



# REPORT OF THE SUPERVISORY BOARD

## on the Consolidated Financial Statements and the financial statements of HENSOLDT AG for the fiscal year 2021

This English report is for convenience only. In case of discrepancies between the English and the German report, the German report shall prevail.

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Dear shareholders,

Following the successful IPO in fiscal year 2020, fiscal year 2021 was also an extremely successful year for HENSOLDT AG in economic terms.

### **Cooperation with the Management Board**

In the fiscal year 2021, the Supervisory Board of HENSOLDT AG performed the duties incumbent upon it according to the law, the Articles of Association and the Rules of Procedure. We regularly advised the Management Board on the management of the company and monitored its activities. The Supervisory Board was directly involved at an early stage in all decisions of fundamental importance for the company. The Management Board informed us regularly, both in writing and verbally, promptly and comprehensively about the corporate plans, the course of business, the strategic development and the current situation of the Group.

The Management Board coordinated the strategic orientation of the company with us. We discussed, in detail, the business transactions that were significant for the company on the basis of the reports of the Management Board.

The Supervisory Board, in particular the chairman of the Supervisory Board, was in regular contact with the Management Board beyond the Supervisory Board meetings and kept itself informed about the current development of the business situation and significant business transactions. In this way, the Supervisory Board was always aware of the intended business policy, corporate planning including financial, investment and personnel planning, the course of business, profitability and the situation of the Group.

## **Corporate Governance and functioning of the Supervisory Board**

Further explanations on corporate governance can be found in the *Corporate Governance Statement*, which is part of the combined management report for HENSOLDT AG and the Group. It contains detailed information on the working methods of the Supervisory Board and its committees. In addition, you will find explanations on the current declaration of the Management Board and the Supervisory Board pursuant to section 161 AktG (German Stock Corporation Act), which the Supervisory Board approved on March 11, 2022. The current declaration of the Management Board and the Supervisory Board pursuant to section 161 AktG is also made permanently available to shareholders on the website of HENSOLDT at <https://investors.hensoldt.net> in the “Corporate Governance” section.

The members of the Supervisory Board are responsible for their own training and further education. The company supports the Supervisory Board in this effort to an appropriate extent. In the previous fiscal year, the members of the Supervisory Board received further training according to their individual needs on the topics of risk management and accounting as well as the role and function of the Supervisory Board and practical reflection.

## **Deliberations and resolutions in the plenary session of the Supervisory Board**

The Supervisory Board of HENSOLDT AG held a total of five meetings in the last fiscal year.

In the extraordinary meeting on March 5, 2021, the Supervisory Board dealt with the approval of the contract for the development and delivery of the airborne electronic signals intelligence system “PEGASUS” and the issuance of the declaration pursuant to section 161 AktG.

The meeting on March 19, 2021 focused on the preparation of the first annual general meeting of HENSOLDT AG and the adoption of resolutions on the annual financial statements of HENSOLDT AG and the Consolidated Financial Statements as of December 31, 2020, the combined management report, the dependency report as well as the non-financial reporting of the HENSOLDT Group. In addition, after receiving reports from the Executive Committee, the Supervisory Board decided on the determination of the Management Board remuneration for the fiscal year 2020, other Management Board remuneration issues, in particular the remuneration system to be presented at the annual general meeting 2021, and the expansion of the Management Board.

On May 7, 2021, the Supervisory Board informed itself about the current developments regarding the acquisition of a stake in HENSOLDT AG by the Italian defence group Leonardo S.p.A. and the status of the strategic defence programs with a significant share of HENSOLDT.

At the Supervisory Board meeting on September 24, 2021, the Management Board reported comprehensively on the business development, the order situation, the status of major orders, the employee share programme “Echo” and the expansion of Group financing under the existing credit agreement. The Supervisory Board also decided to the conduct of a self-assessment to review the effectiveness of the performance of its duties.

At the meeting on December 14, 2021, the Supervisory Board focused on the results of the stocktaking of this self-assessment and the approval of the budget (including the annual investment, finance and personnel plan). In the context of the self-assessment, the Supervisory Board members determined that the evaluation of the self-assessment carried out by the Supervisory Board members resulted in a balanced distribution of competences. Changes to the competence profile were not considered necessary or appropriate at the present time. In view of the organization of the Supervisory Board meetings, the members of the Supervisory Board expressed their hope that an improvement in the pandemic situation in 2022 would make it possible to hold the meetings again as face-to-face meetings and allow, in this framework, for a more direct communication. It was also noted that the Supervisory Board will continue to keep an eye on the issue of sustainability in particular. Where necessary, the Supervisory Board also adopted resolutions by written procedure. This mainly concerned the approval of the introduction of a revised compliance process planned by the Management Board of HENSOLDT AG and the approval of the issuing of securities in the context of the submission of an offer by HENSOLDT Sensors GmbH.

The members of the Management Board regularly attended Supervisory Board and committee meetings. Consultations of the Audit Committee with the auditor and deliberations on internal matters of the Supervisory Board took place without the Management Board being present.

Measures that require the approval of the Supervisory Board according to the Articles of Association, the Rules of Procedure for the Supervisory Board or the Rules of Procedure for the Management Board were submitted to the Supervisory Board for decision-making with the appropriate lead time. The Supervisory Board approved each of the Management Board's proposed resolutions after thorough examination and consultation. Apart from the individual measures already explained, there were no other transactions in the last fiscal year requiring approval that needed to be reported about.

## Committees of the Supervisory Board

The Supervisory Board has established an Executive Committee and five other committees to efficiently perform its duties. These prepare the resolutions of the Supervisory Board as well as the topics to be dealt with in the plenary session. To the extent permitted by law, decision-making powers of the Supervisory Board have been transferred to the corresponding committees.

Four meetings of the **Executive Committee** took place in the last fiscal year.

In its meeting on March 19, 2021, the Executive Committee dealt with an expert opinion on the remuneration of the Management Board and the remuneration system for the members of the Management Board of HENSOLDT AG that had been developed on this basis. The Executive Committee evaluated the achieved target values for the fiscal year 2020 and prepared a proposal to the Supervisory Board for the bonus of the Management Board. In addition, the Executive Committee prepared the Supervisory Board's decision on the remuneration system for the Management Board as well as other topics related to remuneration of the Management Board. The Executive Committee discussed the expansion of the Management Board to four members and submitted a corresponding proposal to the Supervisory Board for the appointment of Mrs. Celia Pelaz as the fourth member of the Management Board.

In the other meetings on May 7, 2021, September 24, 2021 and December 7, 2021, the Executive Committee dealt in particular with the terms of the Management Board service contract of Mrs. Celia Pelaz and the procedure for succession planning for the Management Board.

The **Audit Committee** held seven meetings.

A significant part of its work was the discussion of the preliminary financials for the fiscal year 2020, the dividend proposal and the financials during the year (quarterly announcement 3M2021, half-yearly financial report 6M2021 and quarterly announcement 9M2021). With regard to the key financial figures, the audit committee consulted with the CFO and, with regard to the half-year financial report, with the auditor to explain the results of the audit review.

With a view to the first annual general meeting of HENSOLDT AG, the Audit Committee prepared the Supervisory Board's resolution on the financial statements, combined management report and other reporting, including non-financial reporting, in its meeting on March 19, 2021 and made a recommendation to the Supervisory Board on the appropriation of the balance sheet profit.

On May 6, 2021, the Audit Committee assured itself of the quality of the audit, reviewed the risk development in HR / operative resources and the status of IT security.

In further meetings held on August 3, 2021, September 24, 2021 and November 23, 2021, the Audit Committee dealt with the Financial Market Integrity Strengthening Act (FISG), the audit plan for the consolidated financial statements and the financial statements for the fiscal year 2021 and the current status of the corresponding audit, as well as the approval of assurance and other non-audit services by the company KPMG AG. In addition, the Audit Committee prepared the recommendation to the Supervisory Board for a resolution on the Group's budget for the fiscal year 2022.

In its regular meetings during the year, the Audit Committee also received regular reports from senior staff and the head of internal audit on audit activities and investigations as well as on current risk management issues. The Audit Committee verified that all identified potential risks were adequately addressed. Furthermore, the Audit Committee dealt with the performance of the acquisitions carried out by the HENSOLDT Group and their strategic classification in several meetings.

Regular consultations were conducted between the Audit Committee and the auditor without the presence of the Management Board and consultations between the Audit Committee and the Management Board without the presence of the auditor.

The **Compliance Committee** held six meetings in the last fiscal year.

A major focus of the Compliance Committee's activities was the review and updating of the HENSOLDT Group's compliance processes, which was the subject of deliberations and also resolutions on January 29, 2021 (extraordinary meeting), March 18, 2021, March 25, 2021 (written procedure with recommendation for approval regarding the introduction of the amended processes to the plenary meeting of the Supervisory Board), April 30, 2021, May 7, 2021, September 24, 2021 and November 9, 2021. The Compliance Committee dealt with the benchmarking review of HENSOLDT Group's anti-corruption system commissioned in 2020, the target structure of the update and, in particular, the topic of a performance-based remuneration for sales agents. The status of the respective preparations for implementation was closely monitored, among other things, by addressing the corresponding accompanying training courses for the staff. Overall, the Compliance Committee came to the conclusion that the established compliance standards had so far proven to be appropriate.

Furthermore, the Compliance Committee received regular reports during the year from the Head of Compliance and the general counsel on the Compliance Dashboard, the status of e-learning, the compliance risk assessment and the Open Line cases. There was also a regular exchange with the Head of Internal Audit and with the Data Protection Officer of HENSOLDT Group.

In March 2021, the **Nomination Committee** prepared a competence profile for the Supervisory Board of HENSOLDT AG, which was adopted by the Supervisory Board on March 19, 2021 and reviewed as part of the Supervisory Board's self-assessment in autumn 2021.

The chairpersons of the Executive Committee, the Audit Committee and the Compliance Committee reported on the work of the committees in the plenary sessions.

The **Mediation Committee** and the **Related Party Transactions Committee** were not convened during the fiscal year.

The **IPO Committee**, which still existed in the fiscal year 2020 and was reported on here, was no longer established in the fiscal year 2021, as its field of duties ceased with the successful IPO of the company.

## **Presence of the members of the Supervisory Board at the meetings**

Below is information on the participation of the Supervisory Board members in the meetings of the Supervisory Board and the committees that took place in the fiscal year under review:

	Plenary sessions of the Supervisory Board		Audit Committee		Compliance Committee		Executive Committee	
<i>(number of meetings / participation in %)</i>	<i>Number</i>	<i>in %</i>	<i>Number</i>	<i>in %</i>	<i>Number</i>	<i>in %</i>	<i>Number</i>	<i>in %</i>
<b>Johannes P. Huth Chairman of the Supervisory Board</b>	4/5	80	-	-	-	-	4/4	100
<b>Armin Maier-Junker<sup>1</sup> Vice Chairman of the Supervisory Board</b>	5/5	100	-	-	-	-	4/4	100
Dr. Jürgen Bestle <sup>1</sup>	2/2	100	-	-	2/2	100	-	-
Jürgen Bühl <sup>1</sup>	5/5	100	-	-	-	-	4/4	100
Dr. Frank Döngi <sup>1</sup>	3/3	100	-	-	4/4	100	-	-
Achim Gruber <sup>1</sup>	2/2	100	-	-	2/2	100	-	-
Prof. Wolfgang Ischinger	5/5	100	-	-	-	-	4/4	100
Ingrid Jägering	5/5	100	7/7	100	-	-	-	-
Marion Koch <sup>1</sup>	5/5	100	7/7	100	-	-	-	-

<sup>1</sup>Employee representative

Christian Ollig	5/5	100	5/7	71.4	5/6	83.33	-	-
Prof. Dr. Burkhard Schwenker	5/5	100	-	-	6/6	100	-	-
Julia Wahl <sup>1</sup>	4/5	80	7/7	100	-	-		
Claire Wellby	5/5	100	-	-	-	-		
Ingo Zeeh <sup>1</sup>	3/3	100	-	-	4/4	100		
		<b>97.14</b>		<b>92.85</b>		<b>97.22</b>		<b>100</b>

Attendance at the meetings of the Supervisory Board was therefore 97.14 % in the last fiscal year and 96.69 % at the meetings of the committees. In the year under review, no Supervisory Board member attended only half or fewer of the meetings of the Supervisory Board and the committees to which the member belongs.

### Conflicts of interest in the Supervisory Board

Conflicts of interest of Management Board or Supervisory Board members that should have been disclosed to the Supervisory Board were not reported in the past fiscal year.

### Changes in the Management Board and Supervisory Board

One change occurred in the Management Board during the fiscal year. Mrs. Celia Pelaz has been appointed to the Management Board with responsibility for HENSOLDT's strategic positioning and business development with effect from July 1, 2021. In addition, Mrs. Pelaz is head of the Spectrum Dominance & Airborne Solutions division as well as HENSOLDT Ventures. Since then, the Management Board of the company has consisted of a total of four persons.

Mr. Winfried Fetzner retired from the Supervisory Board with effect on December 31, 2020. In his place, Mr. Ingo Zeeh was appointed to the Supervisory Board by resolution of the register court on January 12, 2021. Elections of employee representatives to the Supervisory Board were held from May 17 to 19, 2021. Mr. Dr. Frank Döngi and Mr. Ingo Zeeh were not re-elected. Dr. Jürgen Bestle and Achim Gruber were newly elected or re-elected as employee representatives. Mr. Armin Maier-Junker, Ms. Marion Koch, Mr. Jürgen Bühl and Mrs. Julia Wahl were re-elected to the Supervisory Board.

### Audit of the financial statements and the Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed auditor for the fiscal year 2021 by resolution of the annual general meeting on May 18, 2021. Previously, KPMG AG Wirtschaftsprüfungsgesellschaft had confirmed that there were no circumstances that could impair its independence as auditor or cast doubt on its independence. KPMG AG Wirtschaftsprüfungsgesellschaft also explained the extent to which services outside of the audit of the financial statements were provided to all companies of the HENSOLDT Group in the previous fiscal year. KPMG AG Wirtschaftsprüfungsgesellschaft and Mr. Martin Leistner as the responsible audit partner have audited HENSOLDT AG since its foundation in 2019, at that time as HENSOLDT GmbH, and the HENSOLDT Group since the first-time preparation of the consolidated financial statements by HENSOLDT Holding GmbH in 2017.

The Management Board of HENSOLDT AG has prepared the financial statements, the combined management report of HENSOLDT AG and of the Group as well as the Consolidated Financial Statements for the fiscal year 2021.

KPMG AG Wirtschaftsprüfungsgesellschaft audited the financial statements, the combined management report of the HENSOLDT Group and the Consolidated Financial Statements for the fiscal year 2021 and issued an unqualified audit opinion in each case dated March 15, 2022. The Consolidated Financial Statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary German statutory regulations pursuant to section 315e (1) HGB (German Commercial Code). The financial statements and the combined management report were prepared in accordance with the provisions set forth in the German commercial code.

The auditor conducted the audit of the annual and consolidated financial statements in accordance with section 317 HGB and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW).

The aforementioned documents were distributed to us by the Management Board in good time or were available at the balance sheet meeting. They were dealt with intensively in the Audit Committee on March 16, 2022. The members of the Audit Committee reported, in detail, on these deliberations to the plenary session at the balance sheet meeting on March 16, 2022. The plenary discussed the financial statements and reports in detail – also in the presence of the Management Board. Both meetings were attended by the auditor, who reported on the main results of their audit. Part of the presentation were the scope, focus and costs of the audit.

We agreed with the results of the final audit. According to the final result of the audit by the Audit Committee and our own audit, no objections needed to be raised. The Supervisory Board approved the annual financial statements prepared by the Management Board and the consolidated financial statements prepared by the Management Board. The financial statements are thus adopted. The Management Board proposes to use € 32,269,716.20 of the balance sheet profit totalling € 26,250,000.00 to distribute a dividend of € 0.25 per no-par value share entitled to dividend. We agreed with this proposal.

As part of its review, the Supervisory Board also examined the non-financial group declaration as part of the sustainability report, which was to be prepared in accordance with section 315b HGB, and came to the conclusion that it meets the existing requirements and that no objections are to be raised. An external review by KPMG AG Wirtschaftsprüfungsgesellschaft had previously confirmed that no matters had come to the attention of the auditors that caused them to believe that the non-financial group statement had not been prepared, in all material respects, in accordance with section 315c HGB.

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

The Management Board of HENSOLDT AG prepared a report on relations with affiliated companies (dependency report) for the fiscal year 2021 in accordance with section 312 AktG and submitted it to the Supervisory Board in due time. The dependency report was audited by the auditor in accordance with section 313 AktG. Since there were no objections to be raised after the final result of their audit, the auditor issued the following unqualified audit certificate in accordance with section 313 (3) AktG: “Having conducted a proper audit and assessment, we confirm that (1) the factual statements made in the report are correct, (2) the consideration paid by the company for the legal transactions listed in the report was not unreasonably high, (3) there are no circumstances that would support a materially different assessment of the measures listed in the report than that made by the Management Board.”

The dependency report and the auditor’s report were submitted to the Audit Committee and the Supervisory Board in good time or were available for inspection at the Supervisory Board meeting on March 16, 2022 and were examined by them. The audit did not result in any objections. According to the final result of the preliminary examination by the Audit Committee and our own review, the Supervisory Board has no objections to the Management Board’s declaration on relationships with affiliated companies. The result of the audit of the dependency report by the auditor is approved.

## **Thanks to the Management Board and the employees**

The Supervisory Board would like to express its thanks to the members of the Management Board, the employees and the employee representatives of all Group companies for their work and especially for their contribution to the successful first annual general meeting of HENSOLDT AG. You contributed to a very successful year for the HENSOLDT Group in economic terms.

For the Supervisory Board

The Chairman of the Supervisory Board