risk analysis applied the net method, taking into account risk limitation measures, and did not identify any significant risks – within the meaning of HGB section 289c (3)(3) and (3) (4) – arising from our own business activity or from any business relationships or products that have or will have a high likelihood of severe negative impacts on the non-financial aspects.

HENSOLDT's ESG Strategy 2026

The ESG Strategy 2026 was defined in cooperation with stakeholders. It is a key element of our sustainability management, providing orientation and clear goals as well as subgoals in seven categories. HENSOLDT launched numerous individual initiatives and programmes as part of this strategy in 2022 and some of them are presented as examples below.



1. **Business Integrity.** HENSOLDT does not tolerate any breaches of applicable legislation. This also includes data protection that encompasses all areas. At the same time, digitalization should make a central contribution to sustainability at HENSOLDT. Regular participation in ESG ratings serves to monitor success. In 2022, the “risks of human rights violations” continued to be considered and further developed by the company.
2. **Product Responsibility.** HENSOLDT promotes innovation and continuous improvement in its products and services. Alongside the responsible use of artificial intelligence, this also includes the development of solutions that protect society, wildlife, the climate, and our planet. In 2022, there were focuses on the “usage of artificial intelligence” and connecting HENSOLDT technologies with the ESG concept.
3. **Health and Safety.** HENSOLDT actively supports the mental and physical well-being of its employees. Its target lost-time injury frequency rate (LTIFR²) is at least as good as or better than the company’s already low level (lower than 0.75³). In 2022, the annual health survey was rolled out across Germany and further initiatives were launched for stress reduction and ergonomic workplaces.

² Lost-time injury frequency rate (LTIFR): number of lost-time injuries (accidents leading to at least one day of absence) x (200,000 ÷ number of hours worked)

³ HENSOLDT achieved an LTIFR value of 0.78 in 2022 and thus does not yet reach the target of <0.75. However, compared to the previous year 2021 (LTIFR 0.86), a significant improvement can be seen.

4. **Human Potential.** As an employer of choice, HENSOLDT attaches considerable importance to the satisfaction of the company's employees. Employment equity is also actively practiced and embraced, including through the desired increase in the share of women in leadership roles to 35 percent.
In 2022, HENSOLDT launched the new NEXT VISION programme in tandem with the Energy Factory to strengthen the corporate culture in a period of transformation.
5. **Relationships with the Community.** HENSOLDT is a good neighbor at all its sites around the world and maintains excellent community relations, which is fostered by regular dialog with community representatives. Employees are encouraged to increase their number of voluntary working hours on community projects to at least eight per year.
In 2022, HENSOLDT focused on helping Ukraine. The Management Board provided a total of 100,000 euros for a corporate-volunteering programme for it.
6. **Responsible Procurement.** HENSOLDT takes responsibility within the supply chain and identifies and reduces ESG risks at its suppliers.
In 2022, a road map was developed with defined measures along the Supply Chain Due Diligence Act (LkSG) for further mitigating ESG Risks across the supply chain.
7. **Planet and Resources.** HENSOLDT has committed to safeguarding the planet and its resources and is seeking to be carbon neutral by no later than 2035. Furthermore, all sites worldwide are to be certified in accordance with the stringent ISO 14001 environmental management standard by 2026.
In 2022, HENSOLDT continued to work consistently to achieve the interim target, set in 2021, of reducing its carbon footprint by at least 42 percent from 2020 levels by 2030.

The ESG Strategy 2026, the goals that it sets in seven categories, its interim targets, and its measures together form a robust foundation for the company's holistic sustainability management. It means we are tackling the current challenges that our planet and humanity are facing.

Sustainable Development Goals

The Sustainable Development Goals (SDGs) of the United Nations are made up of 17 goals for sustainable development on economic, social, and environmental levels. They are aimed at countries and organizations around the globe.

In accordance with its materiality analysis and sustainability management, HENSOLDT has categorized and prioritized the SDGs in a matrix based on its impact on the environment and society and based on the relevance for its stakeholders. The analysis indicates that the following SDGs and associated targets are currently in the foreground:



9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors.



16.5 Substantially reduce corruption and bribery in all their forms.



4.5 Eliminate gender disparities in education and ensure equal access to all levels of education.

4.B Substantially expand globally the number of scholarships.



10.2 Empower and promote the social, economic, and political inclusion of all.



13.2 Integrate climate change measures into (national) policies, strategies, and planning.

New ESG Reporting Standards

The International Sustainability Standards Board (ISSB) presented new draft standards for discussion on March 31, 2022. They include general requirements for disclosure of sustainability-related financial information (Exposure Draft IFRS S1) as well as climate-related disclosures (Exposure Draft IFRS S2).

These drafts are intended to put sustainability reporting on an even footing with financial reporting, with a goal of achieving globally consistent and reliable sustainability reporting.

The new EU Corporate Sustainability Reporting Directive (CSRD) came into force in January 2023 and must be transposed into national law by the EU member states by July 2024 at latest. In this context, binding standards (European Sustainability Reporting Standards, ESRS) are currently being developed by the European Financial Reporting Advisory Group (EFRAG), which will be applicable to HENSOLDT from the 2024 financial year.

ESG Risk Rating

HENSOLDT AG

Aerospace and Defence | Germany

ESG Risk Rating

15.5

Updated Nov 19, 2022

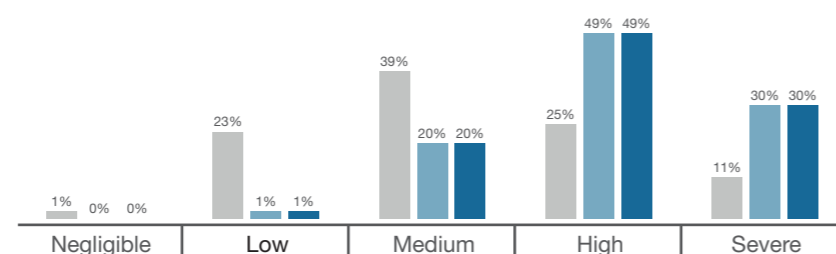
-2.5

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = Top Score)
Global Universe	1611/15240	11th
Aerospace & Defence INDUSTRY	1/96	1st
Aerospace & Defence SUBINDUSTRY	1/96	1st



HENSOLDT underwent a variety of ESG risk rating processes in 2022 (including Sustainalytics Risk Rating, Refinitiv, and S&P Global), which is evidence of its ambition to achieve transparency regarding sustainability. The Sustainalytics risk rating in particular should be emphasized here, with HENSOLDT achieving a score of 15.5 in the overall rating. This is higher than the scores awarded to comparable companies and is also a significant increase on its 2021 score (18.1). As such, HENSOLDT occupies the number one position in the aviation and defence industries globally.

1.5 EU Taxonomy

HENSOLDT provides information about its implementation of the EU Taxonomy Regulation (Regulation (EU) 2020/852 of the European Parliament and Council of 18 June 2020 on the Establishment of a Framework to Facilitate Sustainable Investment) to fulfill its non-financial disclosure obligations. The EU Taxonomy provides a consistent, legally binding system for classifying economic activities that are considered “environmentally sustainable” in the EU. The regulation requires annual, company-specific reports on the results of this classification.

The EU has published requirements for sustainable economic activities for two environmental objectives (climate change mitigation and climate change adaptation) and these activities must be reported on for the 2022 reporting period. The EU Taxonomy distinguishes between taxonomy-eligible and taxonomy-aligned when determining if a given economic activity contributes substantially to one or more of the environmental objectives and therefore qualifies as environmentally sustainable. The description of the respective economic activities in the two delegated acts relating to the EU Taxonomy Regulation (Annexes I and II) specify which economic activities are considered taxonomy-eligible or taxonomy-aligned (environmentally sustainable). Accordingly, a further step must then be taken to evaluate whether the specified technical screening criteria are met and the minimum safeguards adhered to before taxonomy-aligned classification can be given.

The determination of the key performance indicators was carried out in compliance with the FAQ document published by the European Commission, which addresses questions of interpretation in relation to Article 8 of the EU Taxonomy Regulation.

Based on section 315b of the HGB and Article 8 of the Taxonomy Regulation, HENSOLDT is required to apply the Taxonomy Regulation provisions. The consolidated financial statements of HENSOLDT AG as at December 31, 2022, were compiled in accordance with IFRS pursuant to HGB section 315e(1).

The central element is the determination of the taxonomy-eligible and taxonomy-aligned proportion of the Group’s turnover that is generated with products or services associated with economic activities classified as environmentally sustainable, as well as of the proportion of capital expenditure and of operating expenditure in connection with assets or processes associated with economic activities regarded as environmentally sustainable.

Commission Delegated Regulation (EU) 2022/1214 (of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities) was published during the reporting period. Pursuant to the amendment regulation that came into force, certain nuclear energy and natural gas activities are allocated to environmentally sustainable economic activities under the EU Taxonomy when certain conditions are met. We do not conduct any activities in these fields of nuclear energy or fossil gas.

When drafting the regulation, the European Commission focused on primary greenhouse-gas-emitting industries and sectors and identified potentially relevant economic activities on this basis. The aviation and defence industries, like many other sectors, do not have a core business that falls within the primary scope of the EU Taxonomy by definition, which means that the activities that HENSOLDT is deemed to pursue are largely unaffected by the scope of the EU Taxonomy for the first two environmental objectives.

However, this does not mean that these activities do not pursue or foster the targets of the HENSOLDT ESG Strategy.

Within the scope of a project, we performed a holistic review of our contribution to the European Union's environmental objectives of "climate change mitigation" and "climate change adaptation." We also carried out an extensive analysis of our economic activities and the resulting turnover, and of our capital and operating expenditure. In particular, we analyzed the proportions of these items that can be classified as taxonomy-eligible or taxonomy-aligned. Double counting is avoided by allocating the taxonomy-eligible and taxonomy-aligned turnover, capital expenditure (CapEx), and operating expenditure (OpEx) to only one economic activity under the EU Taxonomy.

The current scope of application of the taxonomy affects HENSOLDT only to a limited extent as the company is a specialized supplier of sensor solutions in the area of products and services. The company's value chain chiefly comprises customer-specific development services and the customized manufacture of components according to the relevant area of deployment. The products that are manufactured are installed in their environments by the customers and do not possess an energy supply of their own.

Applying the Taxonomy Regulation, we have identified primarily "internal" activities in connection with leasing our sites and the decarbonization of our vehicle fleet, which we have classified as taxonomy-eligible and, in part, taxonomy-aligned and included in the CapEx KPI. CapEx on photovoltaic systems was allocated to activity 7.6 Installation, Maintenance, and Repair of Renewable Energy Technologies, and CapEx on company cars with leases starting during the reporting period was allocated to activity 6.5 Transport by Motorbikes, Passenger Cars, and (Light) Commercial Vehicles.

The amounts used to calculate the taxonomy-eligible and taxonomy-aligned turnover, CapEx, and OpEx are based on the figures reported in the consolidated financial statements.

The turnover KPI is the ratio of net turnover from taxonomy-eligible and taxonomy-aligned economic activities of a given fiscal year to total net turnover for that year. The total net turnover of 1,707,042 thousand euros in the 2022 fiscal year forms the denominator of the turnover KPI; it can be found in the consolidated income statement. Based on the delegated acts as they are currently formulated, there are no relevant economic activities that can be identified in connection with turnover. Consequently, taxonomy-eligible – and therefore taxonomy-aligned – turnover has not been identified.

Capital expenditure is based on the additions to property, plant, and equipment and intangible assets under IAS 16 and 38 and IFRS 16 during the fiscal year, before depreciation, amortization, impairment losses, and remeasurement gains or losses, including those arising from remeasurement gains or losses and impairment losses without changes in fair value for the fiscal year. The total CapEx during the fiscal year amounted to 117,532 thousand euros and can be studied in the schedule of assets. The denominator generally also includes additions to property, plant, and equipment and intangible assets resulting from business combinations. The numerator of the CapEx KPI is determined by analyzing the assets or processes in connection with the amounts included in the denominator for their taxonomy eligibility or alignment. An analysis of taxonomy eligibility and alignment was carried out based on the additions to property, plant, and equipment and intangible assets along with a comparison against Annex I (Substantial Contribution to Climate Change Mitigation) and Annex II (Substantial Contribution to Climate Change Adaptation) of the Commission Delegated Regulation supplementing Regulation (EU) 2020/852. The investments for taxonomy-eligible and taxonomy-aligned economic activities were calculated directly in the financial accounting. A key element of the taxonomy-eligible, though not taxonomy-aligned, CapEx relates to the leasing of a newly constructed building in Ulm, representing an addition of 11,532 thousand euros and recognized under activity 7.7 Acquisition and Ownership of Buildings.

Taxonomy-aligned CapEx was incurred during the fiscal year just ended in connection with the acquisition of production from taxonomy-aligned economic activities and from individual measures. This CapEx pertains to photovoltaic systems and passenger cars specifically. It was assessed against the technical screening criteria based on expert opinions and individual pieces of evidence such as product specifications and data sheets. The taxonomy-aligned CapEx of 203 thousand euros and the taxonomy-eligible, though not taxonomy-aligned, CapEx of 1,570 thousand euros on activity 6.5 Transport by Motorbikes, Passenger Cars, and (Light) Commercial Vehicles is solely the result of capitalized right-of-use assets. The taxonomy-aligned CapEx of 693 thousand euros on Activity 7.6 Installation, Maintenance, and Repair of Renewable Energy Technologies is solely the result of additions to property, plant, and equipment in accordance with IAS 16. The taxonomy-eligible, though not taxonomy-aligned, CapEx of 12,311 thousand euros on Activity 7.7 Acquisition and Ownership of Buildings is solely the result of capitalized right-of-use assets.

Operating expenditure (OpEx) is based on direct, uncapitalized costs relating to research and development, building renovation measures, short-term leases, maintenance, and repair as well as all direct expenditure in connection with day-to-day servicing of property, plant, and equipment by the company or third parties to which the activities are outsourced, which are required to ensure the continuous, effective functioning of these assets. The expenditure on research and development, building renovation, short-term leases, and maintenance and repair in the 2022 fiscal year totals 43,708 thousand euros and forms the denominator of the OpEx KPI. The numerator of the OpEx KPI is determined by analyzing the assets or processes in connection with the expenses included in the denominator for their taxonomy eligibility or alignment.

The evaluation against the alignment criteria involves assessing if the taxonomy-eligible economic activities contribute substantially to an environmental objective defined by the Taxonomy Regulation and if the activities significantly harm one or more of the other environmental objectives.

The technical screening criteria that determine if an economic activity contributes substantially to an environmental objective and if it does not significantly harm (DNSH) one of the other environmental objectives have been applied for all taxonomy-eligible activities, based on either the technical characteristics of individual assets or national legislation. This screening also involved a detailed climate risk analysis of investments in connection with real estate and vehicles that fall within the scope of activities 6.5 and 7.6. It examined future scenarios based on Representative Concentration Pathway (RCP) 8.5, which is utilized by the Intergovernmental Panel on Climate Change (IPCC). Adaptation solutions were not necessary. The results from the individual assessments according to DNSH criteria can be viewed in the tables below. Individual pieces of evidence were used to assess and document if activities contributed substantially to the achievement of one or more of the article's environmental objectives and if the technical screening criteria were adhered to. The taxonomy-aligned vehicles allocated to activity 6.5 meet the requirements for specifically having carbon emissions under 50 g of CO₂ per kilometer, for Euro VI emissions for light commercial vehicles, and for rolling noise and rolling resistance coefficient in connection with vehicle tires.

Furthermore, compliance with minimum social standards according to the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, ILO Core Labour Standards, and the Universal Declaration of Human Rights was assessed in relation to the individual economic activities. The requirements profile that arises from these minimum-protection frameworks was analyzed and compared against internal documents, including the codes of conduct for the company and for suppliers, the work instructions, and guidelines. Risk analyses were performed in relation to minimum-protection issues at a Group level and corresponding measures were identified based on them.

The following KPIs are applicable for the fiscal year:

EU-taxonomy 2022

Turnover																					
Economic activities	Code(s)	Absolute turnover T€	Proportion of turnover %	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)						Taxonomy-aligned proportion of turnover, year 2022 %	Category (enabling activity) E	Category (transitional activity) T							
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation Yes / n/a	Climate change adaptation Yes / n/a	Water and marine resources Yes / n/a	Circular economy Yes / n/a	Pollution Yes / n/a	Biodiversity and ecosystems Yes / n/a				Minimum safeguards Yes / n/a						
A. Eligible activities																					
A.1 Eligible taxonomy-aligned activities																					
Turnover of eligible taxonomy-aligned activities (A.1)													0.0%								
A.2. Eligible taxonomy-non aligned activities																					
Turnover of eligible taxonomy-non aligned activities (A.2)													0.0%	not to be reported							
Total (A1 + A2)													0.0%								
B. Taxonomy-non-eligible activities																					
Turnover of taxonomy-non-eligible activities (B)													100.0%								
Turnover Total (A+B)													100.0%								

CapEx																					
Economic activities	Code(s)	Absolute CapEx T€	Proportion of CapEx %	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)						Taxonomy-aligned proportion of CapEx, year 2022 %	Category (enabling activity) E	Category (transitional activity) T							
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation Yes / n/a	Climate change adaptation Yes / n/a	Water and marine resources Yes / n/a	Circular economy Yes / n/a	Pollution Yes / n/a	Biodiversity and ecosystems Yes / n/a				Minimum safeguards Yes / n/a						
A. Eligible activities																					
A.1 Eligible taxonomy-aligned activities																					
Traffic																					
Transport by motorbikes, passenger cars and light commercial vehicles													0.2%								
Building and real estate																					
Installation, maintenance and repair of renewable energy technologies													0.6%								
CapEx of eligible taxonomy-aligned activities (A.1)													0.8%								
A.2. Eligible taxonomy-non aligned activities																					
Traffic																					
Transport by motorbikes, passenger cars and light commercial vehicles													1.3%								
Building and real estate																					
Acquisition and ownership of buildings													10.5%								
Taxonomy-non aligned activities (A.2)													11.8%	not to be reported							
Total (A1 + A2)													12.6%								
B. Taxonomy-non-eligible activities																					
CapEx of taxonomy-non-eligible activities (B)													87.4%								
CapEx Total (A+B)													100.0%								

OpEx																					
Economic activities	Code(s)	Absolute OpEx T€	Proportion of OpEx %	Substantial contribution criteria (%)		DNSH criteria (do no significant harm)						Taxonomy-aligned proportion of OpEx, year 2022 %	Category (enabling activity) E	Category (transitional activity) T							
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation Yes / n/a	Climate change adaptation Yes / n/a	Water and marine resources Yes / n/a	Circular economy Yes / n/a	Pollution Yes / n/a	Biodiversity and ecosystems Yes / n/a				Minimum safeguards Yes / n/a						
A. Eligible activities																					
A.1 Eligible taxonomy-aligned activities																					
OpEx of eligible taxonomy-aligned activities (A.1)													0.0%								
A.2. Eligible taxonomy-non-aligned activities																					
Building and real estate																					
Acquisition and ownership of buildings													10.1%								
OpEx of eligible taxonomy-non-aligned activities (A.2)													10.1%	not to be reported							
Total (A1 + A2)													10.1%								
B. Taxonomy-non-eligible activities																					
OpEx of taxonomy-non-eligible activities (B)													89.9%								
OpEx Total (A+B)													100.0%								



2. Business Integrity

2.1 Compliance and Anti-corruption

Our Approach: Strict Tolerance

HENSOLDT's products are, by their technical and physical nature, always given a degree of tolerance, minuscule though as it may be. When it comes to compliance and anti-corruption, however, HENSOLDT takes an entirely different view. We apply a very strict tolerance policy for these matters and combine it with established guidelines and management systems.

Our tolerance policy toward compliance is very strict.

Our business is based on the four principles of cooperation, excellence, responsibility, and innovation. Backed by the unshakable foundation of a comprehensive ethics and compliance programme, these principles represent the basis of all our business activities. They are a core element of our corporate culture, protecting our senior management and employees, our company, its reputation, and our customers. The aim is to ensure legally and ethically correct action at all levels of our business. As a responsible business, we strive to implement measures and processes that stop breaches of the law from occurring. In 2022, the HENSOLDT compliance programme still focuses on the same six core areas.

1. Anti-corruption The HENSOLDT Compliance Programme

In HENSOLDT's assessment, there remains a high risk of corruption in the defence segment, which receives particular public scrutiny. HENSOLDT rejects all forms of corruption with its strict tolerance policy.

With a special focus on corruption risks arising from dealings with commercial agents and third parties, we have developed a special system for assessing the risk of non-compliance with anti-corruption specifications and guidelines practically and with due care. This is done in accordance with HENSOLDT's anti-corruption guidelines and through internal, detailed audits, with an aim of minimizing corruption risks at all times. Deals that are irreconcilable with our values are declined, even where this means forgoing (new) business opportunities. Extremely strict prerequisites apply for contingency fee agreements. Last year we completed three of these agreements. The agreements are monitored strictly and avoided wherever possible. The same applies for every form of compensation agreement. All employees must also adhere to identical, clearly defined rules regarding gifts and invitations.

The Partner Review Directive (PRD) forms the basis for all dealings with business partners and contains special rules of conduct and duties of care with respect to the specific regional and transaction-related risks of a case.

As part of the partner review process, the Compliance department conducts a risk assessment of the planned transaction. The relevant business units, consulting even executive management if necessary, then decide if a transaction will be pursued or not. To ensure adherence with all compliance requirements and regulations, including the PRD, HENSOLDT has expanded its internal Compliance team substantially in recent years and provided it with the necessary resources.

2. Data Protection

At HENSOLDT, data protection means more than just complying with legal requirements. It consists of morally impeccable and extremely mindful dealings with employees and business partners. Our own, globally valid Data Protection Directive, which complies with the EU General Data Protection Regulation (GDPR), requires all employees to protect data and information systems against attacks. Employees are supported in this by our own data protection officers as the main points of contact for all issues relating to IT and data protection.

The data protection processes currently in place were also analyzed and enhanced in 2022; read more about this in chapter 2.3 Digitalization, Data, and Security.

3. Export Compliance

HENSOLDT's international business is subject to numerous sales and export restrictions and controls. To comply with government approval requirements and moratoriums, Group Export Compliance disseminates the generally applicable regulations and monitors the individual transactions from the perspective of export control and risks of economic sanctions on the Group level. Export Compliance forwards individual applications for export permits to the relevant authorities. Compliance with all necessary directives and procedures, including an anti-boycott guideline, an anti-corruption directive, the PRD, and all other compliance regulations and standards for business conduct, ensures successful export business within the parameters of the respectively valid rules.

In September 2022, the news magazine DER SPIEGEL made allegations of unlawful deliveries to and business activities in Saudi Arabia. In response to the report, HENSOLDT has clarified that all its business activities comply with applicable national, European and international regulations.

4. Antitrust and Competition Law

HENSOLDT is subject to a wide variety of competition and monopoly laws that protect diverse and free competition and are overseen by national and supranational authorities. Compliance with these laws is the task and duty of all HENSOLDT employees and forms the basis for every business transaction. The Compliance and Legal units have published mandatory requirements and guidelines on this topic. They advise and train all employees continuously so that compliance with all antitrust and competition regulations is ensured.

5. Involvement of Our Supply Chain

HENSOLDT also expects and actively demands of all business partners that they comply with the global HENSOLDT standards. The Supplier Code of Conduct serves as the foundation for this; read more about it in chapter 3 Responsible Procurement.

6. Focus on the Human Element

HENSOLDT consistently places the focus of all its compliance activities on its employees, as comprehensive integrity can only be achieved when each individual does their part. The aim is to ensure the long-term success of the company, in line with the motto "Only honest business is sustainable business."

Our Foundation: the HENSOLDT Code of Conduct

The same Code of Conduct applies to all employees of our group of companies, regardless of their location, position in the enterprise, or division. It sets out their general rights and obligations and defines mandatory basic rules for internal cooperation. As one of its main tenets, the HENSOLDT Code of Conduct calls on all employees to communicate openly. In addition to reporting potentially suspicious activities directly to their supervisors, potentially suspicious activities can also be reported 24 hours a day via HENSOLDT's OpenLine platform, even anonymously if desired. The results of these tips are reported to the Management Board and the Executive Committee.

All employees regularly receive information and mandatory training as to the content and requirements of the Code of Conduct and other compliance regulations. The Compliance department carries out regular training sessions for this, both face to face and virtually (sometimes via digital platforms).

As in the previous year, the Partner Review Directive was a key topic of compliance training. Compliance's general communication platform, the Q&A Sessions, which was introduced in 2021, was expanded further during the reporting period.

Alongside questions about the partner review process, the biweekly Q&A Sessions were also used to present and discuss the various compliance-related topics (e.g., Code of Conduct, anti-corruption, or export compliance) in terms of their practical relevance. The employees' sense of personal responsibility is boosted as a result and they gain more awareness for the detection of risk. Executives are involved in all facets of our compliance programme and are called on to actively communicate the significance of the programme to their team members. This also includes ongoing developments of the compliance programme, which in 2022 included the rollout of the Conflicts of Interest Policy, for example. This new policy provides specifications for and expands the preexisting regulations regarding conflicts of interest, including rules for conduct.

2.2 Human Rights

Our Approach: Day-to-Day Practice

We place a high priority on complying with our international obligations to protect human rights. As a generally applicable policy, the Code of Conduct asserts our commitment to upholding human rights, both within and outside the company. The values and practices to which HENSOLDT is committed take into account internationally recognized standards as set out in charters, declarations, and guidelines, including the Universal Declaration of Human Rights, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the OECD Guidelines for Multinational Enterprises, and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work. Since 2021, we have also been a signatory of the UN Global Compact and are thus fully committed to the principles of respecting and upholding human rights.

The HENSOLDT Human Rights Policy

In keeping with the significance of this topic, HENSOLDT developed a dedicated Human Rights Policy in 2021. Responsibilities and processes are set out and organized in a Human Rights Policy⁴.

The Human Rights Policy corroborates the company's commitment to respecting human rights as it carries out its business activities, and offers a foundation for monitoring and safeguarding its high standards on this matter. What's more, the policy contains specifications for monitoring, due diligence, and training as well as mechanisms for communication and complaints regarding the support and protection of human rights. It incorporates all relevant areas of the company. A "relevant area" includes any department with a scope and activities in which possible risks of human rights violations exist and/or should be considered or evaluated, including for example HR (in relation to employees), Procurement (in relation to suppliers), Compliance (in relation to business partners/opportunities), and ESG and the Human Rights Officer (General Counsel) generally.

The Human Rights Policy is underpinned by the following documents:

- UK Modern Slavery Act Statement⁵
- Annual Report and Group Sustainability Report
- Anti-corruption Policy
- Standards of Business Conduct
- Supplier Code of Conduct
- Sponsorship and Donations Policy

A Human Rights Officer, supported by ESG, Procurement, HR, and Compliance monitors the implementation of the processes and refines the corresponding guidelines and policies on an ongoing basis. This individual is assisted by further officers for Business Compliance and Export Compliance.

It is our aspiration that our business partners also take into account the international standards on human rights. This objective is reflected in our Supplier Code of Conduct in accordance with the International Forum on Business Ethical Conduct (IFBEC), in the purchasing conditions, and in the PRD. IntegrityNext, a cloud-based digital platform for reviewing and managing suppliers, is already in use; read more about this in chapter 3 Responsible Procurement.

⁴ The HENSOLDT Human Rights Policy can be found at www.hensoldt.net

⁵ The UK Modern Slavery Act Statement of HENSOLDT AG can be found at www.hensoldt.net

2.3 Digitalization, Data, and Security

Our Approach: Keeping Data Secure.

As part of numerous digitalization initiatives, the role that data and IT infrastructure have at HENSOLDT is growing increasingly large, and in some areas they even have a decisive role. Data leaks are prevented, and the risk of attacks are minimized through our global governance of digitalization and IT, as well as through a robust IT architecture. Sustainability is a core element of the digitalization strategy and contributes considerably to the minimization of HENSOLDT's environmental footprint.

Within a framework of legal obligations, national and international guidelines, and conventions, data security is given top priority. Within the context of a comprehensive data protection management approach, numerous actions contribute to the continual monitoring and documentation of compliance with the defined data protection principles.

Significant Measures and Results of Data Protection Management in 2022

- **Organizational Structure for Data Protection:** In order to fulfill the objectives of the organizational structure for data protection that has now been established, data protection processes have been set up on the basis of the management processes, e.g., by issuing work instructions, guidelines, and process manuals. These new processes meet the expanded documentation and verification requirements.
- **Data Protection at Global Subsidiaries:** When the Group Data Protection Directive took effect, this represented the formulation of a foundational, global data protection policy and definition of the responsibilities at national, European, and international levels. The establishment of the organizational structure for data protection for the purpose of GDPR-compliant data protection management involved allocating all the relevant roles. Some of these roles are held by local points of contact (e.g., data protection officers in foreign countries or the Data Protection Coordinator) who support the Group Data Protection Officer.
- **Record of Processing Activities:** New and existing processes were recorded and reviewed in a GDPR-compliant manner using the methods of the management system. New processes were reported and evaluated. The record is at the desired level of 95 percent target attainment.

- **2023 Data Protection Planning:** The company continuously drives and executes the ongoing development of the management system for data protection based on the risk-based approach that it uses. It further heightens the employees' awareness of responsible data handling and the new challenges of data-based business models that come with advancing digitalization.

HENSOLDT's data protection guidelines and initiatives are aligned with legal specifications and the EU's General Data Protection Regulation. They provide the foundation for the high standard of global data protection at HENSOLDT.

New Business Models – New Risks

Through advancing digitalization and networking, new business models and digitalization concepts are constantly emerging at HENSOLDT. Data enables new products, product applications, and innovative services as well as changed models of working. Remote maintenance and services are increasingly becoming the rule, Industry 4.0 is transforming manufacturing, artificial intelligence is now a core element of numerous products, and remote working has now become the norm for many employees. At the same time, opportunities for enhancing efficiency and improving the use of resources are opening up along the entire value creation and production chain.

To minimize the resulting potential risk, the organizational structure for data protection management – which is incorporated into Legal – further develops HENSOLDT's data protection management continuously, applying a risk-based approach with an aim of adhering to all regulatory requirements and the company's integrity standards. With oversight from the Management Board, processes and systems have been developed and implemented for the purpose of ensuring secure and efficient data processing. These include the protection objectives and classes as well as HENSOLDT's documentation management. In this way, we are safeguarding the data of all employees and customers as well as those of our other stakeholders.

Our aim is to ensure the protection of data meets the high level of international standards and to prevent or defeat any intrusions.

The cyberattack on our subsidiary NEXEYA in France has highlighted the diverse threats in the cyber sector. The attack by hackers put data at risk. In close cooperation with the responsible authorities, a comprehensive investigation of the incident was immediately initiated. NEXEYA could largely return to normal daily business since the beginning of September. The IT infrastructure and data of other HENSOLDT Group companies were not affected. Together with its international locations, HENSOLDT AG is continuing to work hard in 2023 to ensure that such incidents can no longer occur.

Digitalization and Sustainability

Digital technologies present new opportunities for sustainable living and business. Under the leadership of the Chief Information Officer, HENSOLDT is constantly working to promote digital sustainability initiatives. Remote working, for instance, is now firmly integrated into day-to-day enterprise operations. New solutions are continuously developed for remote maintenance and remote customer service as well as for customer education services and presentations. They not only enhance customer service and customer care, but also significantly reduce travel and thereby contribute to lowering carbon emissions.

Here are some other highlights:

GRIP²: With the GRIP² IT and digitalization strategy, we have embedded ESG in digitalization initiatives across the company. The digitalization of business processes contributes to a minimization of HENSOLDT's environmental footprint as well as an increase in employee satisfaction, which in turn produces efficiency and productivity gains. The focus on secure processes and a global IT architecture, which enables seamless cooperation in highly sensitive areas, supports all employees in the conservation of resources and the risk-free handling of complex projects.

Ecosia.org: By using the environmentally friendly and sustainable search engine Ecosia.org, each employee plants trees with each search query and, in doing so, contributes to sustainability.

Cyber Security Awareness: To keep employees continually aware of issues around IT system security, HENSOLDT has rolled out a cybersecurity awareness campaign. The security plans were reinforced significantly, and cybersecurity awareness raised at all sites globally after French subsidiary Nexeya became the target of a serious cyberattack on its infrastructure in summer 2022.

AI: In addition to reducing its environmental footprint, HENSOLDT also places a high priority on the responsible use of core technologies such as artificial intelligence (AI). AI technologies are in use at HENSOLDT across all divisions. HENSOLDT ensures that ethical principles are complied with in both the development and the application of AI.

VR: HENSOLDT uses the opportunities offered by digitalization for training and continuing education, too. At Customer Service in Immenstaad, Germany, for example, customer training is being supported with virtual reality (VR). It lets participants learn maintenance processes virtually before practicing them in real life afterward.

DASU: In Ulm, Germany, HENSOLDT supported the foundation of the Transfer Center for Digitization, Analytics, & Data Science Ulm (DASU) in conjunction with the City of Ulm, the Ulm chamber of commerce, and other partners in 2022. The center provides a platform for sharing experience and research findings between industry, business, and academia.

Secure and protected information technology in conjunction with responsible employee conduct form the basis for a HENSOLDT future that is both digital and sustainable. The principle of "keeping data secure" creates scope for added value – to the benefit of our employees, our customers, the company, and the environment.

3. Responsible Procurement



Our Approach: Global Standards for HENSOLDT and All Business Partners

HENSOLDT also expects and actively demands of all its business partners that they comply with the global standards that we have adopted with respect to issues such as human rights and labor law. To this end, the guidelines for the purchasing terms and conditions contain the international regulations and conventions of the OECD and the International Labour Organization (ILO), such as the prohibition of forced labor, child labor, and discrimination. They are complemented by national provisions, such as the United Kingdom Modern Slavery Act 2015⁶ to prevent the criminal exploitation of labor. Additional defined, strict requirements apply in the areas of occupational safety, health, environmental protection, and hazardous substances.

The Supplier Code of Conduct is a core element of supply chain management and acts as the basis for supplier evaluation. We screen suppliers on ESG aspects and support their initiatives to adhere to the guidelines. In the year under review, there were no known cases of suppliers being excluded from procurement.

Our Regulations

Our Foundation: the HENSOLDT Supplier Code of Conduct

The Supplier Code of Conduct, which was revised in 2021, contains the applicable laws and regulations of the countries in which the supplier in question operates, handles goods, and/or provides services. Compliance with this code of conduct is mandatory for a business relationship with HENSOLDT. Moreover, the code of conduct sets out HENSOLDT's expectations of its suppliers and entire supply chain while recognizing differences in cultures and legal requirements. The content of the Supplier Code of Conduct is based on the supplier code of conduct of the International Forum on Business Ethical Conduct (IFBEC) for the Aerospace and Defence Industry. Further, the code is integrated into all orders and contracts. In 2022, the Supplier Code of Conduct was reviewed, updated, and published digitally in accordance with the requirements of Germany's Supply Chain Due Diligence Act (LkSG).

Supplier Self-Assessment

In addition to the obligation to comply with the HENSOLDT Supplier Code of Conduct, all relevant suppliers are required to provide an extensive self-assessment. This was expanded further in 2022 and migrated to the IntegrityNext (INX) cloud-based digital supplier platform. All suppliers are also obligated to upload the necessary certificates to the platform. The final risk analysis is conducted based on this data.

The Supplier Screening process manual was additionally rolled out for HENSOLDT Sensors GmbH and HENSOLDT Optronics in 2022.

Results of the 2022 Supplier Qualification Process and Risk Assessment

Some of the results of the enhanced supplier qualification process and the resulting ESG risk assessment in 2022 are as follows.

⁶ The Modern Slavery Act Statement of HENSOLDT AG can be found at www.hensoldt.net

Ongoing Development of ESG Risk Analysis

IntegrityNext

A cloud-based platform for supplier monitoring and risk analysis has been developed for HENSOLDT through its technology partner IntegrityNext. The platform includes supplier information on issues relating to corporate social responsibility. This not only lets the growing requirements that are placed on suppliers be reviewed and implemented in a timely manner, but also simultaneously provides relief for Procurement in its communication with suppliers.

IntegrityNext boasts extensive experience in the field of ESG analysis and actively supports customers and suppliers alike with implementation.

These are the results:

- The number of suppliers on the platform has more than tripled since May 2021.
- More than 450 suppliers have signed up and entered direct exchange with HENSOLDT. Automated media monitoring on the platform regularly assesses a further 1,100 suppliers.
- The use of the supplier information has been continuously expanded in relation to matters relevant to HENSOLDT; contents with regard to the Supply Chain Due Diligence were concretized, and complemented with informational text and response options about EN 9100 certification for the aerospace and defence industries.
- On an ongoing basis, more and more existing suppliers are simultaneously instructed to register and conduct self-assessment, with priority given to key suppliers and suppliers with expiring EN 91xx certifications.

By late 2022, the 8 business units with the largest share of external procurement at HENSOLDT were already using the IntegrityNext platform (In 2021 this was still two business units). The international rollout of IntegrityNext is going to continue further in 2023. A HENSOLDT Group's Supplier Database, which was developed in 2022, merges all supplier information from IntegrityNext and Dun & Bradstreet (D&B) credit reports. Moreover, HENSOLDT AG and Hensoldt Sensors GmbH have been subject to the Supply Chain Due Diligence Act since January 1, 2023.

Further Highlights

- A country ranking was set up and introduced for the matters of anti-corruption and human rights.
- The HENSOLDT Group's supplier portfolio and its procurement source countries were surveyed and analyzed.
- Business units for which a further, detailed risk identification is needed were prioritized based on risk.
- An external consultancy was engaged for the implementation of a Group-wide risk analysis process with corresponding follow-up measures in accordance with the Supply Chain Due Diligence Act.

Digitalization and Harmonization of Supplier Screening

For us, IntegrityNext serves as a future-oriented basis for further digitalization and harmonization in supplier screening. Now expanded to business units in the UK, France, South Africa, and Germany, ESG profiles are regularly created for existing suppliers. The IntegrityNext assessment is obligatory for new, ESG-critical suppliers in these business units.

The criteria for supplier ESG screening remain the fixed core topics of occupational safety and health, environmental protection, human and workers' rights, anti-corruption and antibribery, and responsibility in the supply chain. The embedding of formal criteria further strengthened the importance of ESG risks in supplier selection and supplier self-assessment. Simultaneously, all ESG checks have been able to be recorded centrally across the Group in the new HENSOLDT Supplier Database since late 2022. It monitors them for risk and can generate the GRI reporting format from the data store.

With the new supplier portfolio analysis, we now also have a centralized evaluation tool at our disposal. It covers the top 13 business units, which together represented approximately 659 million euros in external procurement spending in 2021. The analysis showed that only a very small portion went to countries classed as critical. Supplier development meetings in 2022 also further raised awareness among the 85 main suppliers for Sensors and Optics of the role of ESG for the HENSOLDT Group.

Even More Security in 2023

In 2023, we will continue to expand our responsible procurement on an ongoing basis. This will see the integration of IntegrityNext into additional business units along with the holding of further supplier development meetings. There are also plans to add further suppliers to the platform. Consequently, the data store in the HENSOLDT Supplier Database will grow in size. Critical supplier profiles and warnings can be presented more transparently as a result and uncertainty in ESG reporting reduced further.

In parallel, HENSOLDT will calculate the usage and benefits of its training offering on the Supply Chain Due Diligence Act and update and analyze its supplier portfolio in relation to the transactions in the top 13 business units in 2022.

Based on these results and the planned measures, the supply chain risk management can be implemented in accordance with the Supply Chain Due Diligence Act. The measures also contribute to achieving the pledged objectives of responsible procurement as well as extensive and verifiable responsibility across the HENSOLDT Group's global supply chain, all in a transparent, demonstrable way.

4. Human Potential

4.1 Employment

HENSOLDT is headquartered in Taufkirchen, an important German center of defence-related innovation not far from Munich. HENSOLDT is present around the world – in Europe, Asia, North and South America, and Australia.

HENSOLDT can strategically serve its growing customer base from more than 40 locations worldwide. Outside Germany, HENSOLDT has production sites mainly in France, South Africa, and the UK.

As of December 31, 2022, the company employed a total of 6,463 people. 73 percent of these employees work at sites in Germany, followed by just under 13 percent in South Africa, approximately 10 percent in France, and just under 3 percent in the UK.

Women account for roughly 23 percent of employees. At management level, in the leadership team, this number is 20 percent (and 9 percent for the Executive Committee).

The employees' age distribution is very balanced: Approximately 27 percent of employees are under 35 and approximately 25 percent are between 35 and 44. 23 percent are aged between 45 and 54, and 24 percent are 55 or over. (All figures as at the reporting date of December 31, 2022, and apply to HENSOLDT AG, including all consolidated companies.)

The facts and figures in the following sections on "Training, Continuing Education, and Talent Promotion" and on "Diversity and Equal Opportunities" relate to all consolidated entities with the exception of the sales offices. (For this and other KPIs, see table in chapter 9.2 GRI Performance Data 2022.)

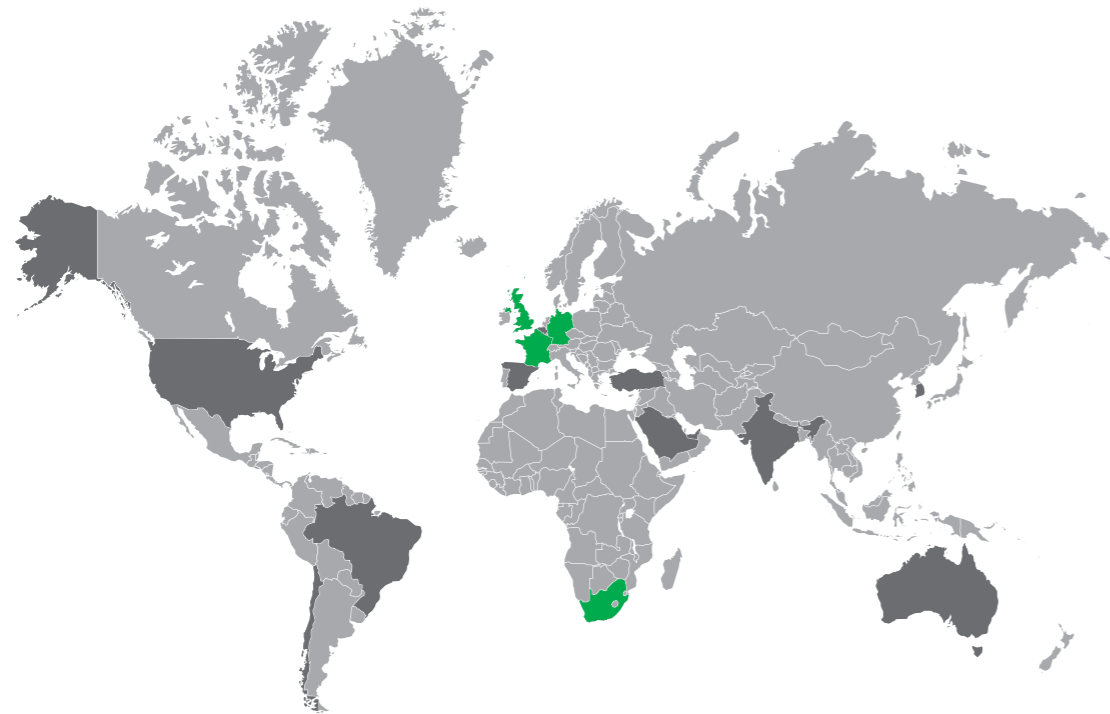
4.2 Training, Continuing Education, and Talent Promotion

Management Approach

The ongoing training, development, and education of employees and the targeted promotion of talents are a dynamic part of our enterprise strategy and philosophy. We ensure this with internal development programmes and the HENSOLDT Academy, which offers a modern, technologically sophisticated portfolio tailored to the purpose of continuing education in the company's departments.

HENSOLDT is striving to master present and future challenges even better. Its emphasis is on recruiting talent in an ever tighter market, new work and flexible working time models, as well as new requirements for employees in general. To this end, HENSOLDT is developing a learning culture based on personal responsibility and self-direction. It is consistently expanding the accessibility and flexibility of the learning programmes, for example with needs-based e-learning and "blended-learning" formats (in-person and e-learning). There are regular reports on the assessment rate and return rate in audits and to the Supervisory Board.

As a part of our strategic human resources planning and development, continuing education and talent promotion at HENSOLDT play a major role in fostering employee loyalty, increasing their satisfaction and performance, and realizing hidden potential. At the same time, this heightens the appeal of HENSOLDT in the labor market.



- HQ/production (industrial sites): Germany, South Africa, France, UK
- Sales representations: Spain, Belgium, US, Chile, Brazil, Singapore, Australia, South Korea, India, UAE, Saudi Arabia, Turkey

HENSOLDT emphatically supports freedom of association and the right to collective bargaining. We expressly respect the right of our employees to join a union or start one themselves. Furthermore, HENSOLDT fosters dialog with and engagement in such unions. Our objective is to take into account, as far as legally possible, applicable collective-bargaining agreements as the basis for our working conditions and contracts. This also encompasses various bonus payments guaranteed by the company and pension programmes that we provide to all employees globally.

The ECHO employee share option programme, which was launched in 2021, went into its second round in 2022. It provides an opportunity to acquire shares in the company in various packages, with a 50 percent subsidy from HENSOLDT. More than 60 percent of all employees already hold a direct stake in the company's growth and success now thanks to the programme. This high rate underscores the strong corporate culture and the trust shown by the workforce in HENSOLDT's strategy. The programme is offered in Germany, France, the UK, and South Africa and is valid for all participating companies.

Continuous Development in Every Stage of Life and Work

Our employees are our most important capital and are the focus of our future-oriented human resources policy which centers on life phases and our employees' value. In line with this understanding, we offer our employees a wide range of development formats and continuing education offerings through the HENSOLDT Academy. These include in-depth specialist training in relevant areas such as engineering as well as in soft skills and global leadership, in a manner appropriate to each career and life phase. Specific, topic-based training sessions on integrity, diversity, and integration as well as health help to make the corporate culture even stronger.

Continuous enhancements increase the quality of the training on an ongoing basis to ensure success and guarantee that people use the skills they have learned. For existing educational offerings, participants are asked to give feedback, which is analyzed and used to adjust the training and education formats. Internal experts are also involved in the development of new educational offerings in order to tailor the formats to the needs of employees. New, digital learning formats such as podcasts and e-books let employees take their self-directed learning to another level. At the same time, the increasingly digital and international nature of the training adds further momentum to the learning portfolio's global rollout.

Last year, approximately 4,700 employees in Germany alone utilized a variety of training and development formats in the form of face-to-face events, virtual live training via Microsoft Teams, or e-learning. More than 110,000 training hours were logged in total.

Finding and Developing Talent

To arouse talented people's interest in HENSOLDT, even when they are new to the company, and increase the company's appeal as an employer, HENSOLDT further broadened its partnerships with universities, research organizations, and other higher-education institutions in 2022. These partnerships give students special coaching in development programmes concurrently with their studies, the ability to familiarize themselves with different sites, and become closely integrated with existing teams. All talent relationship management (TRM) activities have been pooled within the new myVeeta TRM platform since 2021. The company plans to continue all existing partnerships with universities, research organizations, and other higher-education institutions in 2023.

On their subsequent path to executive management at HENSOLDT, talented employees, like all other managers, also have the opportunity to take part in the internal cross-hierarchical and cross-functional iLEAD@HENSOLDT leadership programme. This programme enables agile, constructive communities of managers to emerge.

Summary of HENSOLDT's Development Programmes

We respond to demographic change, technological and societal developments, and sociological trends with a human resources policy that is focused on life phases. Tailor-made solutions for all career and life phases, from students to managers, include all employees with training and development programmes that suit them. Because at HENSOLDT, satisfied, healthy, committed, and motivated employees form the capital for our future. Some of our programmes have been successfully established for years, while others only just started in 2022. Here are the main ones:

- Students Pioneer Club** This development programme, running concurrently with academic studies, integrates particularly talented and motivated students into existing HENSOLDT teams and provides coaching and training to bind talented people to the enterprise early on.
- HENSOLDT Connect** This network connects dedicated employees of all ages and in all divisions with each other and with the directors and other interest groups. This communication fosters an innovation culture in which the participants develop their potential through various projects and coaching.
- Development Center** Employees from different departments can reflect on and further develop their individual skills in special workshops. The focus here is on developing potential that aligns with the company's strategy.
- 180° Feedback** This online tool sends team leaders direct, anonymous feedback from their team. It lets strengths and potential be identified and supported at an early stage. The feedback tool can be used by all teams that have more than five employees.
- Customized Workshops** Workshops that are customized to the requirements of the relevant HENSOLDT teams offer an opportunity for further development on special topics, such as collaboration, communication and reflection, vision development, leadership, and more.
- iDARE** iDARE stands for innovation, digitalization, agility, reflection, and entrepreneurship and is offered in cooperation with the TUM Technology and Entrepreneurship Center. The programme aims for a leadership culture that encourages inspiration, for example by learning digital leadership skills and agile working methods.
- Skills²Manage** This management development programme equips new executives with expertise in management and processes in key areas such as finance, business and strategy, procurement, quality, legal basics, compliance, data protection, HR, and more. The individual modules are coordinated by internal coaches who not only share their expertise with the managers, but also engage in a dialog with them. This means that knowledge within the company is passed on and, moreover, the company develops and reinforces its internal networks.

Executive Education Programmes

HENSOLDT offers its managers special management courses at the TUM School of Management that are adapted to the company's requirements, with training on subjects such as leadership, communication, sustainability, innovation, finance, and change management.

iLEAD@HENSOLDT

This global, cross-functional leadership programme is for managers from all company divisions and levels of the hierarchy. It is designed to develop "managers" into "leaders" and oversee them on this journey. The programme is based on the old system of "command and control" and is intended to result in shared growth from inspiration, encouragement, and enthusiasm. An international iLEAD Journey took place for the first time in 2022. It had 33 managers from across the world participate, strengthened their leadership, and let them share their experience.

iLEAD Development Group

This group of dedicated "iLEADers" conveys the HENSOLDT spirit of innovation to the company with innovative activities, provides mutual support and reflection, and visibly practices the company's values. In doing so, it reinforces the company's culture. The group invited other dedicated HENSOLDTians to a new format in 2022: the Culture Tent at the Ulm site in Germany. Over 600 employees had the chance to experience different aspects of the company culture, get involved, and actively influence cultural changes together. In light of the programme's success, there are plans to continue it.

With the continuation of the current People & Leadership programme and additional e-learning offerings, and with the expansion of all offerings to include more countries, ongoing training and talent promotion are continuously being expanded at HENSOLDT and enriched with new elements. Furthermore, an individual development initiative has been introduced for managers and up-and-coming leaders. Called Competence & Career Reflection, it involves further personal development by reflecting on one's own skills as well as personal values.

In order to strengthen the corporate culture in a period of transformation, HENSOLDT launched the new NEXT VISION programme in 2022 in tandem with the Energy Factory led by Professor Bruch. Influenced by current issues in society, the "war for talent," as well as new, flexible working models, employees are increasingly looking for purpose in their work. In starting NEXT VISION, HENSOLDT is seeking to provide guidance for developing and laying out a clear, common direction and common emotional focus.

The NEXT LEADERSHIP PRINCIPLES are planned to contribute to this as well in 2023, after having been developed with the support of the Energy Factory. A new development programme is also planned to integrate talented people into succession planning for leadership team positions in a targeted manner, giving them oversight for their development as leaders.

This not only cements the employees' current motivation and loyalty toward the company, but also boosts the company's employer branding and further raises HENSOLDT's appeal in the jobs market.

4.3 Diversity and Equal Opportunities

Management Approach

We see diversity management as a wide-ranging duty that is relevant to the company's strategy. We establish structures and practices that create genuinely equal opportunities, with an aim of maximizing the benefits of diversity regardless of gender, nationality, sexual orientation, religion, or culture. A key focus of ours is on promoting women managers, inclusion, and international diversity. In an integrative working environment, uniqueness enhances creativity, inspiration, and the desire to excel. In addition, HENSOLDT is a member of the United Nations Global Compact and the Initiative CHEFSACHE network, which also held a joint "New Work Dialog" on unconscious bias with the Fraunhofer Institute in 2022.

For its strategic objectives of ensuring competitive working conditions and promoting true diversity and equal opportunity in all its aspects, HENSOLDT has defined three focus areas:

- Creating a work culture that appreciates each individual employee and consciously promotes diversity. With managers acting as role models, this culture is conveyed to all areas of the company through a variety of initiatives. Our diversity awards promote internal and external awareness.
- The establishment of a talent management system that provides for inviting at least one comparably qualified woman to job interviews, especially for typically male-dominated roles, as part of succession planning. In addition, all employees are encouraged to attend diversity trainings. For managers in the Leadership Team, selected diversity trainings are mandatory.
- Increasing the public perception of HENSOLDT as a great place to work that both appreciates diversity and promotes modern, flexible work models such as part-time work, remote working, and an inclusive working environment. Talented women in particular are addressed through targeted image campaigns and participation in joint projects with schools and universities, as well as through private-sector initiatives.

The success of certain actions is reviewed regularly based on defined performance indicators for the increase of the share of female employees in the leadership team,

adapted as necessary, and taken into account in management remuneration. Pursuant to the global goal of increasing the share of women in senior positions in the leadership team to 30 percent by 2026, this indicator, as well as the global share of women in all management positions, is measured on a regular basis. As reported in the chapter on Sustainability Management, all Management Board members are entitled to a multiyear performance-based remuneration component (the “LTI bonus”) (see Remuneration Report). Success parameters for the LTI not only include financial targets and the strong focus on the share price, but also ESG targets. In the current employment contracts for members of the Management Board, these ESG targets are “Diversity” – which is centered around the achievement of specific quotas of women at various levels of the company – and “Climate Impact”⁷. The ESG target Diversity represent an LTI bonus component and is weighted at 15 percent when measuring the LTI bonus.

Equal Opportunities and Talent Promotion

As an international enterprise, we have always promoted diversity and equal opportunity for our employees as a matter of course.

HENSOLDT promotes talent – regardless of age, ethnic and social origin, nationality, religion, ideology, gender/gender identity, or sexual orientation – through numerous initiatives worldwide.

Elevate – the HENSOLDT Diversity & Inclusion Programme

We launched the Elevate programme in 2020 to bolster the culture of diversity and equal opportunities and especially to increase the share of women in leadership positions. Elevate takes the form of a company-wide community in which all employees can share their ideas and experiences in respect of equal opportunities, diversity, and an inclusive corporate culture.

Numerous initiatives took place around the world as part of the programme in 2022. Diversity training and regular events in German and English examined topics such as “Women in Leadership Positions,” “Empowerment for Women,” “Body Language,” “Effect on Women,” as well as “Successful Collaboration in International Teams” and “Conflict in the Workplace.” As part of the STEMPower networking event, a further event for students with a STEM (science, technology, engineering, and mathematics) background was organized jointly with the Ludwig Bölkow Campus at the company’s head office in Taufkirchen, Germany.

An international forum also contributed to the ongoing internationalization of Elevate, with HENSOLDT South Africa inviting employees from Australia and the Middle East to an exchange of thoughts and ideas. Moreover, the Elevate activities were also adapted in line with special, country-specific considerations so that the implementation of national and site plans could proceed further.

The Elevate programme therefore actively contributes to the achievement of HENSOLDT’s target of doubling the share of women in its leadership positions by 2026.

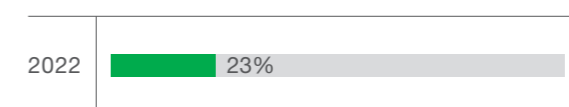
⁷ The sub-target on Climate Impact, “Reduction of the Use of Volatile Organic Compounds (VOCs)”, was deleted as it was found to be not meaningful and insufficient for controlling the behaviour.

Increasing the Share of Women

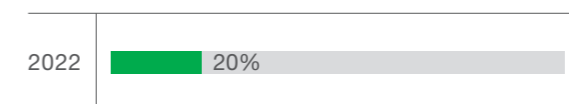
Women are underrepresented in executive positions, particularly in the traditionally male-dominated defence industry. At HENSOLDT, 23 percent of all current employees are female, and in the leadership team* 20 percent are women.

To achieve the target of increasing the share of women in the company, there needs to be a change of mindset within the company and a corporate culture that is much stronger about seeing and promoting diversity as added value. We are working on both these tasks continuously. A strategic career development approach will specifically address women managers, recruit them to our company, and provide them the opportunity to further develop their skills. New, flexible working models and support for families additionally help in overcoming traditional notions of the roles of men and women.

SHARE OF FEMALE EMPLOYEES

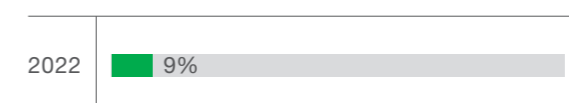


SHARE OF FEMALE EMPLOYEES IN LEADERSHIP TEAM*

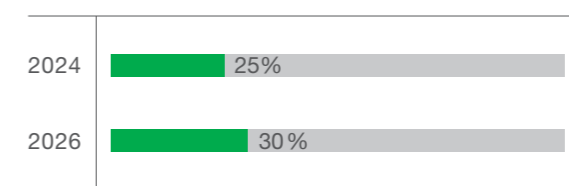


* Definition: Entire HENSOLDT Group Leadership Team (incl. Leadership Team, Executive Leadership Team, Executive Committee, and Management Board)

SHARE OF FEMALE EXECUTIVE COMMITTEE



TARGET SHARE OF FEMALE EMPLOYEES IN LEADERSHIP TEAM



Nexeya, a HENSOLDT company in France, in 2022 provided a good example of the complexity of this subject and the resulting possibilities for increasing the share of women. A monthly working group meeting was held specifically to discuss the promotion of diversity and increasing the share of women and developed new ideas. Agreements for career equality were made, day care services supported, and remote working expanded. The company intends to continue further down this path in 2023 with targeted mentoring services for women, training, and further support for parenting.

Diversity in Thought and Action

Back in 2021, we introduced the Unconscious Bias Learning Journey, a programme that is part of Elevate, to get rid of prejudices that may be held by managers and employees and to discover and pave the way to a more inclusive future. We expanded this programme further in 2022. It helps managers and HR employees to become aware of and overcome any unconscious bias in their day-to-day work.

The Unconscious Bias Learning Journey includes various elements that illustrate the influence of unconscious bias on collaboration, decision-making, goals, and success. It also reveals, for example, the competitive advantages that arise from diversity. Practical exercises and examples from other companies add depth to the lessons learned. The programme was expanded to further manager and employee categories in 2022, rolled out internationally, and made accessible to all employees through an e-learning programme.

Combined with the HENSOLDT Ability Journey for stronger inclusion in the workplace and with Initiative CHEFSACHE, any bias that may be held by managers and among employees will be reduced further in the future and the path cleared for a more inclusive approach to each other.

With the strengthening of awareness for a diverse and inclusive corporate culture, along with the fostering of equal opportunities for all employees, we aim to be a role model of an integrative European company.

5. Health and Safety



Management Approach

In keeping with the company's motto of "Detect and Protect," the health and safety of our employees at HENSOLDT have traditionally held high priority, with the initiatives for them extending considerably further than those required by law. Compliance with the initiatives is continually monitored by the HSE HENSOLDT Group (Health, Safety & Environment; "HSE") and coordinated with Management Board members and the Executive Committee.

The workplace health initiatives at HENSOLDT's German sites are an important cornerstone of the company's efforts and help employees to stay fit and healthy until they reach the age threshold.

Needless to say, all relevant, mandatory environmental protection and work safety obligations must be fulfilled, occupational safety requirements and statutorily mandated working conditions must be complied with, and potential dangers minimized. The target attainment level of all HSE programmes is regularly determined and monitored in internal audits at business unit level, as well as through external certification audits. Health surveys and internal audits help to identify any deficits and eliminate them early on. Management assesses the suitability, appropriateness, and effectiveness of the integrated HSE management system at regular intervals, thus ensuring that it is continually refined (last audit from June 27, 2022, to June 30, 2022). The audit report describes strengths and improvement potential, which leads for instance to extensions of the HSE programme or actions to heighten employee awareness. Employees must also undergo annual HSE training.

Milestones in 2022

When a company like HENSOLDT is in the business of protecting other people, the health and safety of its own employees naturally also plays a key role.

All employees are continuously encouraged to take personal responsibility for their health with targeted health and screening programmes that focus on both the working environment as well as individual behavior. Gyms, stress reduction courses, and checkups – which in 2022 included an additional focus on the skin – provide further incentives. What results is a “healthy” corporate culture that addresses safety and ergonomics within the workplace as well as individual physical health and even the response to mental stress. The offering of virtual consultations and analyses was additionally expanded in 2022.

Moreover, HENSOLDT Optronics’ sites successfully passed their recertification under the ISO 14001 and 50001 standards as well as their first surveillance audit under ISO 45001, while HENSOLDT Sensors GmbH passed surveillance audits under ISO 14001 and 45001.

Safety in the Workplace

A comprehensive programme for safety in the workplace is in effect, contributing to the well-being of all our employees. In terms of general well-being, numerous measures are also offered for the management of our employees’ health, with the HSE Notice Laws and Regulations forming the legal framework for this. Elected representatives from the various locations oversee compliance with the HSE policies.

The low lost-time injury frequency rate at HENSOLDT (LTIFR⁸ 0.78⁹) emphasizes the measures’ success. Near-miss accidents are also registered, causes analyzed, and potential measures developed using an idea management tool. The intention behind it is to uncover potential vulnerabilities, fix them, and improve employee safety continuously. Consequently, the aim of this is to ensure that safety is also guaranteed in the future.

Country	Number of work-related injuries	Fatalities resulting from work-related injuries	Number of reportable work-related ill-health cases	Lost-time injury frequency rate (LTIFR)
Global	81	0	0	0,78
Germany	51	0	0	0,90
UK	3	0	0	0,00
France	18	0	0	1,27
South Africa	9	0	0	0,12

* Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH

⁸ Lost-time injury frequency rate (LTIFR): number of lost-time injuries (accidents leading to at least one day of absence) x (200,000 ÷ number of hours worked)

⁹ HENSOLDT achieved an LTIFR value of 0.78 in 2022 and thus does not yet reach the target of <0.75. However, compared to the previous year 2021 (LTIFR 0.86), a significant improvement can be seen.

Fit and Healthy at All Times

Regular exercise is one of the keystones of a healthy lifestyle. With a workplace gym in Ulm, Germany and partnerships with local gyms at other sites, we seek to support our employees efforts to exercise. We also hold regular “exercise breaks” for mobility, strength, stretching, and relaxation.

Additionally, we support healthy posture at employees’ desks with our “Ergonomics in the Workplace” project. Regular talks on topics such as “Seeing in Digital Times,” “Modern Addictions and Addictive Behavior,” “Mindfulness-Based Stress Reduction,” as well as living wills and lasting medical powers of attorney serve the purpose of developing knowledge and ensuring prevention. Annual surveys on health in the workplace reveal weak points. In addition to the ongoing health check-ups performed by the company doctor, free back and diabetes check-ups help to identify problems at an early stage.

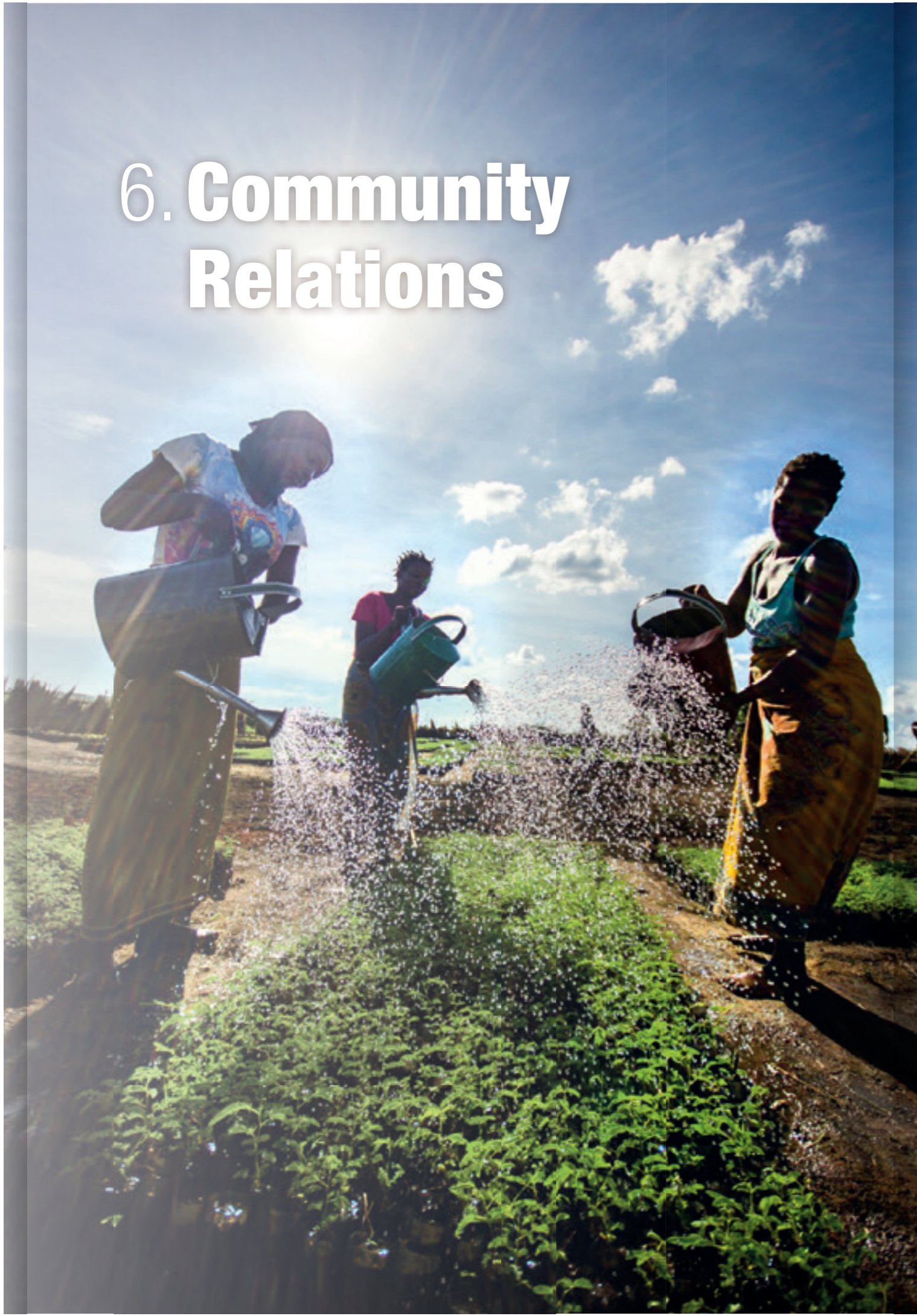
The Health Check programme that was launched at sites in the UK the previous year was additionally implemented at all HENSOLDT sites globally in 2022. A variety of measures are planned to be implemented to improve health and well-being in the workplace based on an online health survey on mental stress factors. A further health survey at HENSOLDT’s sites in Germany provided additional findings.

iManSys, a digital occupational safety and health solution, was also rolled out at German sites in 2022 and acts as a digital process for managing work-related preventive healthcare. Courses on mindfulness and strength were also held at Optronics’ sites. At Sensors, the campaigns ranged from a nutrition and sleep radar to flu shots, a health-themed day for apprentices and trainees, and a series of presentations on various healthcare-related topics.

There has been a particular focus on nutrition. A diet check programme let employees analyze their dietary patterns and gave them tips for optimization and concrete suggestions for a balanced, healthy diet. A diet-themed day in Taufkirchen, Germany also addressed the subject of colorectal cancer screening.

All measures help to actively support the physical and mental health of all our employees and set the standards for this field, too.

6. Community Relations



Our Approach: Help Where Help Is Needed

We are an international company and take our ensuing social responsibility very seriously at all company sites and at all times. Our focus is on local and regional engagement, helping where help seems needed the most.

In keeping with traditional German and European beliefs, HENSOLDT's engagement extends far beyond its narrow obligations. The company practices corporate social responsibility, and, in many areas, is a model corporate citizen.

Local, Regional, and Always Solution-Oriented

We specifically support initiatives in the regions surrounding our sites around the world. As a consequence, a broad portfolio of individual initiatives has emerged over recent years in close cooperation with non-profit and charitable organizations and public institutions. We have maintained long-standing, friendly partnerships for many years. We support children with their education and give them access to opportunities for it. We spread enthusiasm about technology to adolescents. In emergencies, we try to offer a helping hand quickly and pragmatically.

Simultaneously, we continually motivate our employees to volunteer their time. Driven by our own corporate values, this creates a harmony of cooperation, excellence, responsibility, and innovation in the area of corporate citizenship.

Aid Campaigns in 2022

One of the focus points for this year was aid for Ukraine. The Management Board provided a total of 100,000 euros for a corporate-volunteering programme for it. Employees involved in the cause were able to request financial support for their projects from it, and much of this project work comprised spur-of-the-moment aid campaigns on the ground in Ukraine. Another example is the support given to helpers from the Unterföhring municipality near Munich. They welcomed numerous refugees from Ukraine and helped them become accustomed to Germany.

In parallel to the above, we continued many individual campaigns from previous years and even expanded some of them further. In some selected cases, the senior management doubled the amounts raised by employees or the works council. Here are a few of our special social and educational campaigns:

Social

- In **Germany**, donations of 250 euros each were given to food banks in Überlingen and Friedrichshafen, which urgently needed support due to the increases in the cost of food. These food banks help out people who are living in precarious circumstances.
- In Ulm, the employees supported “Kinderhospiz im Allgäu e. V.” with a large raffle for its summer party. In Oberkochen, the fundraising association Startklar was given a donation of 500 euros that went to supporting children with learning difficulties at Stauferschule Bopfingen (a school).
- We also successfully continued our years-long membership in and support for “Lachen helfen e. V.,” a Germany-wide initiative of the Bundeswehr to support children in conflict and crisis regions.
- In the **UK**, we helped former military personnel to return to the civilian workforce, provided leave subsidies for reservists, and supported a children’s hospice through a volunteer programme and financial assistance.
- In **South Africa**, schools for the socially weaker, healthcare facilities, and programmes for supporting young people were again given targeted support. Further donations in the social sector – for instance for children in need or to fund school sports facilities – helped the often less privileged youngest members of society.

Educational

- In Ulm, Germany, HENSOLDT supported the Elly-Heuss-Realschule (a secondary school) with joint activities, including with parents’ participation, as well as practical exercises in the training workshop, including digital technology basics, electrical connections, and soldering.
- Together with research organizations and higher-education institutions, HENSOLDT also presented the Argus research award for outstanding degree papers by higher-education graduates. This establishes contact between HENSOLDT and the leading researchers and developers of tomorrow, complementing the company’s ongoing sponsorships of the Karlsruhe Institute of Technology (KIT) and the “Jugend forscht” young scientists’ contest.
- In the **UK**, local schools were given the opportunity to let their students take part in various projects, while higher-education graduates were offered targeted internships.
- In **France**, the HENSOLDT company NEXEYA also gave school students an opportunity to learn more about careers at the company. Firstly, school students aged 15 or over have the chance to complete a work experience programme or an internship two or five years after getting their high-school diploma. On top of that, we organize events at our sites where we welcome young people so that they can understand our company, acquaint themselves with our production equipment, and get answers to their questions.
- In **South Africa**, education also represented a special focus. We gave local female engineers and young adults a long-term perspective in their home country – including job and career opportunities with HENSOLDT – by supporting their career training and continuing education.
- Culture is a component of education and major cultural events are an important foundation to increase the appeal of HENSOLDT’s sites to highly qualified staff. For example, the Oberkochen site in Germany provided the Heidenheim opera festival with 20,000 euros in funding. Founded in 1964, it counts among the region’s cultural highlights.

These examples represent just a selection of our extensive relationships with our local communities. We are always particularly delighted by the motivation and dedication that our employees exhibit for social campaigns such as these. All initiatives follow a common goal of nurturing society and communities around HENSOLDT sites all over the world. We seek to help where help is needed the most.



7. Planet and Resources

7.1 Environmental Management

Our Approach

Protection of our environment and conservation of natural resources are at the core of our sustainability management. Our environmental management involves tracking energy consumption, resource usage, emissions, waste, and wastewater (For this and other KPIs, see table in chapter 9.2 GRI Performance Data 2022). The assessment is conducted using clearly defined parameters and processes. The resulting overview of all processes at all of the company's sites forms the basis for continuous improvement of our environmental performance. We use stringent national and international requirements (ISO 14001, energy audits DIN 16247) as our guidelines for environmental objectives.

The fulfilment of the relevant obligations in the areas of environmental protection, occupational safety, and energy are laid down in the HSE Group Policy and in the HSE policies of the subsidiaries. The sites translate the content of the Group Policy as well as the subsidiaries' targets into local targets as well as specific measures. At HENSOLDT, environment, health protection, and occupational safety are strategically controlled and centrally coordinated on the Group level and implemented operationally by local HSE teams worldwide. The Head of HSE (see chapter 5 Health and Safety) reports directly to the Management Board and the Executive Committee on attainment of the HSE targets and compliance with the policies.

We aim for consistent improvement with respect to environmental impacts, protecting natural resources, product-related environmental aspects, and the overarching sustainability strategy. These concerns are key indicators that help to sustainably achieve profitable and long-lasting growth in harmony with the environment.

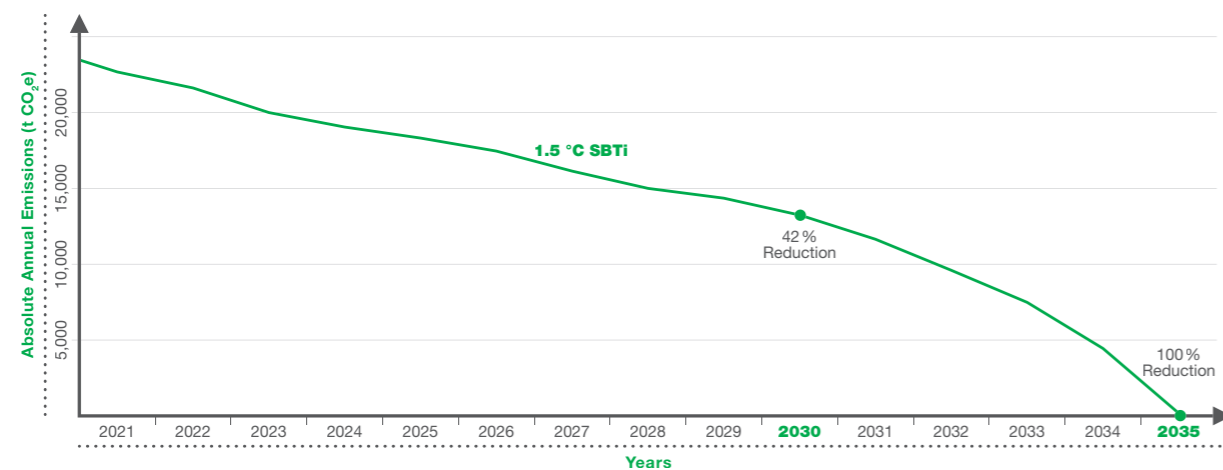
All Management Board members receive an entitlement to a multiyear performance-related remuneration component (long-term incentive, LTI) (see chapter 1 Sustainability Management and the Remuneration Report). The ESG targets also include success parameters from the fields of environment, social, and governance along with financial targets and a strong focus on the share price. In the current LTI bonus agreement (2021–2024), these ESG targets include a “Diversity” target (including an increase in the share of women in the company) and a “Climate Impact”¹⁰ target (increase in the share of renewables in the HENSOLDT Group's energy consumption and reduction of carbon emissions).

¹⁰ The sub-target on Climate Impact, “Reduction of the Use of Volatile Organic Compounds (VOCs)”, was deleted as it was found to be not meaningful and insufficient for controlling the behaviour.

Current Highlights

In Germany, HENSOLDT has committed itself to increasing the proportion of renewable energy to 70 percent by 2024 and reducing carbon emissions and the use of VOCs by at least 20 percent each compared to 2019. In addition, in 2021 HENSOLDT has defined an interim target of reducing its carbon footprint by at least 42 percent from 2020 levels by 2030. The company aims to be carbon neutral by 2035. To this end, its targets in respect of the Group-wide reduction of greenhouse gases have been based on the standard of the Science Based Targets initiative (SBTi). As an internationally recognized standard, this partnership between the CDP, the UN Global Compact, World Resources Institute (WRI), and World Wide Fund for Nature (WWF) supports companies in reducing emissions in order to minimize the impacts of climate change. Drawing on science-based carbon reduction targets, HENSOLDT devises cross-site action plans that form the future framework for HENSOLDT's emission targets. In the future, we intend to roll out and consolidate these plans at an international level through a newly created task force. The SBTi will therefore be a core part of HENSOLDT's ESG strategy and, at the same time, will also form part of the overarching corporate strategy.

Group CO₂ Targets



Beyond that, the requirements of our HSE policies apply. They define the HSE governance at the top level of company leadership and, among other things, commit to:

- Complying with the applicable (legal) requirements to which our organization has committed, and which relate to its environmental aspects.
- Creating a framework for defining and reviewing environmental targets and individual objectives as a continuous improvement programme. The targets and individual objectives are documented and updated on a regular basis.
- Applying design standards that promote the use of environmentally friendly processes and materials. Our aim here is to promote the development of products that can be reused, recycled, or safely disposed of.

- Reducing carbon emissions by increasing the proportion of renewable energy, optimizing energy efficiency, and avoiding business travel and business flights as far as possible.
- Promoting the reduced consumption of all materials and concurrently their reuse and recycling, as well as the use of recycled materials wherever possible.
- Increasing the energy efficiency of new products, services, and facilities and the efficiency of energy use in all divisions.
- Promoting environmental awareness, responsibility, and the use of appropriate technologies among all employees and other persons working on behalf of HENSOLDT and including these topics in training programmes throughout the enterprise (including by means of suitable e-learning).
- Mitigating the impact of our enterprise on the local environment and striving to be a good neighbor in our communities at all times.
- Largely avoiding waste that must be disposed of in landfills, as well as appropriate handling of hazardous substances.
- Developing a comprehensive environmental awareness among all employees.

A key contribution is made in this regard by regional and local HSE processes and procedures, such as the revised HSE Handbook for HENSOLDT Germany, which is valid for the German companies. It sets out occupational, health, environmental, and energy management procedures based on international management standards (ISO 14001, 45001, and 50001) in all divisions. An energy audit pursuant to DIN 16247 was also started in November 2022.

On top of that, HENSOLDT will further expand its HSE programme in 2023 with measures such as:

- Creating a consistent Group-wide HSE approach (ONE HENSOLDT).
- Verifying legal compliance by means of audits, compliance checks, and ongoing improvements.
- Identifying potential optimizations in occupational, environmental, and health protection, and harmonizing existing HSE structures across sites.
- Defining and implementing Group-wide HSE standards and requirements, including reporting to senior management.

We believe that our motto, "Detect and Protect," applies not only to protecting people, but equally to protecting our environment and nature as the basis for all life.

7.2 Resource Protection

Less Is More

Climate change is one of the greatest challenges of our time and has major consequences worldwide. That is why for us, too, the efficient use of our earth's natural resources and a reduction of carbon emissions are key tasks for limiting global warming and its impacts. Detailed concepts and innovative ideas result in numerous individual initiatives.

Many measures have already been implemented in Germany. The German sites, for example, already purchase green electricity. In future, we want to apply this to the entire company. All employees are encouraged to use public transportation and receive fare subsidies. The transition to electric vehicles is promoted by a mobility concept that encompasses the entire fleet. A further incentive has been created through the provision of electric charging stations that are available for employees' private vehicles at the sites in Ulm, Taufkirchen, and Immenstaad. Charging stations are planned to be constructed at the Kiel site, too, in 2023. When new company cars are purchased, the choice of hybrid or electric vehicles is encouraged. Lighting continued to be modernized with energy-efficient LED bulbs in 2022. The carbon footprint will be reduced further thanks to e-bike charging stations, the installation of which started at German sites in 2022.

HENSOLDT has also committed to reducing carbon emissions in the United Kingdom. Employees are asked to avoid business travel wherever possible. The company prefers local suppliers, which reduces the transportation of goods. The installation of LED lighting, increased use of electric vehicles, and the transition to hybrid working have also led to reduced carbon emissions in this country.

The requirement to minimize business travel and flights as much as possible applies in France as well. This, combined with reduced energy consumption, has lowered greenhouse gas emissions measurably. At the same time, HENSOLDT France is acting as a role model for the use of green electricity from hydrogen with the technologies of NEXEYA and MAHYTEC (see Green Energy below).

Additionally, we have taken actions to substantially reduce the use of natural resources in production and administration at all our sites around the world.

Green Energy

Solar panels that are used for self-supply make an important contribution to the lowering of energy consumption. The 80 photovoltaic modules installed at the Ulm site in Germany provide over 20,000 kWh per year, while the more than 300 modules in Taufkirchen provide up to 120,000 kWh per year. In 2023, we are also planning to install 450 modules at our Kiel site.

The Kiel site has run entirely on power from renewable sources of energy since 2019, making it a role model for the entire company. Using photovoltaic modules, green power will be generated on-site in the future. An intelligent energy management system will also predict weather and consumption data. By combining photovoltaics with a hydrogen storage system from HENSOLDT's subsidiary NEXEYA, the Kiel site will be able to operate autonomously in the future.

The enhanced hydrogen technology – which was developed by NEXEYA, a HENSOLDT subsidiary since 2019, with the know-how of MAHYTEC, another HENSOLDT subsidiary since 2021 – theoretically makes it possible to operate buildings with 100 percent autonomy and carbon neutrality. The power demand is met entirely with locally installed photovoltaic systems, the surplus solar power is converted to hydrogen and put in interim storage, and this energy can be accessed as needed, including to charge electric vehicles.

The Wetzlar site is also planning to support its newly constructed building with a leased photovoltaic system of 400,000 kWh and make it more than 90 percent carbon neutral with the help of further technical and structural measures.

On top of that, work will start on the new head office for Optronics in Oberkochen, Germany, in 2023 and will see a total investment of roughly 100 million euros over the coming years. Sustainability will be a major focus for it and photovoltaic modules will be installed on about 60 percent of the rooftop space. Overall, a comprehensive energy concept comprising electric boilers, chillers, heat pumps, and additional systems such as cooling and heating buffer modules is intended to achieve a certain autonomy level for electricity, heating, and cooling. Additional power demand will be met with sustainably generated electricity from renewable sources through the municipal power grid. In the long term, all the power needed to operate the site is planned to be generated on-site.

In its efforts to preserve natural resources and minimize consumption, we pursue a holistic approach to protect our environment and preserve it for future generations.

7.3 Further Environmental Activities

The Basis of All Life and Our Enterprise

Responsible stewardship of the environment is one of our key, core, and undisputed principles. In particular, preventing waste and hazardous substances and saving energy contribute greatly to sustainable business.

We regard the protection of our environment as a self-evident obligation to future generations and an act of entrepreneurial reason, without which long-term business would not be possible. In addition to mandatory directives and requirements for all business units and employees, we currently consider the prevention of waste and hazardous substances and the reduction of energy consumption in particular as powerful levers for sustainable, environmentally friendly business activity. There is a wide range of individual measures that contribute to this.

In recent years, for instance, we have replaced the coolants in our active electronically scanned array (AESA) antennae with environmentally friendly variants. Optimized production results in reduced hazardous substances. Strict waste sorting is just as much standard procedure as energy-aware behavior on the part of our employees.

Extensive, ongoing consumption analyses at the German sites contribute to further optimization, as demonstrated by some of the improvements and their outcomes at the Optronics sites in Oberkochen and Aalen in 2022. For example:

- By converting the supply of nitrogen to clean dry air (CDA), nitrogen consumption has gone down.
- Swapping fluorescent lights for LEDs will reduce power consumption at the Aalen site in the future.

- Replacing the plastic bags in order picking processes with reusable Raaco bins has brought down plastic bag consumption by about 70 percent.

HENSOLDT Optronics' other sites in Germany have set similarly high environmental targets, using the HSE targets as a point of reference. Energy efficiency is also already a key criterion for the development of new products and services.

The requirements set out in the directives of the HSE Group Policy additionally apply at all our sites around the globe. As a responsible company, this lets us reduce potential environmental impacts and protect the environment. What's more, the outstanding dedication of all our people means that we can ensure compliance with all legal specifications as well as monitoring of that compliance.

8. Product Responsibility



Management Approach

As a supplier of high-quality electronic sensors and solutions in the defence and security sector, we take our product responsibility extremely seriously. We analyze the risks associated with the usage of our products and strive to mitigate these risks by taking appropriate actions. Product development is guided by HENSOLDT's understanding of sustainability and a commitment to minimizing negative impacts (see chapter 1 Sustainability Management).

HENSOLDT works strenuously on matters relating to product responsibility. A particular focus of these efforts is product safety. Our duty is to minimize product risk in accordance with applicable regulatory requirements, laws, and standards. We believe it is greatly important that we do not compromise on product safety when we integrate ESG criteria into our business. We take our responsibility very seriously. Simultaneously, our customers impose requirements in relation to the speed of market availability and product costs, and we seek to fulfill these requirements as far as possible.

As part of HENSOLDT's ESG Strategy 2026 (see chapter 1 Sustainability Management), the company pursues with its products overarching goals of promoting new technologies and innovation, developing guidelines for responsible usage of artificial intelligence, and further expanding projects for biodiversity and wild-animal conservation. Furthermore, HENSOLDT has an interest in continuously optimizing its product portfolio to reflect a wide variety of sustainability-related factors, including in cooperation with universities and research organizations. Low output numbers and the careful use of commodities and energy already signify the focus that is put on sustainable business activities. As a responsible aerospace and defence enterprise, we have implemented corresponding measures and processes with a purpose of ensuring that we can comply with the strict material requirements that we are subject to.

In quarterly meetings under the motto ESG in the product roadmap, the business units report on their successes and plan strategic improvements on ESG aspects in the products. The company's departments and teams also maintain a regular exchange of best practices on these matters. A new working group established in 2022 looks at sustainable product design that takes into account a product's entire life cycle.

Internal guidelines, processes, and an in-house export control unit help us to ensure that our products are exported in accordance with applicable national, European, and international export regulations. By means of end-user declarations, it should be ensured that HENSOLDT products are only passed on to authorized recipients approved by the respective authorities.

Governed by our understanding that our business success depends primarily on the superior quality of our products, we use advanced technologies. We continuously review and adapt our product portfolio with a focus on our customers' requirements. The compliance of each and every product with product safety requirements is monitored and reviewed throughout the entire development process. HENSOLDT's long-term, sustainable technology strategy is driven by the ongoing evaluation of the necessary core technologies of the enterprise. Responsible technology managers anticipate future developments, define development requirements, and monitor their implementation in technology development projects.

The product development process regularly includes a hazard analysis and risk assessment. The analyses take place regularly, including in September 2022. Moreover, a System Safety & Product Environmental Compliance Framework is established that determines the necessary process steps and documents, along with roles and responsibilities.

A variety of applications around the world affirm that HENSOLDT's various products are able to protect nature and the environment, even beyond their originally intended purpose.

Protecting People, Animals, and Nature

Requirements with regard to product safety are increasing throughout our society. The acceptance of potential risk is steadily declining, particularly in aviation. We seek to continually respond to these trends through employee training and by making the appropriate adjustments to all related processes in the company – from development through production down to feedback from customers during the normally long product lifetimes. We develop all products and solutions according to the requirement that they comply with all applicable laws and regulations. We endeavor to ensure the well-being of the people who use our products and of those who are protected by them.

Products developed by HENSOLDT for the purposes of intelligence and security can also actively help to protect nature.

The protection of threatened species represents a further focus of ours and has now developed into a new cornerstone of our business. We use products that have been adapted accordingly from their original intended purposes of intelligence and security. Long-standing projects have been successfully continued, too. Here are a few examples:

Oceans, Seas, and Coasts HENSOLDT is actively involved in the protection of all sectors and industries that are connected to oceans, seas, and coasts, i.e., the "blue economy." This can be seen in the company's support for South Africa's Table Mountain National Park in its efforts to stop the illegal exploitation of marine resources and preserve the natural world heritage of the Cape Peninsula. HENSOLDT's commitment is also on display at mussel farms and national parks in Costa Rica and the Hangklip Conservancy near Cape Town, which are monitored and protected against poaching and overfishing using HENSOLDT radar systems originally developed for border protection.

Polar Bears Polar bears are synonymous with climate change, being driven more and more frequently to human-populated regions due to the loss of their natural food sources. To prevent encounters with humans, HENSOLDT developed and tested the Polar Bear Warning Radar (PoWR) in cooperation with Polar Bears International (PBI), an NGO. The radar automatically detects polar bears from multiple kilometers' distance and sends early SMS warnings of approaching animals to the residents in Arctic villages.

Rhinoceroses and Wild Animals The Buffalo Dream Ranch in South Africa, a rhinoceros conservation area, is monitored with HENSOLDT's ultramodern, high-tech sensor systems. They successfully put a stop to poaching. The technologies utilized there are now also used in other private reserves, NGOs, and national parks across South Africa.

Birds The extraction of oil sands in Canada leaves behind large quantities of contaminated water, which is impounded in tailing ponds. Using HENSOLDT's radar systems, flocks of birds are detected and driven off by deterrent devices, preventing the birds from landing on the oil-contaminated surface of the water. Climate-friendly technologies such as wind farms can pose a threat to birds and bats, too. HENSOLDT's radar systems track the flight path of threatened bird species so that wind turbines can be deactivated if danger arises.

Accordingly, HENSOLDT's solutions and products detect threats to people, animals, and nature, ensure safety and security, and protect those who dedicate themselves to protecting us.

Safety in Production and Products

We ensure security by continuously monitoring our products as well as production processes and materials. Our aim in this is to minimize the impacts that production and products have on people and the environment. A dedicated competence team was established in the company in April 2021 to make sure that sustainable compliance with environmentally relevant legal requirements can be guaranteed, a process known as product environmental compliance (PEC). The team tracks the development of global legislation and supports HENSOLDT employees with its knowledge of environmentally relevant issues. Measures and processes to enable the feasible implementation of resulting regulatory requirements are devised and rolled out within the company accordingly.

A body of specialists from different departments at HENSOLDT Sensors GmbH, known as the PEC Impact Evaluation Group, contributes to the above as well. The group continuously analyzes products and production processes to identify the presence of chemical substances that are potentially hazardous to the environment and people's health. The results are communicated to the affected areas of the company so that any arising legal obligations can be satisfied. It simultaneously promotes the implementation of non-toxic technologies. Initiatives such as the PEC Impact Evaluation also serve as best practices for rollouts at other HENSOLDT entities. The PEC impact evaluation is established in this form in the development process at Hensoldt Sensors GmbH.

More Security from and in AI

With the usage of artificial intelligence growing, security plays an exceptional role. We employ these technologies to develop increasingly higher-performing sensor systems.

Security in this context primarily means that a human remains involved in controlling the AI. However, it is still important to take advantage of the high degree of automation that is needed for contemporary actions that have optimized impact, conserve resources, and minimize collateral effects.

To sufficiently safeguard the integrity of the outcomes, we committed to the principles of the European Commission's High-Level Expert Group on Artificial Intelligence in 2020. This expert group set out its principles in relation to trustworthy AI systems in its Assessment List for Trustworthy Artificial Intelligence (ALTAI) for Self-Assessment¹¹. It addresses the following subjects:

1. Human agency and oversight
2. Technical robustness and safety
3. Privacy and data governance
4. Transparency
5. Diversity, non-discrimination, and fairness
6. Environmental and societal well-being
7. Accountability

We strive for our products to meet these requirements to the extent that is technologically possible. HENSOLDT also firmly believes that one of the reasons for its company's solutions offering the superior competitiveness that is expected by the Bundeswehr, allied militaries, and partners is crucially its use of advanced artificial-intelligence technologies and methods.

¹¹ <https://futurium.ec.europa.eu/en/european-ai-alliance/pages/altai-assessment-list-trustworthy-artificial-intelligence>

Lightweight Construction to Conserve Resources

Innovation is essential in order to operate sustainably, which is why we regularly invest in technology. Innovative lightweight-construction technologies illustrate this well. They make it possible to conserve resources when manufacturing products as well as when using them and recycling them later on. They add value for customers thanks to the advantages and savings when the technologies are applied.

For this reason, we are increasingly integrating lightweight construction into our development and design processes on a step-by-step basis. We are cooperating with research organizations to do things such as establish specifications for suitable materials for targeted, secure usage in lightweight-construction products. In addition, we are using virtual design and modern construction methods so that we can offer increasingly lighter, and therefore more sustainable, products. Additional, specialized training programmes and the designation of "lightweight-construction specialists" are designed to increase their acceptance. A focus area for these efforts is 3D printing for multimaterial design and high-frequency components and systems. Lightweight construction not only increases the sustainability of our existing products, but also enables entirely new applications and solutions.

The SferiRec Lightweight Crash Recorder is an example of this. Developed by HENSOLDT, it weighs just one kilogram, has EASA ED-155 and ETSO-2C197 certifications, and is readily available on the market. As one of the most lightweight crash recorders available anywhere in the world, it can be used in light aircraft just as much as it can in helicopters, business jets, and UAMs/eVTOLs.

Sustainable across the Product Life Cycle

We study our products' sustainability not only in relation to their production and application, but also in terms of their life cycle.

Waste in production is being reduced and/or consistently recycled, as with aluminum for example. Raw materials are also chosen based on their later recyclability. An additional study of our product range by an external specialist should also identify further potential for optimization.

At the same time, we also want to replace the frequently applied practice of scheduled maintenance (based on usage time) with intelligent on-demand maintenance (based on necessity). This conserves resources, lowers expenses, and reduces possible downtime for customers.

The incorporation of all aspects of a product's life, from manufacturing to usage and subsequent recycling, creates new possibilities for decreasing the use of raw materials, results in better environmental protection, and provides benefits for HENSOLDT as well as its customers.

9. GRI Content Index and Data

9.1 GRI Content Index

Statement of use: HENSOLDT has reported in accordance with the GRI Standards for the period 01/01/2022-12/31/2022.

GRI 1 (2021): Foundations

GRI Indicator	GRI Standard	Page Number/URL/Explanation
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GRI 2 (2021): General Disclosures

General Disclosures		
GRI 2-1	Organizational details	Hensoldt AG; Hensoldt AG, which is entered in the Commercial Register of the Munich Local Court (HRB 258711), has its registered office in Taufkirchen, Germany; Combined management report (2022) chapter I. 2.1-2.2, and Notes to the consolidated financial statements (2022) chapter II.6.; Combined management report (2022) chapter I.2.1, and Notes to the consolidated financial statements (2022) chapter II.6.
GRI 2-2	Entities included in the organization's sustainability reporting	Combined management report (2022) I. 2.1, and Notes to the consolidated financial statements (2022) II.6; GRI Performance Data.
GRI 2-3	Reporting period, frequency and contact point	Sustainability Report (2022) chapter 1.2 p. 8-9; annually, April 2023; Bianca Rupert, bianca.rupert@hensoldt.net
GRI 2-4	Restatement of information	GRI Performance Data.
GRI 2-5	External assurance	Sustainability Report (2022) chapter 10 p. 82-84.
GRI 2-6	Activities, value chain and other business relationships	Sustainability Report (2022) chapter 3 p. 35-37; Combined management report (2022) chapter I.1; Combined management report (2022) chapter I.3. Information on the legal structure: Combined management report (2022) chapter I.2.1
GRI 2-7	Employees	Sustainability Report (2022) chapter 4.1 p. 39-40; and Combined management report (2022) I.2.2.; GRI Performance Data.
GRI 2-8	Workers who are not employees	In FY 2022, HENSOLDT engaged 125 workers who were not employees. These individuals were predominantly temporary workers in Germany. The engagement takes place indirectly via the respective personnel service provider. These workers perform work comparable to that of other HENSOLDT employees. This figure is calculated in full-time equivalent, (FTE) and was recorded at the end of the reporting period. Interns, trainees and student trainees are recorded as salaried employees. There was no significant turnover in the number of non-employees during the reporting period or between the reporting periods.
GRI 2-9	Governance structure and composition	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report (2022) chapter VII.5.
GRI 2-10	Nomination and selection of the highest governance body	Combined management report (2022) chapter VII.5.1.
GRI 2-11	Chair of the highest governance body	Combined management report (2022) chapter VII.5.
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report (2022) chapter I; chapter VII.5.
GRI 2-13	Delegation of responsibility for managing impacts	Sustainability Report (2022) chapter 1.3 p. 10-12; chapter 1.4 p. 13; Combined management report (2022) chapter IV.; VII.5.
GRI 2-14	Role of the highest governance body in sustainability reporting	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report (2022) chapter VII.5.
GRI 2-15	Conflicts of interest	Sustainability Report (2022) chapter 2.1 p. 27-29; Combined management report (2022) chapter VII.5.2; Report of the Supervisory Board.
GRI 2-16	Communication of critical concerns	Sustainability Report (2022) chapter 2.1 p. 27-29; Combined management report (2022) chapter VII.4, VII.5; Report of the Supervisory Board. No critical concerns as defined by GRI 2-16 were reported to the Supervisory Board in fiscal year 2022.
GRI 2-17	Collective knowledge of the highest governance body	Combined management report (2022) chapter I.3; chapter VII.5.
GRI 2-18	Evaluation of the performance of the highest governance body	Notes to the Consolidated Financial Statements (2022) chapter 31; Compensation Report.
GRI 2-19	Remuneration policies	Sustainability Report (2022) chapter 1.3 p. 10-12; Combined management report chapter VII.3; Compensation Report.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
GRI 2-20	Process to determine remuneration	Sustainability Report (2022); chapter 1.3 p. 10-12; chapter 4.1 p. 39-40; Combined management report (2022) chapter VII 3; chapter VIII 2.3; chapter VIII 9.3; Compensation Report.
GRI 2-21	Annual total compensation ratio	The total annual compensation of the highest paid person in the organization is 16 times the median total annual compensation of all employees (excluding the highest paid person). The median total annual remuneration of all employees increased by 1.89% compared to the previous year, while the total annual remuneration of the highest paid person decreased by -8.54%. The total annual remuneration for the highest paid person has decreased in relation to the median increase in total annual remuneration for all employees. The calculation of the information on the median total annual remuneration of all employees is based on the contractually agreed total annual remuneration and the annual total remuneration in cash.
GRI 2-22	Statement on sustainable development strategy	Sustainability Report (2022) chapter 1.4 p. 13-18; Combined management report I.3.
GRI 2-23	Policy commitments	Sustainability Report (2022) chapter 1.2 p. 8-9; chapter 2.1 p. 27-29; chapter 2.2 p. 30; chapter 2.3 p. 31-33; chapter 3 p. 35-37
GRI 2-24	Embedding policy commitments	Sustainability Report (2022) chapter 1.2 p. 8-9; chapter 2.1 p. 27-29; chapter 2.2 p. 30; chapter 3 p. 35-37; Combined management report (2022) chapter IV.1; chapter VII.4.
GRI 2-25	Processes to remediate negative impacts	Sustainability Report (2022) chapter 2.1 p. 27-29; chapter 2.2 p. 30; Combined management report chapter IV.1.4; chapter VII.4; chapter VII.5
GRI 2-26	Mechanisms for seeking advice and raising concerns	Sustainability Report (2022) chapter 2.1 p. 27-29; chapter 2.2 p. 30; Combined management report chapter IV.1.4; chapter VII.4; chapter VII.5
GRI 2-27	Compliance with laws and regulations	Combined management report (2022) chapter IV.1.4; chapter VII.5; Notes to the consolidated financial Statements (2022) chapter 24
GRI 2-28	Membership associations	HENSOLDT is active in the CSR groups of the BDSV (Bund deutscher Sicherheits- und Verteidigungsindustrie) and ASD (Aerospace and Defense), as well as being involved in other associations and interest groups.
GRI 2-29	Approach to stakeholder engagement	Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 2-30	Collective bargaining agreements	98.8% of the workforce at HENSOLDT is covered by collective bargaining or similar agreements.
GRI 3: Material topics		
GRI 3-1	Process to determine material topics	Sustainability Report (2022) chapter 1.4 p. 13-18.
GRI 3-2	List of material topics	Sustainability Report (2022) chapter 1.2 p. 15-18.
Business Integrity – Compliance and Anti-Corruption		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 2.1 p. 27-29. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 205 (2016): Anti-Corruption		
GRI 205-1	Operations assessed for risks related to corruption	Sustainability Report (2022) chapter 2.1 p. 27-29.
GRI 205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report (2022) chapter 2.1 p. 27-29.
GRI 205-3	Confirmed incidents of corruptions and action taken	There were no confirmed cases of corruption during the fiscal year.
GRI 206 (2016): Anti-competitive Behavior		
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In the reporting period, there were no legal proceedings due to anti-competitive behavior and violations of antitrust and monopoly law in which HENSOLDT is an involved party.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
Planet and Resources – Energy		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 7.1 p. 59-61. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 302 (2016): Energy		
GRI 302-1	Energy consumption within the organization	Requirement 302-1 a to e: Sustainability Report (2022) chapter 7.2 p. 62-63; GRI Performance Data. Requirement 302-1 f and g: HENSOLDT collects this data using the software tool of a certified software partner of the Global Reporting Initiative.
GRI 302-2	Energy consumption outside of the organization	Currently, however, the information required by GRI 302-2 is not yet available, as it has not yet been systematically collected. HENSOLDT is currently working on collecting this data in the future and being able to report it for FY 2024.
GRI 302-3	Energy intensity	GRI Performance Data.
GRI 302-4	Reduction of energy consumption	Sustainability Report (2022) Chapter 7.2 p. 62-63; Further measures to reduce energy consumption are also continuously implemented at the sites.
GRI 302-5	Reduction in energy requirements of products and services	HENSOLDT has set up a cross-site team that deals with the reduction of the energy demand of products and services. Data regarding the reduction of energy demand for sold products and services achieved in the reporting period is currently not collected and can therefore not yet be reported.
Planet and Resources – Emissions		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 7.1 p. 59-61. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 305 (2016): Emissions		
GRI 305-1	Direct (Scope 1) GHG emissions	Requirement 305-1 a: GRI Performance Data. Requirement 305-1 b: All greenhouse gases required by GRI 305-1 were reported in the calculation of the data. Requirement 305-1 c: Data regarding biogenic CO2 emissions in CO2 equivalent is not currently available for reporting. Work is underway to be able to report this information in the future. Requirement 305-1 e and g: HENSOLDT collects this data using the software tool of a certified software partner of the Global Reporting Initiative. Requirement 305-1 f: GRI Performance Data.
GRI 305-2	Energy indirect (Scope 2) GHG emissions	Requirement 305-2 a to b: GRI Performance Data. Requirement 305-2 c: All greenhouse gases required by GRI 305-1 were reported in the calculation of the data. Requirement 305-2 e and g: HENSOLDT collects this data using the software tool of a certified software partner of the Global Reporting Initiative. Requirement 305-2 f: GRI Performance Data.
GRI 305-3	Other indirect (Scope 3) GHG emissions	Currently, the information required by GRI 305-3 is not yet available, as it has not yet been systematically collected. HENSOLDT is currently working on collecting this data in the future and being able to report it for FY 2024.
GRI 305-4	GHG emissions intensity	GRI Performance Data.
GRI 305-5	Reduction of GHG emissions	Sustainability Report (2022) chapter 7.1 p. 59-61.
GRI 305-6	Emissions of ozone-depleting substances (ODS)	GRI Performance Data.
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	GRI Performance Data.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
Responsible sourcing – Supplier Environmental Assessment		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 3 p. 35-37. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 308 (2016): Supplier Environmental Assessment		
GRI 308-1	New suppliers that were screened using environmental criteria	In 2022, HENSOLDT started the harmonized assessment of new suppliers against environmental criteria for the Group. In 2022, the top 8 business units (by purchasing volume) used the Integrity Next platform for this purpose. An expansion of the assessment is currently taking place. Risk analysis and reporting is planned for 2023.
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	See GRI 308-1.
Human potential – Employment		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 4.1 p. 39-40. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 401 (2016): Employment		
GRI 401-1	New employee hires and employee turnover	Sustainability Report (2022) chapter 4.1 p. 39-40; GRI Performance Data. A breakdown of data by age group is not currently available; inclusion of data in future reporting is currently under discussion.
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Not reported. Reason: Not applicable. We adhere to collective bargaining agreements and do not differentiate between benefits for full-time, temporary, and part-time employees.
GRI 401-3	Parental leave	Requirement 401-3a: In Germany, all employees are entitled to parental leave. The entitlement in the other countries in which HENSOLDT operates is not currently recorded and therefore cannot be reported due to the lack of data availability for fiscal year 2022. Work is underway to capture the data so that the information can be reported in the future. Requirement 401-3b: GRI Performance Data. Requirement 401-3c to e: The required information is not currently captured centrally and therefore cannot be reported for fiscal year 2022 due to lack of availability. Work is underway to capture the data so that the information can be reported in the future. However, it was noted that most employees who have taken parental leave generally return to work and remain with the company. HENSOLDT tries to encourage this by offering extensive part-time scheduling.
Health and Safety – Occupational Health and Safety		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 5 p. 51. Requirement 3-3e: The topic of sustainability is a high priority for HENSOLDT. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 403 (2018): Occupational health and safety		
GRI 403-1	Occupational health and management system	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-3	Occupational health services	Sustainability Report (2022) chapter 5 p. 51-53.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-5	Worker training on occupational health and safety	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-6	Promotion of worker health	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-7	Avoidance and mitigation of occupational health and safety impacts directly related to business relationships	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-8	Employees covered by a management system for occupational health and safety.	Sustainability Report (2022) chapter 5 p. 51-53.
GRI 403-9	Work-related injuries	Sustainability Report (2022) chapter 5 p. 51-53; GRI Performance Data. Not all of the information required in 403-9 was collected for fiscal year 2022 and therefore cannot be reported. Discussions are underway to capture this data in the future.
GRI 403-10	Work-related diseases	Sustainability Report (2022) chapter 5 p. 51-53; GRI Performance Data. Not all of the information required in 403-9 was collected for fiscal year 2022 and therefore cannot be reported. Discussions are underway to capture this data in the future.

Human Potential – Training and Education		
GRI 3-3	Management of material topics	Requirement 3-3a to d: Sustainability Report (2022) chapter 4.2 p. 41-44. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p.13-14.
GRI 404 (2016): Training and education		
GRI 404-1	Average hours of training per year per employee	GRI Performance Data. A breakdown by employee category is not possible at this stage, as this data is not yet collected centrally. Work is underway to collect and publish this data centrally in the future.
GRI 404-2	Programs to improve the competences of employees and to provide transitional assistance	Sustainability Report (2022) chapter 4.2 p. 41-44.
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	GRI Performance Data. There is no breakdown by gender and employee category. HENSOLDT places a high value on equal treatment of its employees regardless of gender and seeks to provide as many employees as possible with a regular assessment of their performance and professional development regardless of gender.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
Human Potential – Diversity and Equal Opportunities		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 4.3 p. 45-48 Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14
GRI 405 (2016): Diversity and equal opportunities		
GRI 405-1	Diversity of governance bodies and employees	Sustainability Report (2022) chapter 4.3 p. 45-48; GRI Performance Data; Diversity and equal opportunities are top priorities for HENSOLDT. However, due to the current data collection, it is currently not yet possible to show the proportions of age groups. Work is underway to collect and publish this data centrally in the next reporting year.
GRI 405-2	Ratio of basic salary and remuneration of women to men	Sustainability Report (2022) chapter 4.3 p. 45-48; For HENSOLDT it is a matter of course that the collectively agreed regulations as well as the remuneration principles are independent of gender and that there are no systematic differences. In the companies covered by collective agreements, the respective collective pay agreements are applied. An analysis of remuneration will be carried out in 2023.

GRI Indicator	GRI Standard	Page Number/URL/Explanation
Responsible Sourcing – Supplier Social Assessment		
GRI 3-3	Management of material topics	Requirement 3-3a to e: Sustainability Report (2022) chapter 3 p. 35-37. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.
GRI 414 (2016): Supplier social assessment		
GRI 414-1	New suppliers that were screened using social criteria	In 2022, HENSOLDT started the harmonized assessment of new suppliers against social criteria for the Group. In 2022, the top 8 business units (by purchasing volume) used the Integrity Next platform for this purpose. An expansion of the assessment is currently taking place. The implementation of risk analysis and reporting is planned for 2023.
GRI 414-2	Negative social impacts in the supply chain and actions taken	
Further Topics – Not Covered by the GRI Topic Standards		
Community relations		
GRI 3-3	Management of material topics	Sustainability Report (2022) chapter 6 p. 55-57. Requirement 3-3a to d: Sustainability Report (2022) chapter 6 p. 55-57. Requirement 3-3e: For HENSOLDT, the topic of sustainability has a high priority. The effectiveness of the measures taken is regularly reviewed by the relevant departments. In addition, the ESG Committee coordinates and improves all ESG activities in continuous cooperation with the cross-functional ESG teams. Sustainability Report (2022) chapter 1.4 p. 13. Requirement 3-3f: Sustainability Report (2022) chapter 1.4, S. 13-14.
Product responsibility		
GRI 3-3	Management of material topics	Sustainability Report (2022) chapter 8 p. 67-71. Requirement 3-3a to e: Sustainability Report (2022) chapter 8 p. 67-71. Requirement 3-3f: Sustainability Report (2022) chapter 1.4 p. 13-14.

9.2 GRI Performance Data 2022

GRI Standards	Indicator	Performance 2022	Performance 2021	Performance 2020	
Environment					
Energy	302-1	Energy consumption within the organization			
		Scope 1 emissions¹⁾			
		Diesel [kWh]	2,677,014 ²⁾	216,934	100,695
		Fuel oil [kWh]	62,411	45,660	68,988
		Natural gas [kWh]	550,359	463,712	450,888
		Scope 2 emissions			
		Electricity (non-renewable energies) [kWh]	8,785,336	8,482,518	8,329,921 ³⁾
		Electricity (renewable energies) [kWh]	28,637,267	27,932,158	26,956,388 ³⁾
		Total electricity consumption [kWh]	37,422,603	36,414,676	35,286,309
		District heating [kWh]	25,291,207	28,977,091	28,220,534 ³⁾
		Cooling [kWh]	5,191,777	5,339,145	4,951,297
		Steam [kWh]	2,515,885	2,837,231	0
		Total			
		Total energy consumption within the organization	73,711,256	74,294,449	69,078,712
	302-3	Energy intensity Intensity in kWh/ Revenue in T €	43 kWh/tEUR	50 kWh/tEUR	57 kWh/tEUR
Water	303-5	Water consumption [m ³]	86,253	86,479	81,527
Emissions	305-1	Direct GHG emissions (Scope 1, market-based approach) [tCO ₂ e] ^{1,3)}	5,621	8,149	11,162
	305-2	Indirect GHG emissions (Scope 2, market-based approach) [tCO ₂ e] ^{1,3)}	10,385	10,016	11,610
	305-4	Intensity of THG-Emissions GHG emissions Scope 1 + Scope 2 in gCO ₂ e / revenue in €	9 gCO ₂ e/EUR	12 gCO ₂ e/EUR	19 gCO ₂ e/EUR
	305-6	Emissions of ozone-depleting substances (ODS) [kg] ⁴⁾	235.6	414.7	382.4
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions			
		Nitrogen oxides (NOx)	0	0	0
		Sulfur oxides (SOx)	0	0	0
		Persistent organic pollutants	0	0	0
		Volatile organic compounds (VOC) [kg]	2,509	3,239	5,168
		Hazardous air pollutants	0	0	0
		Particulate matter	0	0	0
Waste	306-2	Waste			
		Non-hazardous waste [metric tons]	950	1,119	1,135
		Hazardous waste [metric tons]	132	79	113

Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH

Material non-financial content as specified in HGB section 315c in conjunction sections 289c to 289e was audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an ISAE 3000 (Revised) audit and is highlighted in light green in the GRI Performance table.

¹⁾ Since reporting period 2021: Adaption of allocation of scope 1 sub-indicators (also retrospectively for 2020 reporting period, incl. impact on GHG emissions).

²⁾ The increase in diesel consumption is mainly due to the locations in South African. Consumption there increased due to problems experienced with the sub-station providing electricity to the site as well as the load shedding implemented within South Africa.

³⁾ Corrected values after verification with landlord, incl. impact on GHG emissions. This correction was already reported in last years, report.

⁴⁾ ODS includes HFC-23, HFC-134, HFC 134-a, R-404a, R-407c, R-410a. 2020 ODS values were corrected in 2021 due to downstream consumption analysis.

GRI Standards	Indicator	Performance 2022	Performance 2021	Performance 2020
Social				
Employment	GRI 401-1 New employee hires and employee turnover			
	New hires	590	715	502
	Voluntary turnover	254	222	147
	Non voluntary turnover ⁵⁾	160	125	152
	GRI 401-3 Parental leave			
	Paternity/maternity leave taken in the reporting period	261	370	214
	Total female paternity/maternity leave taken	108	144	87
Total male paternity/maternity leave taken	153	226	127	
Occupational Health & Safety	GRI 403-9 Work-related injuries⁶⁾			
	Number of work-related injuries	81	74 ⁷⁾	48 ⁸⁾
	Number for employees	81	74	48
	Number for workers who are not employees	0	0	0
	Rate of work-related injuries (Injuries per 1,000,000 hours worked)	9.00	8.51	5.92
	Total workforce working hours	8,999,972	8,696,334	8,109,869
	Los-time injury frequency rate (LTIFR) ⁹⁾	0.78	0.86 ⁷⁾	0.49
	Fatalities	0	0	0
	GRI 403-10 Work-related ill health⁶⁾			
	Number of cases of recordable work-related ill health	0	2	1
	Number for employees	0	2	1
Number for workers who are not employees	0	0	0	
Number of fatalities as a result of work-related ill health	0	0	0	
Training & Education	GRI 404-1 Average hours of training per year per employee			
	Average hours of training that the organization's employees have undertaken during the reporting period	19.93	17.94	9.97
	Average for female employees	21.53	19.34	10.78
	Average for male employees	19.45	17.54	9.74
	Total number of training hours	110,199	97,387	47,868
	GRI 404-3 Percentage of employees receiving regular performance and career development reviews			
Percentage of employees receiving regular performance and career development reviews	93%	95%	94%	
Diversity & Equal Opportunity	GRI 405-1 Diversity in governance bodies and among employees			
	Percentage of women in the active workforce	23%	23%	22%
	Percentage of women in management positions (senior manager positions)	10%	10%	10%
	Percentage of women in management positions (executive positions)	16%	10%	13%
	Percentage of women in the Leadership Team ¹⁰⁾	20%	15%	14%
	Percentage of women in the Executive Committee (incl. Board)	9%	8%	22%

Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH, excl. students and interns
Material non-financial content as specified in HGB section 315c in conjunction sections 289c to 289e was audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an ISAE 3000 (Revised) audit and is highlighted in light green in the GRI Performance table.

⁵⁾ Including pension, end of partial retirement, mutual agreement, early termination, end of fixed-term contract, death.
⁶⁾ Information under GRI 403 refers to the employee groups that are significant for us (HENSOLDT employees and temporary workers).
⁷⁾ Increase due to COVID-19 cases in the workforce (which are reported as work-related injuries).
⁸⁾ Adjustment due to breakdown of occupational accidents and accidents at work with lost time.
⁹⁾ LTIFR formula: The injury severity rate represents the number of lost workdays experienced per 100 workers. Injury severity rate = (number of workdays lost + light duty days lost) x 200,000/total hours worked.
¹⁰⁾ Definition (also retroactive for 2020): entire HENSOLDT Group Leadership Team (incl. Leadership Team, Executive Leadership Team, Executive Committee, and Management Board).

GRI Standards	Indicator	Performance				
General Disclosures						
General Disclosures	GRI 2-7 Employees					
		Reporting period 2022				
		2022				
		Sum	Female	Male		
	Number of employees (head count / FTE) ¹¹⁾	5,768	1,333	4,435		
	Number of permanent employees (head count / FTE)	5,539	1,277	4,262		
	Number of temporary employees (head count / FTE)	229	56	173		
	Number of non-guaranteed hours employees (head count / FTE)	0¹²⁾	0 ¹²⁾	0 ¹²⁾		
	Number of full-time employees (head count / FTE)	5,207	1,057	4,150		
	Number of part-time employees (head count / FTE)	332	220	112		
		Reporting period 2022				
		Sum	Germany	France	South Africa	UK
	Number of employees (head count / FTE) ¹¹⁾	5,768	4,149	657	807	155
	Number of permanent employees (head count / FTE)	5,539	4,004	641	739	155
	Number of temporary employees (head count / FTE)	229	145	16	68	0
	Number of non-guaranteed hours employees (head count / FTE)	0¹²⁾	0	-	-	-
	Number of full-time employees (head count / FTE)	5,207	3,737	597	721	152
	Number of part-time employees (head count / FTE)	332	267	44	18	3

Scope: HENSOLDT, consolidated companies (without sales representative offices and Australia) incl. Cyber GmbH, excl. students and interns
Material non-financial content as specified in HGB section 315c in conjunction sections 289c to 289e was audited with limited assurance by KPMG AG Wirtschaftsprüfungsgesellschaft as part of an ISAE 3000 (Revised) audit and is highlighted in light green in the GRI Performance table.

Retroactive adjustments to consumption data are not part of KPMG's 2022 audit scope.

¹¹⁾ FTE refers to full-time equivalent.
¹²⁾ In FY 2022, this information was only recorded for Germany.

Limited Assurance Report of the Independent Auditor regarding the Separate Non-Financial Group Report¹

To the Supervisory Board of HENSOLDT AG, Taufkirchen

We have performed an independent limited assurance engagement on the separate non-financial group report of HENSOLDT AG, Taufkirchen (further the “Company”) for the period from January 1 to December 31, 2022.

It was not part of our engagement to review references to external websites and information sources.

Management’s Responsibility

The legal representatives of the Company are responsible for the preparation of the separate non-financial group report in accordance with §§ 315b, 315c in conjunction with §§ 289c to 289e HGB and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further „EU Taxonomy Regulation“) and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section “EU Taxonomy” of the separate non-financial group report.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the separate non-financial group report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the separate non-financial group report that is free of – intended or unintended – material misstatements.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “EU Taxonomy” of the separate non-financial group report. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

Independence and Quality Assurance on the Part of the Auditing Firm

In performing this engagement, we applied the legal provisions and professional pronouncements regarding independence and quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

Practitioner’s Responsibility

It is our responsibility to express a conclusion on the separate non-financial group report based on our work performed within a limited assurance engagement.

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, published by IAASB.

Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the separate non-financial group report of the Company for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section “EU Taxonomy” of the separate non-financial group report. We do not, however, issue a separate conclusion for each disclosure. As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor’s own judgement.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for HENSOLDT AG
- A risk analysis, including media research, to identify relevant information on HENSOLDT AG’s sustainability performance in the reporting period
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and anti-corruption and bribery matters

- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Inspection of selected internal and external documents
- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Ulm/Germany and Toulouse/France via videoconference
- Assessment of the overall presentation of the disclosures
- Inquiries of responsible employees at Group level to obtain an understanding of the approach to identify relevant economic activities in accordance with EU taxonomy
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditures and operating expenditures for the taxonomy-relevant economic activities for the environmental objectives of climate change mitigation and adaptation
- Assessment of data collection, validation and reporting processes and reliability of reported data for the taxonomy-aligned economic activities in relation to the assurance on the Technical Screening Criteria (substantial contribution for the environmental objective, DNSH criteria) and minimum safeguards

¹ Our engagement applied to the German version of the separate non-financial group report 2022. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the separate non-financial group report of HENSOLDT AG for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with §§ 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “EU Taxonomy” of the separate non-financial group report.

.....
Nürnberg, March 17, 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Koeplin
Wirtschaftsprüfer
[German Public Auditor]

Restriction of Use/General Engagement Terms

This assurance report is issued for purposes of the Supervisory Board HENSOLDT AG, Taufkirchen only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of HENSOLDT AG, Taufkirchen, and professional liability as described above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 ([https://www.kpmg.de/ bescheinigungen/lib/aab_english.pdf](https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf)). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

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