



## Composition of the Supervisory Board

As a result of the departure of one member of the Supervisory Board on the shareholder side and one member on the employee side, successors needed to be found, taking account of the skills profile resolved in 2020 and the targets for the board's composition. Louise Öfverström took over the mandate on the employer side from Dr. Franz Josef Jung, who retired from the Supervisory Board on May 10, 2022. On the employee side, Murat Küplemez, Chair of the Works Committee of Pierburg GmbH, Neuss site, succeeded Markus Schaubel, who also left the Supervisory Board effective May 10, 2022. Following extensive discussions in the Nomination Committee regarding the process for seeking candidates and the resumes and skills of the candidates found, and based on the committee's explicit recommendation, I made the proposal for these two changes on the Supervisory Board at the Supervisory Board meeting on March 16, 2022 and they were then implemented following the corresponding resolutions of the Annual General Meeting on May 10, 2022.

Louise Öfverström and Murat Küplemez introduced themselves to the participating shareholders of our company at the Annual General Meeting, which was held virtually. On behalf of the Supervisory Board, I would like to take this opportunity to thank Dr. Franz Josef Jung and Markus Schaubel once again for their excellent teamwork on the Supervisory Board and their professional, dedicated and solution-focused work on our board and its committees on behalf of the company.

For codetermined supervisory boards with equal numbers of shareholder and employee representatives at listed companies, the German Stock Corporation Act prescribes a binding quota for the representation of women of at least 30%. In terms of the proportion of men and women, the Supervisory Board complies with the legally prescribed minimum quotas in accordance with section 96(2) sentences 1, 3 and 4 of the German Stock Corporation Act. The shareholder and employee representatives alike resolved that, under consideration of regulations as per section 96(2) sentence 3 of the German Stock Corporation Act, the minimum quota of 30% for women and the minimum quota of 30% for men for members of the Supervisory Board shall be fulfilled separately.

At the constituent meeting of the Supervisory Board, the Deputy Chair of the Supervisory Board Dr. Daniel Hay was unanimously re-elected on May 10, 2022 after the Annual General Meeting, which had approved the proposed re-election.

In the Mediation Committee, Dagmar Muth succeeded Reinhard Müller with a unanimous resolution after his departure from the committee. The committee also unanimously elected Professor Susanne Hannemann as the new Chair of the Audit Committee to succeed Professor Andreas Georgi, who left the committee. Louise Öfverström was subsequently unanimously elected as a new member of the Audit Committee. In the Nomination Committee, Professor Andreas Georgi succeeded Dr. Franz Josef Jung, who left the Supervisory Board, after a unanimous vote.

The tasks and responsibilities of the Strategy Committee were expanded to include Environment, Social, Governance (ESG). As a result, the Rules of Procedure of the renamed Strategy and ESG Committee have been adapted and Dr. Britta Giesen has been elected as the person responsible for this specialist area. Reinhard Müller succeeded Markus Schaubel, who stepped down from the Supervisory Board with effect from May 10, 2022.

Where new elections to the committees were necessary, these did not result in any further personnel changes; rather, the existing representatives were confirmed in their functions.

The following overview provides information on the composition of the Supervisory Board and its committees as of the end of the reporting period.



to a sustainable economy and reports on its business activities classified as taxonomy-eligible or taxonomy-compliant in the categories of sales, CapEx and OpEx.

In addition to our principles on social responsibility (Fair2All international framework agreement), we highlight our commitment to business ethics issues with the joint position paper of the Executive Board and the European Works Council on the transformation and internationalization of the Rheinmetall Group. Furthermore, we are a member of the United Nations Global Compact, a globally established sustainability initiative. As a signatory, we pledge to comply with the ten principles on respect for human rights, fair working conditions, environmental protection and anti-corruption. For us, these form an important guide in responsible corporate governance.

Within our sphere of influence, we see it as our responsibility to promote respect for human rights, prevent human rights violations, and prevent or mitigate potential adverse impacts of risks we have identified and prioritized through various measures. Our commitment relates both to our own business activities and to our suppliers, initially mainly in Tier 1.

Remuneration components, which include sustainability targets, serve to further strengthen sustainable positive corporate development. The implementation of measures relating to environment and society will be taken into account for members of the Executive Board and managers in both the long-term and short-term incentives at 20% from fiscal 2022 and 2023 respectively. Consideration is also being given to including ESG targets at 20% in the short-term incentive program for employees not covered by collective wage agreements.

### **Growth drivers: defence markets, electrification, diversification**

Along with this changed organizational and management structure, the technology transfer between the individual divisions is to be continuously enhanced and the focus on technologies and business areas bolstered with sustainable value enhancement potential.

**Defence markets** – A significant growth driver in the defence markets served by Rheinmetall results from the “leap in growth in the defence sector” and “new world order” market drivers (see section on market drivers). Spending by NATO alliances increased by 23.3% from 2018 to 2022. Germany has committed to achieving the 2% of GDP target set by NATO over a period of several years for the first time and is increasing its defence spending. In Rheinmetall’s existing markets including Germany, Australia, the UK, Hungary, Italy and Greece, rising defence budgets and modernization ambitions are allowing for further growth potential.

Rheinmetall also achieved significantly growing business successes in the world’s largest defence market, the US. Between 2019 and 2022, Rheinmetall achieved a growth rate of 45% in sales in the security technology sector in the US, particularly thanks to participation in the pioneering OMFV and CTT projects. OMFV (Optionally Manned Fighting Vehicle) is a US Army program to replace the M2 Bradley infantry fighting vehicle. The CTT (Common Tactical Truck) solution will replace the fleet of heavy and medium wheeled tactical vehicles.

Rheinmetall’s new developments from the “Next Generation Vehicle Platforms” security technology sector (Americanized Lynx (manned combat vehicle), Americanized HX3 (tactical truck)), “Next Generation Ammunition” (indirect fire, next gen ammunition) and “Mission Systems of the Future” (mission systems, digitalized battlefield and air defence) will open up additional potential markets, with a tender value of €50 billion.

**Electrification** – Another growth driver for Rheinmetall is electrification within and outside the mobility sector, whose shares are expected to increase in the overall rise in Group sales. On the other hand, the share of combustion engine business is being adjusted to reflect the market conditions anticipated in the medium term.

For electrification within and outside the mobility sector, Rheinmetall is focusing on developing complex systems for heating and cooling electric drive components, all-electric auxiliary units, DC link capacitors, die-cast components for battery carriers, covers and motor housings as well as plain bearings for electric vehicles.

Another innovation in Rheinmetall’s electrification portfolio is the Rheinmetall curb charger presented in November 2022 – a charging solution concept to promote electric mobility in city centers and metropolitan areas. The system is currently undergoing extensive long-term testing before it is used for the first time in a pilot project



in public spaces. Rheinmetall sees great opportunities for growth in the global electrification market in the further expanding portfolio for electrification.

**Diversification** – With the transformation of Rheinmetall’s civil sector, new business areas are being analyzed and evaluated with regard to sustainable, profitable growth potential and their strategic fit with Rheinmetall.

Under the umbrella term of decarbonization, Rheinmetall has begun to address a diversified business area with high growth potential for the civil sector. The transfer for the Defence sector is being assessed at the same time and opens up further growth potential. The strategic fit with the focus area of decarbonization has particularly arisen due to the outstanding expertise in the development of components that are processed in the numerous fields within decarbonization. Two focus areas for Rheinmetall within decarbonization are warm home and hydrogen technologies.

The warm home focus area is currently exploring cooperation with leading manufacturers and suppliers of heating systems for the real estate sector. Rheinmetall’s focus here is on the development and supply of components such as circulation pumps, heating pumps and compressors for the sector, in which Rheinmetall has extensive technological and development expertise.

Further orders were booked in the hydrogen business area in 2022. The value of the booked business in the hydrogen growth market amounted to €306 million by the end of fiscal 2022 from various manufacturers of fuel cell systems. In addition to this, the first further hydrogen business totaling €83 million was acquired in Q1 2023. Since September 2021, Rheinmetall has also been part of the national hydrogen and fuel cell initiative, which is financially supported by the German government and the state of North Rhine-Westphalia. Rheinmetall is an industrial partner in the research and development consortium of the Center for Fuel Cell Technology (ZBT) in Duisburg, which is renowned in terms of hydrogen and has been selected as one of four Innovation and Technology Centers for Hydrogen Technology (ITZ) funded in Germany. The project to develop an innovative hydrogen pressure tank system by a consortium comprising Rheinmetall and the RWTH Aachen Institute of Textile Technology is being supported by the state of North Rhine-Westphalia with funding of €4.7 million.

### Acquisitions, joint ventures and strategic alliances

As part of its growth strategy, Rheinmetall continuously screens potential targets. The focus of acquisitions and strategic cooperations is on strengthening digitalization expertise, expanding capacities and core portfolio additions, and supplementing the portfolio to support the transformation of the civil sector.

**Digitalization** – As a central element of Rheinmetall’s digitization strategy, a far-reaching strategic cooperation with the Hungarian digitization service provider and IT supplier 4iG was initiated at the beginning of 2022. This cooperation will be gradually intensified.

At the beginning of 2022, a contract for the acquisition of 25.1% of the shares in 4iG Nyrt. was signed with the majority shareholder. This strategic partnership is intended to make a decisive contribution to further strengthening Rheinmetall’s position as a leading systems supplier for security technologies in Central and Eastern Europe and to unlocking digital potential in civil markets.

In a further step, Rheinmetall and 4iG established the “Rheinmetall 4iG Nyrt. Digital Services LLC” IT joint venture in Budapest. 4iG Nyrt. holds a 51% stake in “Rheinmetall 4iG Digital Services LLC,” with Rheinmetall holding the remaining 49%. The company will provide IT services for Rheinmetall’s local and global subsidiaries and potentially also for third parties from 2023. The new joint venture is mutually beneficial. It strengthens Rheinmetall’s IT expertise and gives 4iG Nyrt. better access to the global market for IT services.

In addition, Rheinmetall (51%), 4iG Nyrt. (39%) and the Hungarian state-owned company HM Electronics (10%) have signed a preliminary agreement on the establishment of a further joint venture. The company’s goal is to drive the digitalization of the Hungarian armed forces and selected NATO member states in Central and Eastern Europe. Specifically, the company intends to be involved as a driver of digitalization in the areas of soldier systems, flight and land simulation. A further focus will be the key area of C4ISTAR (command, information, communications, computer systems, intelligence, surveillance and reconnaissance), where substantial and innovative contributions will also be made.



Currency risks that Rheinmetall is exposed to in its global business operations can also have an adverse effect on the operating result. Here, too, the Group's risk management unit should be involved early on in large-volume projects or long-term contract negotiations to prevent currency risks from occurring at all by formulating contract currencies or introducing cost escalation clauses. Moreover, in currency management, simulation calculations are performed to derive hedging strategies and use suitable derivatives that reflect the different business structures of the divisions. The currency risks are identified and assessed as part of regular reporting.

Similar to hedging against interest rate and currency risks, risks from changes in prices are largely avoided in advance in contract negotiations for the procurement of raw materials or significantly restricted through the agreement of cost escalation clauses. In cases where this is not possible, derivative financial instruments are used. This is the case, for example, for industrial metals and the energy sector. The strategic management of market price risks is carried out at regular financial committee meetings, in which the hedging decisions are made and documented.

Regulatory or political interventions can impact the processing of international payment transactions. This would mean that either Rheinmetall would not be able to fulfill its contractual payment obligations or would fulfill them only to a limited extent, or it itself would receive cash receipts from exports incomplete or late. On the whole, this risk should be classified as insignificant for Rheinmetall and would be managed on a case-by-case basis if it should ever occur.

### **Taxes**

Tax risks can result from changes in the legal or tax structure of the Rheinmetall Group or from assessment periods that are still open. The differing assessment of circumstances during audits can lead to claims on the part of the tax authorities. There is also the risk that the tax burden for the Rheinmetall Group increases as a result of changes to tax legislation for individual countries or court decisions.

To identify and minimize tax risks at an early stage, the Rheinmetall Group has set up a global tax compliance management system and taken organizational measures aimed at ensuring compliance with tax legislation. This system is developed on a regular and systematic basis.

### **Legal**

Legal risks can arise in relation to competitors, business partners or customers and as a result of changes to the legal framework in the relevant markets. Not only is the Group supported by detailed advice from its own specialist legal experts, but it also, depending on the case, consults external experts. Furthermore, potential losses, damage and liability resulting from ordinary operations are, wherever possible, appropriately covered by insurance policies or corresponding accounting provisions.

Our goal is to avoid litigation within the limits of what is economically reasonable. However, it is naturally difficult to predict the outcome of pending legal and administrative proceedings in the majority of cases. Costs can arise on the basis of adverse court or official decisions or the conclusion of settlements that are not covered or not fully covered by provisions or insurance policies and thus exceed the provisions that have been made. However, after a thorough review, we do not believe this will occur.

Regulatory and legislative changes at national or European level may involve risks that could negatively affect our earnings situation. This applies, for example, to new laws and other amended legal frameworks (e.g. relating to export controls) or through export restrictions in practice. Embargoes, economic sanctions or other forms of trade restriction could be imposed on countries in which we operate by the European Union, the US or other countries or organizations.

Legal risks arising from the violation of legal regulations are avoided or reduced as far as possible within the context of the compliance management system.

### **Compliance**

Compliance violations can cause many different types of damage and can have serious consequences such as the discontinuation of business relationships, exclusion from contract awards, negative assessments on capital markets, the imposition of fines, the absorption of profits, claims for damages, and civil or criminal proceedings.



Furthermore, compliance violations that have a high public profile always pose the risk of significant and lasting damage to the company's reputation. Customers, shareholders, employees, non-governmental organizations, rating agencies and also the general public could lose trust in our company. In itself, the examination and clarification of alleged cases can result in considerable internal and external costs.

Compliance risks can occur in every area of the company. The compliance organization therefore aims to ensure proper and compliant modes of conduct and behavior on the part of a company and its employees and to make sure that potential or actual infringements of external or internal regulations are responded to appropriately. Group-wide structures, stringent regulations and standardized processes are put in place as far as possible to prevent any liability risks, risks of a penalty or a fine and reputation risks, in addition to other financial disadvantages, loss or damage that the company may incur as a result of misconduct or violations of the law.

The regular execution of a Group-wide compliance risk assessment (top-down and bottom-up) and additional regular and case-by-case risk analyses help to identify systemic and company-specific compliance risks. Measures to introduce or improve international or local structures, guidelines, processes, IT systems and training content are derived from the results.

However, despite extensive and multi-level inspection and control mechanisms, the possibility of risks arising from unlawful activities of individual parties cannot be ruled out. Alleged cases are investigated actively. In investigative proceedings we cooperate with the relevant authorities. Proven misconduct results in consequences for those involved and – if necessary – to adjustments in the organization. However, the financial impact of compliance cases on the Group's results is very difficult to estimate. Depending on the case and the circumstances, a considerable range is to be assumed.

The introduction in 2018 of the EU General Data Protection Regulation (GDPR) required EU-based companies also to meet a whole range of obligations concerning data protection. Violations of the GDPR are subject to significant sanctions, including the imposition of fines totaling up to 4% of the Group's total global sales. To counter these risks, we established a Group-wide data security management system (DSMS) to ensure a data protection level that is structured, secure and, as far as possible, standardized. It defines a range of functions and responsibilities and undergoes continuous improvement as part of a "plan-do-check-act" cycle. The effectiveness of the DSMS is monitored on an ongoing basis. Where legally prescribed, data protection officers are appointed in Rheinmetall. Our employees receive regular instruction and training in matters relating to data protection. The content of data protection training is adapted for individual departments in line with the specific requirements in their respective spheres of work. For new employees, this training is an important part of the induction process.

### Public perception

In a time in which markets are interconnected and the flow of information is becoming increasingly globalized, communication is becoming ever more important to the company's success. Shareholders, customers, lenders, employees, the media and the public at large are informed regularly, transparently and quickly about our social and financial status, our key processes and changes as well as the latest news and developments.

In the course of a highly dynamic sustainability debate, the communicative presentation of a medium- and long-term corporate strategy based on responsible action is crucial for the perception and acceptance of the company by a broad public. Protecting and building a positive reputation as a central task of communications is considered essential in order to continue to be recognized and commissioned as a supplier and equipment provider to the public sector and to be able to survive on the money, credit and capital markets. In particular, the impact of our communications and other image-building measures on the general (media) public determines how we are perceived by politicians, administrators, and business and financial players.

### Environmental, social, governance

Sustainability risks differ in part from traditional risk assessments in terms of the timescale considered, the assessment of their impact, but also in perspective. For this reason, the process for sustainability risk reporting builds on the existing risk management modules, but goes beyond them in parts. This avoids both duplication of work and double entries while also ensuring comprehensive analysis.



If we do not comply with the increasing regulatory requirements and fail to meet the expectations and requirements of governments, customers, investors, lenders and other financial institutions in the areas of environmental and social responsibility and governance (ESG) to the required extent or level of detail, this can have a negative impact on the Rheinmetall Group's business and earnings. Customers could potentially refuse to award contracts to us, private and institutional investors might refuse to include us in their portfolio, and financial institutes might refuse to issue loans at all or only at an increased cost. We counter these risks through comprehensive and transparent CSR/ESG reporting based on globally recognized standards such as the Global Reporting Initiative and – where possible – through continuous improvement of our customer and CSR/ESG ratings from internationally renowned agencies and institutions (e.g. MSCI, ISS ESG, Sustainalytics, VigeoEiris, Arabesque, Gaia and CDP).

Furthermore, the passing of legislation or regulations for the finance sector could cause institutional investors to restructure their portfolios and reduce or terminate their exposures in companies that operate in industries classed as critical. Possible sector exclusions (e.g. for the weapons and defence industry) could also limit our options to raise capital. Changes to the qualification criteria for being accepted to or remaining on stock indices could also harbor risks for our company.

Business activities that touch on sensitive ESG topics could result in a negative response among stakeholders or trigger negative media reports, which could damage our reputation and jeopardize the achievement of our business goals. This impact could potentially be exacerbated by insufficient crisis communication.

The protection of human rights is an integral part of our social responsibility and anchored in our Group guidelines such as the Code of Conduct, the Supplier Code of Conduct and the principles of social responsibility. Rheinmetall aims to prevent the negative consequences of its business activities and in the supply chain impacting its ability to uphold human rights. It is a matter of course for us to identify human-rights-related risks associated with our business activities and sphere of influence through, for example, adequate due diligence processes and risk analyses and to mitigate these risks as far as possible through suitable measures.

With 132 locations in 33 countries, we are subject during our everyday business to a wide range of legal and regulatory requirements, any of which can be updated, developed or made stricter at ever shorter notice. This applies in particular to provisions relating to not only the environment, chemicals, hazardous substances and critical raw materials, but also occupational and health protection. Adapting to new requirements could increase operating costs or require unscheduled investments. A whole range of different licenses and approvals are also required for our locations and factories and their provisions have to be met, which are subject to renewal, amendment, suspension and revocation by the issuing authority. Violations of relevant official regulations that apply to how we exercise our business activities or infringement of social, (occupational) safety and environmental standards could harm Rheinmetall's reputation and subsequently result in internal or external investigations, requirements, remediation obligations, claims for damages and, under certain circumstances, substantial fines or penalties. We actively counter these risks in various ways, including through high technical standards, integrated management systems and certification in accordance with international standards such as ISO 14001, ISO 50001 and ISO 45001. We evaluate measures that go above and beyond compliance with legal requirements on a cost-benefit basis. Although we have organizational structures and procedures in place to ensure that we comply with applicable government regulations in the conduct of our business, it cannot be entirely ruled out that violations of applicable government regulations could occur on our part or on the part of third parties with whom we have a contractual relationship and whose actions could be attributed to us.

A large amount of land owned by the Rheinmetall Group has been subject to industrial usage for decades. For this reason, it cannot be ruled out that contamination – for example as a result of production processes or processes to test munitions – has also been generated during this time that Rheinmetall is not yet aware of. Provisions have been recognized for necessary measures to safeguard against or clean up identified pollution. The elimination of leaks or the clean-up of effects resulting from technical failure could give rise to direct costs for the company. It is possible that the relevant authorities may issue regulations that require costly clean-up measures. We counter potential environmental risks by implementing statutory environmental standards, certified environmental management systems, proper and safe storage of hazardous substances, and environmentally friendly disposal of waste and hazardous materials via certified service providers. At our different locations, special organizational units ensure that the relevant legislation and regulations are observed and that further technical options for





## Non-financial statement

We have consistently demonstrated our responsibility toward our employees and products and toward the environment and society for over 130 years. Founded in 1889, our technology company - rooted regionally and globally positioned - with its companies is integrated into the general political, regulatory, economic, ecological and social conditions of various countries and geographical regions. We are committed to fair competition and to lawful business conduct that not only shows integrity but is also social and ethical. Sustainable management has always been an integral component of our business and production processes and helps to secure the long-term future of our company. In addition to continuity, economic growth and compliance with the fundamental principles of good corporate governance, the careful use of natural resources is part of our self-image – to the benefit of our shareholders, our employees, for our locations and for the society in which we have a fixed place as corporate citizen.

Globally, European and German understanding on key areas, topics and aspects in the Environment, Social and Governance (ESG) categories may not be equally assessed, weighted and prioritized. Even so, over the past few years – at the United Nation's behest and in line with the objectives of the European Union – many countries, including Germany, have expanded their requirements for companies to take responsibility for upholding recognized human rights, labor, social, environmental and anti-corruption standards, both within and outside the bounds of the company. This relates to the impact of business activities on sustainable development in the world encompassing the entire value-added chain. But customers, shareholders, investors, non-governmental organizations and – not least – the company's own employees are also interested in getting a full picture of the company, its global business activities and their impact on people, the climate, and the environment. Inquiries from all sections of society are thereby increasing, as are expectations for transparency, scope, level of detail, informative value and comparability of company data on the very complex issue of sustainability.

### Business model

Our world is changing rapidly in every respect – technologically, economically, politically and culturally. We lead lives that are more global, more connected, more digital than ever before and are constantly faced with new challenges that have to be overcome.

As a supplier to the automobile industry, the civilian area makes a contribution that people the world over reach their destinations in a more environmentally friendly manner. In addition to the ongoing development of products for conventional drives, Rheinmetall is focusing on the development of systems for vehicles powered by hybrids, batteries, and fuel cells. We shape the mobility of the future with solutions for reduced emissions and electric drive systems. Outside the traditional automotive sector, we are continuing to pursue our diversification strategy in the industrial sector.

Hydrogen is considered a key element in the transition to a climate-neutral energy supply of the future. We are addressing mobile and stationary hydrogen technology applications. The spectrum extends from power generation derived from renewable energies across hydrogen production to its storage and distribution right up to its use.

We are a reliable partner for German and international armed and security forces. With its product and capability spectrum, Rheinmetall is a leading European systems supplier offering innovative, state-of-the-art and threat-appropriate security technology for military and civilian applications alike. We protect those who protect us all – against current and future threats.

The Rheinmetall Group's business model is described in detail under the Basic information on the Rheinmetall Group" section.



## Governance

This non-financial statement of the Group, which includes all continuing and discontinued business activities, was prepared in line with the requirements of Sections 315b, 315c in conjunction with Sections 289c to 289e HGB. Pursuant to section 315b(1) sentence 3 HGB, reference is made to the non-financial disclosures included in another part of the Group management report for more detailed information on individual aspects. We use the standards of the Global Reporting Initiative (GRI) as a reporting basis when preparing the non-financial statement. In this way we want to ensure transparency and comparability. The fiscal year is the reporting period for the non-financial statement of the Group, and there is an annual reporting cycle.

### Sustainability organization

At Rheinmetall the responsibility for sustainability lies with the Executive Board as a whole. The central area Corporate Social Responsibility reports directly to the Chief Executive Officer (CEO). In consultation with the responsible central department managed by the Head of Corporate Social Responsibility, the Executive Board sets the strategic framework for sustainability activities. In cooperation with the divisional and local sustainability officers and the Executive Board, the Corporate Social Responsibility department bundles and coordinates the respective ESG requirements. From this, it develops the sustainability strategy aligned to the Group strategy and derives the resulting fields of action, measures, targets and indicators.

In addition to the members of the Executive Board, the Corporate Sustainability Board established in October 2021 includes the divisional heads, the Head of Corporate Social Responsibility, the heads of Controlling, Compliance, Strategy, Purchasing, Human Resources, Corporate Communications, the Head of Investor Relations and the two Chief Technology Officers. The Corporate Sustainability Board deals with current regulatory developments and trends in the ESG area, as well as with the challenges they pose for Rheinmetall. The members of the board help to ensure that the interests of our stakeholders are given special consideration. At the annual meeting in December 2022, the heads of the five divisions, among others, presented the progress made in the area of ESG during the year and provided an outlook on the measures planned for 2023.

Sustainability also includes a material strategic component. As an interdisciplinary and cross-division topic, ESG is a fixed element of the activity of the Supervisory Board. For example, the members of the Supervisory Board deal with current ESG developments, with their importance for the corporation and its stakeholders and the resulting future challenges and opportunities. The Audit Committee handles not only risk management, but also the scope and depth of current and future regulatory requirements for sustainability reporting and their implementation, as well as the processes and internal controls implemented in collecting the data required for reporting. The Strategy and ESG Committee deals with the strategic further development of sustainability and its enshrinement in the overall strategy of the company. It obtains information on the associated ESG fields of action, measures and initiatives, as well as on the progress made, and monitors the inclusion of sustainability aspects in the business model. The Supervisory Board's Personnel Committee deals with the implementation of ESG objectives in internal performance indicators and their consideration in remuneration systems. As part of the Executive Board's remuneration, it defines the ESG criteria, their target values and target achievement ranges on an annual basis and assesses the respective degree of achievement of the non-financial targets.

### Sustainability management

Continuous improvement and ongoing further development aligned to the changing requirements of our time are the basis for sustainability activities at Rheinmetall. Since the Corporate Social Responsibility department was established in 2011, we have been working on an ongoing basis in improving the cooperation with the experts in the divisions, business units and national companies.

Various principles and international guidelines form the basis for our sustainability management:

- Corporate philosophy with vision and mission based on the values of respect, trust and openness;
- Code of Conduct for all employees with binding regulations which include topics such as human rights, anti-corruption, compliance, adherence to competition and anti-trust legislation;





- Principles of social responsibility (international framework agreement with reference to global standards such as those of the International Labor Organization – ILO);
- Position paper on transformation and internationalization in the Rheinmetall Group;
- Supplier Code of Conduct;
- **Ten Principles of the United Nations Global Compact on human rights, working standards, environmental protection and anti-corruption;**
- The United Nations' Sustainable Development Goals;
- Charta der Vielfalt e.V. – a corporate initiative to promote diversity in companies and institutions;
- Six minimum standards on human rights: no forced labor, no child labor, freedom of assembly, occupational safety, no discrimination and fair remuneration.

Furthermore – alongside key performance indicators – non-financial aspects from the environmental and social areas are also included in target agreements with managers. These define targets for variable remuneration components relevant to ESG, including areas such as energy efficiency, CO<sub>2</sub> reduction or health and safety at work. For senior and middle management, the achievement of ESG targets will be taken into account at 20% in the short term and long term incentive from fiscal 2023.

## Reporting

In the context of its reporting on non-financial and sustainability-related performance, Rheinmetall aligns itself to the international standard of the Global Reporting Initiative (GRI).

Since October 2011, we have been reporting on our sustainability activities on our website under the heading “Responsibility.”

Since fiscal 2017, we have been submitting a non-financial statement every year.

In addition to the legal requirements, we publish the ESG Factbook reporting annually. On more than 100 pages, we provide information in the Performance, People, Planet and Governance categories on topics defined as material and present our economic, social and ecological performance over a period of three years. In addition, the Factbook includes the GRI Content Index. An additional index refers to the covered reporting requirements of the Sustainability Accounting Standards Board (SASB) in the sectors relevant to our business model.

After signing the UN Global Compact in fiscal 2021 as a visible expression of our commitment to sustainability, we published the annual Communication on Progress (CoP) on the new UNGC platform via the Early Adopter Program in August 2022. With this report we show transparently what progress the company has made in the area of corporate responsibility over a year.

We are continuously developing our indicator system in accordance with internationally recognized standards and on the basis of internal and external requirements so that, in addition to internal management, our external reporting can be aligned even more specifically to the demands of groups such as investors and to make our sustainability performance – as well as the challenges and opportunities of long-term company development – more transparent.

## Materiality analysis

In view of the emerging new strong trends in the area of sustainability and the soon-to-be-introduced extensions and new requirements in sustainability reporting, we again carried out a materiality analysis in the past fiscal year, involving both internal and external stakeholders. The list of potentially relevant sustainability aspects has been reviewed for up-to-dateness and adjusted accordingly. For this purpose, the results of secondary analyses have been taken into account, including the evaluation of regulatory requirements and projects, ESG ratings, benchmarks of our peer group and media reporting. The result of the materiality analysis reflects the economic, environmental and social sustainability issues that are significant for our company. The focus of our reporting is on the topics classified as very material and material. For some other aspects, our voluntary reporting in this non-



**Further training for employees** – Further training, assuming responsibility and promotion opportunities have a high degree of relevance for the commitment and satisfaction of our employees. To ensure the continued growth and future viability of the Rheinmetall Group, in consideration of additional demographic factors and the shortage of specialist staff that is expected in many places, the development of employees, talented management trainees and experienced specialist and managerial staff in line with current and future requirements constitutes a key factor for the company's success. Thus strategic personnel planning is aligned to securing and continuously raising the high skill levels to ensure that the Group companies can achieve their business goals.

Annual appraisal interviews between management and employees are deployed to talk about performance, targets and individual development options. A range of training opportunities are in place to support Rheinmetall employees with planning their own development, achieving individual learning objectives and expanding their skills to meet the requirements of their current positions or to obtain new positions. Personnel development and training activities are offered on the basis of regular needs assessments. Various sources are used for needs assessment. These include not only the results of the potential assessment and personnel development appraisals, which are conducted in accordance with the collective agreement on training, but also Group-wide successor planning, the target-setting process and capacity and investment planning. Further training objectives are also derived from strategic objectives, such as the increased internationalization of the Group and the transformation of the previous automotive supply business.

**Established development programs for managerial and junior staff** – Top performers and employees with potential are identified as part of systematic assessments and their skills are selectively developed. This is based on the Rheinmetall "Management by Objectives" program, which incorporates the relevant leadership and management skills in five key areas. The performance and development potential of managers and prospective management candidates is identified, assessed and evaluated at regular intervals as part of a consistent, multistage selection and assessment process. This personal stocktaking enables an open discussion on strengths and weaknesses and structured feedback on individual development and promotion opportunities.

Individually determined personnel development plans help to improve the candidates' business, technical, methodical and social skills. Furthermore, prospective managers can take part in management potential analyses and/or individual assessments, which analyze their abilities and skills profiles in more depth.

The Rheinmetall Academy successively prepares these employees at various stages in their careers for assuming leadership or specialist roles. The modular course programs and content are systematically designed around the topics of strategy, management, leadership, methodical competence, project management and internationalization. The Executive Development Program and Manager's Leadership Program focus on "Leading my business" and help experienced managers to perform their organizational and managerial duties successfully. In particular, they help managers to build on their knowledge of corporate controlling, employee leadership and change management. Junior staff are prepared to take on their first managerial challenges in the Young Manager Program. The content of the Project Manager's Program is tailored to the tasks and activities performed by employees of the Rheinmetall Group. These supplement the technical and methodical project management skills acquired in certification courses with training on "How to manage project teams."

In the year under review, 2,438 employees (1,883 men, 555 women) attended 199 (previous year: 221) one-day or multi-day events at the Rheinmetall Academy, compared with 2,732 (2,061 men, 671 women) in the previous year. 59% of participants come from the Vehicle Systems, Weapon and Ammunition and Electronic Solutions divisions, 27% from companies of the Sensors and Actuators and Materials and Trade divisions. The share of female participants was around 23%. Around two-thirds of participants completed an online training session, while around one-third attended a classroom seminar.

### **Modern remuneration systems**

Appropriate, fair and standard market pay systems are a key aspect in recruiting and retaining dedicated staff at the company. Rheinmetall offers attractive contractual terms. In addition to the category of work, these are based on the content of the role and the amount of responsibility and are linked to market rates. In addition to fixed remuneration components in line with market requirements, performance-related bonuses and variable salary components are also paid.



The “Management by Objectives” concept is linked to variable salary components for managers and employees not covered by collective wage agreements. An individual variable portion of income is paid in accordance with the achievement of individually agreed targets and depending on the company’s performance. Depending on the extent to which targets are achieved, this amounts to between 0% and 200% of variable target income. The fact that these income components are based on targets provides incentives for employees to act independently and to take on challenges. Division heads, managers and executives receive a long-term incentive (LTI) in addition to this short-term component. This is geared towards long-term corporate success and for 2022 includes payment of 40% of the long-term incentive amount in Rheinmetall shares, which are subject to a four-year lock-up period. The number of shares granted is based on a reference share price, which corresponds to the average price on the last five trading days in February of the subsequent fiscal year. A total of 60% of the long-term incentive amount is paid in cash and is also used for the immediate payment of tax on Rheinmetall shares. To bring the interests and targets of management and stakeholders into alignment, non-financial targets have been taken into account in Executive Board remuneration since 2020. For senior and middle management, the achievement of ESG targets will be taken into account at 20% in the short term and long term incentive from fiscal 2023.

The company’s success benefits employees, including staff covered by collective wage agreements in Germany, in two ways: First, employees receive an annual share of profits subject to the annual performance of the Rheinmetall Group; second, the increase in the value of the company achieved is paid out in a success-oriented component in the company pension, thus leading to improved support in old age.

### Employee subscription to Rheinmetall shares

In the year under review, Rheinmetall AG again launched a share-based employee participation program in 29 German (previous year: 27) and eight Group companies in Austria and Switzerland, which provides for an individual monthly savings plan in a basic or extended version. The 30% employer allowance, which amounted to €3 million as in the previous year, enables employees to acquire shares at attractive conditions subject to a two-year holding period and participate as part-owners in the business success of their company.

#### Employee share programme

|                         | 2022   | 2021    |
|-------------------------|--------|---------|
| Shares acquired         | 66,905 | 105,118 |
| Participating companies | 37     | 27      |
| Eligible employees      | 14,646 | 12,551  |
| Participating employees | 3,968  | 3,321   |
| Participation rate      | 27     | 26      |

### Diversity

In times of accelerating change in technology, business and society, ensuring equal opportunities and promoting diversity is an important task for HR at Rheinmetall. For us diversity is a key value, and in times of transformation a major factor for innovation and steady growth. We value all people regardless of gender, age, sexual identity, educational background, state of health, ethical or social background, skin color, religion, culture, ideology or other personal characteristics. For us it is important to create a secure and integrative working environment, one marked by respect, in which each person is equal, treated fairly and can maximize his or her potential.

The corporate philosophy, the Code of Conduct, the principles of social responsibility and the Diversity Policy establish the framework for promoting diversity and equal opportunity as well as acting against discrimination. By signing the Diversity Charter, we are underlining this stance and making it clear to the public as well.

To mark International Diversity Day at the end of May 2022, teams at national and international locations were invited to take part in a Group-wide photo competition to show how diversity is put into practice in their day-to-day work. The accompanying online program also offered training units on unconscious bias and enabled an interactive exchange with the Head of HR. In year under review, preparations were also made to expand the range of advice and support services offered by the established ViVa Family and Care Service at the German locations to include the Diversity Advice module from January 2023.



The geographic distribution of suppliers was also determined for 2022:

### Supplier by region

|  |               | 2022          | 2021          |
|--|---------------|---------------|---------------|
| <b>Production material</b>                           |               |               |               |
| Share Germany  | %             | 49            | 49            |
| Share EU (without Germany)                           | %             | 19            | 21            |
| Share OECD (without Germany and EU)                  | %             | 24            | 21            |
| Share of non-OECD suppliers (without Germany and EU) | %             | 8             | 9             |
| <b>Non-production material</b>                       |               |               |               |
| Share Germany  | %             | 50            | 46            |
| Share EU (without Germany)                           | %             | 16            | 17            |
| Share OECD (without Germany and EU)                  | %             | 22            | 19            |
| Share of non-OECD suppliers (without Germany and EU) | %             | 12            | 18            |
| <b>Total</b>   | <b>Number</b> | <b>47,804</b> | <b>43,280</b> |

### Supplier Code of Conduct

We also wish to anchor our values and principles in our supply chains and therefore expect our business partners to share our principles regarding responsible and fair conduct to employees, customers, suppliers and the public and demonstrate this responsibility accordingly. We expect our suppliers to take into account the principles laid down in our Supplier Code of Conduct – which is available in several languages and is valid worldwide – in their own corporate policies and to view them as an advantageous basis for further business relationships.

In the year under review, the Supplier Code of Conduct as a binding component of contracts with suppliers was completely revised in consultation with various departments, and the content was adapted to meet the requirements of the German Supply Chain Due Diligence Act. Based on the new set of rules, Rheinmetall can now act more proactively in partnership with its supplier partners to improve sustainability and compliance aspects in the procurement process and to achieve corporate development goals at the economic, social, ecological and regulatory levels.

### Supply chains in the automotive industry

The automotive industry consists of a complex network of globally active players. A distinction is made between original equipment manufacturers (OEMs), first-tier suppliers and second- and third-tier suppliers. Manufacturers and suppliers are closely linked in working together to develop and produce vehicles. Automotive manufacturers have been working for some time on anchoring economic, ecological and social objectives vertically, i.e. across all stages of the value-added chain. These include respect of international ESG standards, reduction of carbon footprint in production, a higher proportion of recyclable material, responsible use of substances and materials, and future CO<sub>2</sub>-neutral products.

The automotive manufacturers BMW Group, Daimler Truck, Ford, Geely, Honda, Jaguar, Land Rover, Mercedes Benz, Scania, Toyota, Volkswagen Aktiengesellschaft, Volvo Group and Volvo Car Corporation, as well as GWM, Polestar, Stellantis, UD Trucks and Volta Trucks are either partners or participants of Drive Sustainability (as of January 6, 2023). Under the leadership of CSR Europe, the European Business Network for Corporate Social Responsibility, this group is working on integrating corporate social responsibility even more firmly in the automotive supply chain. In December 2022, the fifth version of the Sustainability Assessment Questionnaire for suppliers in the automotive value chain was published. This updated version reflects the growing expectations of regulators and stakeholders regarding environmental and human rights practices in the supply chain, as well as the need for companies to ensure effective due diligence.

The score of suppliers on sustainability issues is increasingly being taken into account when contracts are awarded. With the larger share of their product spectrum, our Sensors and Actuators and Materials and Trade divisions hold a first-tier position in the value-added chain of automotive production, i.e. we supply the automotive manufacturers directly and not via other suppliers or system integrators. The self-assessment questionnaire mentioned previously has to be submitted in updated form by the European plants of both divisions



at regular intervals, so that the OEMs can analyze and assess the services and progress in terms of ESG criteria and determine the degree to which their requirements have been met. OEMs also carry out in-depth on-site checks as part of their supply chain relationship management and audit suppliers' manufacturing facilities based on sustainability criteria from the areas of environment, social responsibility and integrity. This includes the review of documents, talks with employees and a site visit.

### Supply chains in the security and defence industry

Supply chains in the defence industry are characterized by very complex structures, easily comprising up to eight stages for the needs of, for example, Rheinmetall Waffe Munition and Rheinmetall Landsysteme. The high proportion of specific materials and processes combined with a broad product range leads, as is generally the case in this industry, to a high proportion of single sourcing, also because only a few companies throughout the world completely manufacture or command the very specific products and processes. In the defence technology industry, switching to new suppliers is very costly, both from a financial and time-related perspective. The qualification of products carried out by military authorities is linked not only to the performance of the product itself but also to the manufacturing process, manufacturing location and suppliers. A change of suppliers therefore automatically results in costs for requalification. The procurement business in the area of ballistic protection has the characteristics of a project, i.e. it is characterized by intermittent production by our suppliers. This requires a high number of quality assurance measures. Furthermore, specific legislation, such as the War Weapons Control Act, the Foreign Trade and Payments Act, the International Traffic in Arms Regulations (ITAR), to cite just a few, must be taken into consideration for procurement in the divisions operating in the security technology sector.

### Risks

Information on reducing or avoiding procurement risks can be found in the "Risks and opportunities" section.

## Compliance

### Management approach

The reputation of Rheinmetall, the success of the business and the trust of customers, investors, employees and the general public depend not only on the quality of our products and services, but also to a large degree on good corporate governance and, in particular, on effective compliance processes. In line with our values and our Code of Conduct, we are committed to conduct characterized by responsibility, integrity, respect and fairness. We are an honest, loyal and reliable partner for all our stakeholders.

Our binding compliance policy serves to safeguard our business success on a lasting basis. The members of the Executive Board and managers, executives and employees naturally have an obligation to comply at all times in their working environment with all the applicable country-specific laws, external and internal regulations and other provisions, to conduct themselves correctly in business dealings, to preserve the company's tangible and intangible assets and to avoid anything that may result in operational or financial disadvantages or damage to the image of individual companies or the Rheinmetall Group. We do not tolerate any damage to our company's standing and to the reputation of our employees or agents as a result of unlawful and/or unethical behavior or corrupt business practices.

### International business activities

In the day-to-day business of an international company, the different national political and legal systems as well as values, customs and societal norms of different cultural groups have to be taken into account. In addition to the applicable legislation of the countries of exportation, European Union regulations as well as anti-corruption laws such as the US Foreign Corrupt Practices Act, the UK Bribery Act and the French Sapin II Anti-Corruption Act must be observed. The requirements that Rheinmetall Group companies have to fulfill are therefore many and varied. With deliveries made to many countries around the globe in 2022, management and employees now more than ever need guidance when it comes to national and international business and in relations with business partners, office holders, authorities and other state bodies in order to avoid potential errors and any resulting reputational, business or liability risks.

### Compliance organization



Illegal conduct can cause many different types of damage and can have serious consequences, such as the discontinuation of business relationships, exclusion from orders, negative assessments on capital markets, imposition of fines, absorption of profits, claims for damages as well as civil or criminal proceedings. There is also the risk of significant and lasting damage to the Group's reputation and thus a detrimental effect on its market position. Compliance at Rheinmetall is therefore taken very seriously and has for a long time been an integral part of the corporate culture.

To provide its employees with guidance and allow them to conduct business with confidence, Rheinmetall took a holistic approach and set up a compliance organization very early on providing standardized general conditions and clear guidelines for legal and rule-compliant, ethically correct and fair conduct in day-to-day business.

The Chief Compliance Officer, who reports directly to the Chairman of the Executive Board, is responsible for Corporate Compliance and Group Data Protection at holding company level. Corporate Compliance is divided into Compliance Program with the functions Prevention, Regulation and Business Partners, and Compliance Operations with the functions Investigation and Programs & Acquisitions. As an independent organizational unit, Data Protection is divided into two functional areas. The focus in the Data Protection organization is on consulting, process design, project management and case handling in all data privacy matters. The internal Rheinmetall Group Data Protection Officer is responsible for monitoring compliance with statutory data protection requirements throughout the Group. In this function, there is a reporting line to the Executive Board and Supervisory Board.

The Chief Compliance Officer is also responsible for the organization compliance field, comprising the five divisional compliance teams, the Regional Compliance Officers abroad and the central holding support, as part of the strongly normative management. The function of Corporate Compliance Officer for Central Europe was also newly established in Corporate Compliance to support the increasingly important locations and major projects in Eastern Europe (with a focus on Hungary).

The Chief Compliance Officer reports to the Executive Board and the Supervisory Board's Audit Committee on a regular basis, by attending meetings, on the status and effectiveness of the compliance management system and on the latest developments. In serious cases, the committees are informed immediately. In addition, the heads of the divisions are also kept apprised monthly by Corporate Compliance or the Division Compliance Officer of current developments, new rules, planned training measures or possible compliance infringements as well as the status of possible investigations.

### Compliance management system

Compliance is taken into account as an aspect of risk in decision-making processes, not only when it comes to considerations regarding the strategic and operational alignment of the Rheinmetall Group, but also in day-to-day business. The central compliance management system, with its integrated and dynamic focus on constantly updated key risk aspects, such as corruption, data protection violations or attempted fraud, is firmly anchored in the Group-wide management and control structures and includes all instruments, processes and extensive measures intended to ensure that procedures in the companies of the Rheinmetall Group comply with the applicable country-specific legislation, general legal conditions, regulatory provisions and the company's own regulations. It also creates an organizational structure that allows the applicable standards to be publicized across the divisions and their implementation status to be tracked. If binding legal regulations in individual countries deviate from the rules set out in the compliance management system, the stricter regulation shall apply where permissible. In the case of changes to the content, the Chief Compliance Officer's approval is also required.

The compliance management system is updated at regular intervals, not only in line with the applicable legal requirements but also in the light of new findings from reporting, comparisons with other compliance systems and the assessment of external specialists (benchmarking). It is also reviewed on an ad-hoc basis if any breach of compliance regulations is suspected or discovered.

Implementation of the compliance management system is monitored by regular reports to Corporate Compliance and by routine and special audits conducted by internal auditing and the compliance organization.

Compliance officers also monitor important transactions in the companies, such as mergers and acquisitions, the establishment of joint ventures, pre-employment checks and the integration of sales brokers or integrity and





sustainability risk assessments for the supply chains, thereby supporting the respective departments in their work. In addition, compliance officers advise the people responsible in the operational units on how to take compliance into account in operational business processes.

In the area of sales support, there is a platform containing compliance-relevant information on around 160 countries and regions. Moreover, the tender process in the security and defence technology divisions is structured to the effect that in the course of the bid/no bid decision a compliance audit using defined criteria is obligatory for projects over a certain value threshold. Various IT tools are also used in all divisions to support compliance processes.

### Corporate compliance

**Compliance Program | Prevention** – A compliance risk prevention guideline was implemented in 2019 with the aim of ensuring a standardized procedure for systematic risk prevention and creating the structural and organizational preconditions required for this at all levels in the company. Procedures for taking an initial inventory of compliance risks, deriving response measures and plan regular repeat measures are defined for different applications.

To help continuously identify compliance risks and to develop and improve mitigation measures, the Prevention team was established, which focuses on structural prevention topics on an ongoing or project basis. In addition to the web-based training courses available in the Empower Learn HR system for the companies in Germany, Austria and Switzerland (D-A-CH) relating to the categories of Code of Conduct, anti-corruption, anti-trust law and data protection, Prevention uses the TRACE learning management system for companies outside the D-A-CH region, offering around 20 training modules in various languages. The roll-out of the regulatory compliance project launched in 2020, which is intended to expand the “ligation-proof organization,” was driven forward in the fiscal year. Here, around 29 function-specific regulatory areas to be observed globally (e.g. occupational safety, environmental protection, export, customs and logistics regulations, and anti-money-laundering standards) were identified centrally and compared against correlating corporate policies. Next, an IT tool is to be introduced to enable the employees concerned in over 30 countries – those who have increased contact with regulatory areas subject to liability in their everyday and project business – to deal with the complex regulations more easily and reliably.

The goal of making the processes, projects and tasks enshrined in the compliance management system more measurable and transparent was achieved in the year under review by implementing a new reporting tool. More than 110 employees entrusted with a compliance function in around 130 units of the company make use of the many opportunities to track, assess and manage the status of a large number of compliance-relevant processes and projects at various organizational levels of the Rheinmetall Group. These include reporting on the status quo of training courses, audits, risk analyses, consulting focal points, processes, compliance levels for guideline roll-outs, and the recording of project statuses. The associated evaluation options will enable compliance reporting to the Executive Board and Supervisory Board to focus on KPIs in the future.

In February 2022, the roll-out of the new guideline on identifying and avoiding conflicts of interest in the Rheinmetall Group began. This guideline introduces regulations for the recognition, documentation, escalation and handling of conflicts of interest on a binding basis.

**Compliance Program | Regulation** – Taking account of or on the basis of external conditions such as laws, regulations, etc. and internal organizational requirements, the Executive Board of Rheinmetall AG issues regulations for the Rheinmetall Group so that all employees concerned act in line with standardized processes. Regulation Management, which is based in the central Corporate Compliance department, provides support with the preparation and management of conduct- and process-related regulations of Rheinmetall AG for the Rheinmetall Group. To ensure a standardized procedure, the Regulation Management Manual 2.0 has been available since October 2020. This manual is aimed primarily at publishers and authors as well as members of the Executive Board and management bodies, but also includes several interfaces at all organizational levels.

In the Central Regulations Register on the Group’s intranet, all regulations approved by the Executive Board can be called up at any time. These are provided in German and English in line with the corporate languages.



**Compliance Program | Business Partners** – As a shared service center, the central Compliance Due Diligence center of expertise conducts not only pre-employment checks on applicants for key positions, but also all compliance due diligence checks on new and existing business partners (e.g. procurement, cooperation and sales partners) on a Group-wide basis. The focus lies here on determining whether the commitment is legally permissible, whether all attributable people can be identified (“know your customer – KYC” and “know your supplier – KYS”) and whether conflicts of interest are excluded. The general performance and integrity of the business partner are also assessed. The local compliance organization will continue concentrating on assessing the transaction-specific compliance risk associated with the commitment of a business partner at company level. The center of expertise will be integrated in day-to-day operational business through various technical and procedural interfaces. There is already a relatively high degree of digitalization in the Compliance Due Diligence organization. In addition to a specific management database for selecting, managing and monitoring cooperation and sales partners, the whole integrity due diligence process can now be performed via a secure online platform as well. As part of two special projects, the data of more than 8,000 business partners was migrated to the electronic third-party management system. The first step involved individual risk assessments. In the second step, 24/7 active, systematic monitoring of adverse media information and daily updated entries on sanctions lists was activated.

In the past fiscal year, apart from the business partners screened by the automated procedure, around 900 business partners and people who applied for key positions at the Rheinmetall Group were subjected to non-automated screening in procedures of varying complexity depending on the risk.

The Rheinmetall Risk Indicator (RRI) developed in the previous year went live in the year under review. It is intended to serve as the basis for various internal risk calculations and replace the previously used TI Corruption Perception Index. The RRI is made up of various informative governance, compliance and ESG indices. These are included in the arithmetic with different weightings and thus reflect the risk priorities set by the Rheinmetall Group.

**Compliance Operations | Investigation** – If employees have information on questionable activities that have been observed, specific breaches of regulations or business practices that may be prohibited, they can contact not only their line manager but also – and in full confidence – various internal offices as well as an independent, external ombudsman (lawyer) and so avert losses for the company.

Incident management is also supported by the electronic whistleblower platform “Integrity Line,” which has been implemented throughout the Group. In addition, employees can contact the compliance organization directly if they suspect or know of breaches of regulations or business practices. In addition to employees, external parties can also contact the ombudsman by telephone or e-mail, send an e-mail to [speakup@rheinmetall.com](mailto:speakup@rheinmetall.com) or contact a specialist compliance officer by telephone.

Protection is guaranteed for all whistleblowers; who need not fear any disadvantages as a result of providing information. Employees involved in investigations into possible breaches of compliance will be assumed to be innocent until proven otherwise. Any information that is received will be systematically analyzed.

An incident management guideline on how to deal with suspected cases and on the standardized processing of compliance cases aims to ensure that the handling of information is also independent, transparent and fair as well as being subject to high standards that are comparable across the Group. It also offers legal certainty when carrying out investigations, meaning that appropriate account can be taken of the interests of employees and the employer.

Systematic follow-up checks are performed on the basis of this incident management guideline and appropriate measures are taken to properly clarify the facts that have been reported, if necessary with the involvement of external specialists. Confidentiality and discretion take top priority here. If necessary, we will involve the relevant authorities and cooperate with them to resolve the matter. Proven misconduct is sanctioned and entails organizational measures and, for the employees who committed the offense(s), consequences under labor law, civil law and criminal law. The 23 Incident Response Committees established to conduct rapid, interdisciplinary initial evaluations of reports help to ensure that suspected cases can be identified and clarified without delay.



The new and expected requirements for compliance management systems introduced by the legislator, in particular the German Supply Chain Due Diligence Act and the German Whistleblower Protection Act, are currently being reflected in an amendment to the Incident Management Guideline.

Of a total of 170 tips received in the reporting year, 114 (67%) were identified as compliance-relevant. A more detailed investigation into these matters was initiated. Of these 114 investigations, compliance work to date has led to confirmation of a breach of the rules in 52 cases (46%), but not in eleven cases. The outcome of 51 cases is still open as they are still being processed. The reason for the large number of open cases is the specific background that led to a large number of reports of rule violations. As a result, it can be stated that a rule violation was correctly pointed out in around 31% of all reports received.

**Compliance Operations | Programs & Acquisition** – This functional area performs compliance analyses and compliance risk assessments for mergers and acquisitions transactions and major strategic or commercial projects. It is coordinated by the Head of Corporate Compliance and staffed on a project basis by compliance staff working centrally and/or locally.

### Group data protection

The Executive Board is responsible for setting up a Group-wide data protection management system (DPMS). Within the compliance organization, the structures required for the Group-wide implementation of legal data protection requirements were established and an effective DPMS was introduced. The Corporate Data Protection Officer manages the data privacy officers at the five company divisions, liaises with them to manage the implementation of the DPMS and further develops the DPMS where required. He reports regularly to the Chief Compliance Officer and, where required, to the Executive Board and Supervisory Board directly.

In January 2022, the new (internal) Group data protection officer started work at Rheinmetall AG and successively took on data protection mandates at the German Group companies subject to appointment during the fiscal year. The legally required role of data protection officer was previously performed in part by an external service provider. The insourcing of this function will increase the quality and reliability of the services, better establish the expertise within the Group, and significantly improve integration into internal Group processes. The Group data protection officer regularly reports to the Executive Board and Supervisory Board.

Data protection management relates to the organizational setup and processes required to safeguard the implementation of legal requirements involved in the planning, organization, management and shutdown of automated or data-protection-compliant personal data processing operations. The Rheinmetall Group companies that process personal data or arrange to have it processed are responsible for ensuring that the procedures in place for processing this personal data function reliably and appropriately. To ensure effective implementation of data protection requirements, the DPMS sets out the possibilities and limitations for allocation and responsibilities for processes and requirements.

The companies of the Rheinmetall Group take a variety of steps to ensure the protection of personal data. The DPMS contains standards for data-protection-related processes. In the Rheinmetall Group, the implementation of data protection requirements for the global handling of personal data is regulated by the data protection rules and specified further by the data protection manual on the DPMS for the EU/EEA jurisdiction. Control processes and documentation requirements for the findings of data-protection-related processes and controls are also being implemented.

To improve the internationalization of data protection in the Group, in 2022 contacts were identified in the relevant Group companies around the world who will be available in the future as contact and coordination points for the implementation of data protection requirements. The first intensive data protection training courses have already been held to assist them, and these will be continued in fiscal 2023.

### Training and advice

To make employees at all levels of the company aware of compliance risks, numerous introduction events, training seminars and workshops are held, some of which are tailored to specific functions such as management, buyers or sales staff. Legislation and important regulations are explained and further content is provided at these sessions. Attention is also drawn to internal compliance requirements, risks and possible sanctions and, based



on case studies, practical advice is given on correct conduct in specific situations during everyday work. These classroom training sessions, which also serve as a practical forum for discussions, are accompanied by interactive online programs. Each year, as part of compliance awareness training, employees at sites in Germany and abroad not only receive training in general compliance topics but also in the prevention of corruption, conflicts of interest, money laundering and CEO fraud, export control and anti-trust and competition law. The compliance training matrix, which forms part of the procedural instructions for compliance training, provides an overview of the training content geared toward the different target groups and management levels. Its content is adjusted in accordance with the needs of the participants or supplemented with country-specific or regional peculiarities. In the past fiscal year, employees took part in around 6,000 classroom training sessions on various compliance topics. In addition, around 6,300 compliance-relevant e-learning modules were completed in the year under review.

Our employees receive regular instruction and training in matters relating to data protection. Around 2,000 people took part in e-learning courses in the year under review. The content of data protection training is adapted for individual departments in line with the specific requirements in their spheres of work. For new employees, general data protection training is part of the onboarding process. A new e-learning module was also chosen in the past fiscal year which is available in numerous languages and will be rolled out in fiscal 2023. In addition, all levels of the company are provided with data protection advice on an ad hoc basis.

### Risks

Information on reducing or avoiding compliance risks is provided in the “Risks and opportunities” section

## Social responsibility

### Management approach

Social acceptance is an important requirement for companies’ economic success. Many Rheinmetall companies can look back on a long history. They have been connected with their sites for many years and are strongly rooted in the local community – after all, this is where their employees and business partners live. In some cases, major customers are based there. Rheinmetall is a living, breathing part of society and participates actively in it and not just in a financial sense. We get involved in the areas of education, sport and culture and also provide direct support for local social projects and charitable organizations. By adding value locally, we also contribute to regional development. Flourishing production sites do not only mean attractive, highly skilled jobs and training places close to home but also orders for local suppliers and service providers. In addition, a large part of the sales generated by the companies returns to the respective economies via the employees, public sector and the shareholders. Capital expenditure in future growth is financed via the funds remaining in the Rheinmetall Group. We also make major contributions to society as an employer and client as well as with our products and the transfer of knowledge.

### Corporate citizenship

Corporate citizenship is part of corporate social responsibility and refers to citizenship in and of companies that pursue a medium- and long-term business strategy on the basis of responsible action and, in addition to their actual business operations, are also actively involved in local civil society and/or for social/charitable, environmental, sporting and cultural causes as “good citizens.” Social engagement is a long-standing tradition at Rheinmetall. It always goes beyond the plant boundaries. Since the needs and opportunities in the vicinity of the locations where we operate vary greatly, the decision on which local project to support is incumbent on the respective management teams of the companies, the division heads or the Executive Board of Rheinmetall AG.

As an expression of our social commitment and in solidarity with the capital of North Rhine-Westphalia, we support a number of players in Düsseldorf sports. The cooperation between Rheinmetall and the sports city of Düsseldorf includes sports sponsorship of a handball league team. However, parts of the package also focus on promoting Olympic, youth and amateur sports as well as new trend sports.

Given the 2021 flood disaster in the Ahr valley, we decided to support civil disaster protection. In June 2022, we donated two highly mobile HX 4x4 new vehicles to THW-Bundesvereinigung e.V. for use in two local associations in North Rhine-Westphalia and Hesse. Thanks to their high robustness, mobility and 1.5-meter fording ability, these two trucks are ideally suited for use in difficult terrain or flooded areas.



## Product responsibility

Specialist working groups in the divisions deal, for example, with safety and environmental standards for Rheinmetall products. They are responsible for tracking new regulations and developments, defining and implementing the required internal processes and conducting relevant training. Products in civilian business are subjected to extensive testing in accordance with the regulations prescribed by automotive quality and development standards. The Sensors and Actuators division, for example, uses a database-supported process for product safety management, which maps out the entire product lifecycle. The Materials and Trade division uses special design and simulation tools. To prove product safety, in addition to tests carried out in testing facilities outside the engine, engine operation tests are also carried out with customers under various stress scenarios. Internal and external audits are carried out to regularly monitor compliance with the parameters of the quality management system and the relevant processes. For the divisions operating in the field of security technology, the guideline for implementing product safety sets out the basic requirements for ensuring the safety of Defence products in line with common standards and methods.

In the year under review, Rheinmetall Technology Management also dealt with further developments regarding the digital product pass at the level of Germany (German Environment Agency: Product Information 4.0) and the European Union (Sustainable Product Initiative and Incubation Forum for Circular Economy in European Defence – IFCEED). This is particularly intended to advance the circular economy. It compiles information on a product's components, materials and chemical substances, as well as its reparability, replacement parts and proper disposal. Environmental data are thus grouped together in a comparable format, making it easier for the players in the value and supply chain to work toward a circular economy.

The development of environmentally friendly solutions for materials is not only being driven forward in the civilian sector of our business activities, such as in the Materials and Trade division as part of the substitution of lead-containing materials. Defence is also working on the materials portfolio to identify suitable alternatives to chromium-containing coatings for individual parts, for example. In consultation with stakeholders, available substitute coatings were tested on trial samples in complex technical processes in the past year.

## Human rights due diligence obligations

Protecting human rights in our own company and in the supply chain is an important priority of Rheinmetall.

Within its own sphere of influence, Rheinmetall supports the protection of internationally recognized human rights. Our commitment is reflected in our signing the UN Global Compact, in the current Code of Conduct for employees of the Rheinmetall Group and in the international framework agreement Fair2All, which lays down the principles of social responsibility agreed upon with the European Works Council and the Industrie-All trade union. We also appeal to all our business partners, and in particular our suppliers, to follow our social principles. Our expectations of this stakeholder group are described in the Supplier Code of Conduct 2.0 published in October 2022.

The German Supply Chain Due Diligence Act comprehensively regulates corporate due diligence requirements for respecting human rights and protecting environmental concerns. Companies must establish effective risk management to identify, prevent, or minimize risks of human rights violations and specific environmental damage. The act specifies which prevention and corrective measures are required in the company's own business operations and along the supply chain. It also requires a complaints procedure to be established, as well as annual reporting on the web-based platform of the German Federal Office for Economic Affairs and Export Control (BAFA). From January 1, 2023, the German Supply Chain Due Diligence Act will initially apply to companies based in Germany with at least 3,000 employees, and from 2024 also to companies with 1,000 or more employees.

In fiscal 2022, Purchasing, HR, Compliance and Corporate Social Responsibility worked together with other experts in an integrated manner with the goal of implementing the requirements of the German Supply Chain Due Diligence Act in an interdisciplinary manner in the "In-house" and "Supply Chain Transparency" projects. In various workshops and regular project meetings, the focus was on defining new responsibilities and expanding existing governance structures and management processes, systematically conducting abstract and specific risk analyses and assessing their impact on the risk management system, potential due diligence procedures, processes for corrective and preventive measures, adapting existing complaint channels, establishing internal and external audits, rewriting the Supplier Code of Conduct, and the structure of documentation, reporting, the policy statement





and the new internal compliance guideline on the German Supply Chain Due Diligence Act. The procedure for assessing the sustainability performance of suppliers is explained in more detail in the “Procurement and supply chain” section.

As early as fiscal 2020, potential complainants and their potential complaints were identified in four categories. Complaints and reports of suspected or actual human rights violations can be submitted externally through a variety of communication channels. Points of contact are also already established in the companies/locations. The Incident Management unit, which is part of the Compliance Operations function, ensures that these reported incidents are looked into in a structured and unbiased manner, paying particular attention to protecting the identities of the whistleblowers.

In April 2021, Rheinmetall joined the United Nations Global Compact (UNGC). This is a multi-stakeholder forum for the development, implementation and disclosure of responsible business practices. As a signatory, we are committed to promoting compliance with the UNGC’s ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. In August 2022, we published the mandatory annual Communication on Progress (CoP) via the Early Adopter Program on the new UNGC platform.

We continuously play an active role in Branchendialog Automobilindustrie, a discussion forum for the automotive industry, whose representatives from companies, politics and NGOs will continue their involvement in various topic-specific working groups in a second phase following the publication of the guidelines for action on the five core elements of human rights due diligence (policy statement, risk analysis, measures and effectiveness monitoring, complaint mechanism and reporting) in August 2022. Furthermore, we are involved in the CSR/human rights working group of the German Institute for Compliance. Representatives of our company chair the “Corporate Responsibility” and “REACH” working groups of the Federal Association of the German Security and Defence Industry. We also continue to be active in the “Sustainability in the Supply Chain” working group of the German Association of the Automotive Industry.

In addition, we pursue regulatory developments in human rights and environmental due diligence not only at European level (Corporate Sustainability Due Diligence Directive – CSDDD), but also in other countries where we are represented, such as Switzerland, the Netherlands, Spain, Norway, Canada, Japan and Australia.

## EU-Taxonomy

### 1. Sustainable finance

Sustainable finance means taking account of environmental, social and governance (ESG) considerations when making investment decisions in the finance sector, which should lead to longer-term investments in sustainable economic activities and projects. In addition to climate change mitigation, the ecological aspects also include adapting to climate change and environmental factors such as preserving biodiversity, avoiding pollution, and the circular economy. Social parameters may, for example, relate to issues of inequality, working conditions, investments in local communities, and human rights. The management of public and private-sector companies and institutions – including management structures, relations between employers and employees, and the remuneration of managers and employees – plays a crucial role when it comes to including social and environmental considerations in decision-making processes.

One important measure of the European Union was therefore the definition of the EU Taxonomy, which is intended to establish a shared understanding of the environmental sustainability of economic activities and capital expenditure. The starting point for defining an economic activity as environmentally sustainable is the six environmental objectives of the EU Taxonomy Regulation: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control and (6) the protection and restoration of biodiversity and ecosystems. The EU Taxonomy distinguishes between taxonomy-eligible economic activities, which correspond to the pure description of an activity and thus do not have any significance to sustainability. Economic activities are considered environmentally sustainable and thus taxonomy-aligned if they make a substantial contribution to one or more of these defined environmental objectives, do not significantly harm the achievement of any environmental objective (“do no significant harm” principle – DNSH) and comply with minimum safeguards for occupational health and





safety and human rights, such as those arising from the OECD Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights. All corporate activities that cannot be assigned to any activity are taxonomy-non-eligible.

Based on these complex screening criteria, the extent to which products and individual measures are sustainable as defined in the EU Taxonomy Regulation is specified. These are currently in place for two of the six environmental objectives defined in the EU Taxonomy Regulation (“climate change mitigation” and “climate change adaptation”). In addition to the delegated regulations on the technical screening criteria for the six environmental objectives, the EU Taxonomy Regulation stipulates another delegated regulation on the taxonomy-related disclosure obligations in accordance with Article 8 of the EU Taxonomy Regulation, which contains more detailed provisions on content, methodology and presentation.

The delegated acts for the environmental objectives of “climate change mitigation” and “climate change adaptation” follow a uniform structure. Activities are categorized as (1) forestry, (2) environmental protection and restoration, (3) manufacturing and production of goods, (4) energy, (5) water supply, sewerage, waste management and remediation, (6) transport, (7) construction and real estate, (8) information and communication, and (9) provision of professional, scientific and technical activities. In addition to this, the delegated act on the “climate change adaptation” climate objective lists further activities: (10) provision of financial and insurance services, (11) education, (12) health and social work, and (13) arts, entertainment and recreation. The associated activities are defined and the correlating technical screening criteria consisting of the substantial contribution to the environmental objective and the DNSH are explained.

## 2. Method of determination

The recording of taxonomy-relevant economic activities was carried out using a decentralized top-down approach. The organizational structure of the Rheinmetall Group was the guiding principle here, so the screening and allocation of economic activities took place at division level as well as at the level of the Rheinmetall AG (Rheinmetall Real Estate, Rheinmetall IT Solutions and Rheinmetall Technology Center) business units. As part of this, the determination was divided into three phases: identification of relevant criteria sets, allocation of economic activities (taxonomy eligibility) and taxonomy alignment testing.

The identification of criteria sets was carried out for all six environmental objectives, with a separate interpretation defined for the climate objectives (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems based on the documents published by the Platform for Sustainable Finance on March 30, 2022. However, the activities identified for these environmental objectives were not investigated further by the European Commission as of the third quarter of 2022 due to a lack of positive prospects for final delegated acts. For environmental objective (2) climate change adaptation, no economic activity was identified in the “allocation of economic activities” phase. Thus, as in the previous year, only environmental objective (1) climate change mitigation was considered.

According to EU 2021/4987 Annex I, the “Capital expenditure” and “Operating expenditure” KPIs are subdivided as (A) directly attributable to a taxonomy-eligible or -aligned activity, (B) serving to expand taxonomy-eligible and -aligned activities, or (C) relating to the acquisition of production from taxonomy-aligned economic activities and to individual measures through which the target activities are carried out in a low-carbon manner or the emission of greenhouse gases is reduced. Derived from this, the assignment of the criteria sets first identified the sales-generating economic activities and the associated capital and operating expenditure. In addition, any values that did not generate sales in the reporting period but could be assigned to categories (B) or (C) were identified.

In a second step, the sets of criteria were applied to the economic activities of the divisions. To gain an initial estimate of the taxonomy eligibility in 2022, the expected annual values were also added. In addition, these were used to determine an internal materiality limit, as the granularity in the determination made possible by the EU Taxonomy Regulation, in particular for (C) capital expenditure, cannot yet be fully technically implemented. The materiality limit is based on the current industry standard, which is approximately 1/1000 of the taxonomy-eligible totals of sales, capital expenditure and operating expenditure. No significant deviations in the projected annual value have been identified in this process.



## 2.3 Minimum safeguards

Minimum safeguards, as defined in the EU Taxonomy Regulation (Article 18(1)), are “procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.”

Details of the exact requirements for minimum safeguards that companies must investigate were first published by the EU in July 2022 as part of a “Draft Report on Minimum Safeguards.” They relate to:

1. Human rights
2. Taxation
3. Corruption and bribery
4. Fair competition

For each of these topics, a proposal for the implementation of the criteria is explained, which can be followed until the Corporate Social Responsibility Directive (CSRD) comes into effect. For each of these topics, a proposal for the implementation of the criteria is explained in a single chapter. The criteria mentioned are also presented in an overview table, which formed the basis for the evaluation within the Group. A document was created to review the criteria for Rheinmetall AG, in which the information in the table was adopted and responsibilities from the HR, Compliance, Legal and CSR departments were initially assigned for the various criteria. The type of evidence for each criterion was also noted in the document. Documents used as evidence include the annual report and the non-financial statement for 2021, risk analyses, due diligence activities in the context of the German Supply Chain Due Diligence Act (LkSG) as well as reference documents such as the International Framework Agreement Fair2All and the Code of Conduct. Furthermore, the Compliance department has been using the “Ethical” tool since 2022, which carries out surveys on various compliance topics every two months for all Rheinmetall AG companies. Extracts from the results of these surveys were also used as evidence.

## 2.4 Avoiding double counting

While recording this, a distinction was made between business activities that are always associated with the intention of generating external sales and those that are not. The activities aimed at generating sales – regardless of whether sales, capital expenditures or operating expenditures were concerned – were examined for possible double-counting effects, as there is a risk of this with regard to internal value added in particular. This approach has eliminated existing uncertainties. In the case of manufacturing overheads, procedures were applied that assumed an interdependence between sales and operating costs of the respective product. It was not possible to break down the overhead costs separately. However, this procedure ensured that there was no double counting. Activities that pursue a goal other than generating sales – particularly energy-related measures – were analyzed on the basis of itemizations. This did not reveal any anomalies.

## 3. Result

The consolidated financial statements of Rheinmetall AG have been prepared in accordance with the regulations of section 315e(1) German Commercial Code (“HGB”) and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Further information on the accounting standards can be found in the notes to the consolidated financial statements under “Summary of accounting standards.” In its core indicators, the EU Taxonomy Regulation distinguishes between sales, capital expenditure and operating expenditure. Here, the respective main unit, the denominator, is specified by Delegated Regulation EU 2021/4987 in Annex I.

### 3.1 Sales

Net sales comprise sales within the meaning of Article 2(5) of Directive 2013/34/EU, i.e., the amounts derived from the sale of products and the rendering of services after deducting sales allowances and value added tax and other taxes directly related to sales. Furthermore, the taxonomy states that sales comprise revenue recognized in accordance with International Accounting Standard (IAS) 1, paragraph 82(a) as amended by Commission Regulation (EC) No. 1126/2008. Rheinmetall records its sales in accordance with this standard so that Group sales also correspond to all taxonomy sales to be considered.



# Corporate governance

## Corporate governance statement

In this chapter, the Executive Board and Supervisory Board report on corporate governance in the Rheinmetall Group in accordance with the fundamental principles of the German Corporate Governance Code (GCGC), specifically principle 23 of the GCGC. The corporate governance statement in accordance with sections 289f and 315d of the German Commercial Code can also be found here.

### Corporate governance

Rheinmetall AG has traditionally been committed to a responsible, fair and reliable corporate policy that is geared towards the use and expansion of entrepreneurial potential, achieving medium-term financial targets and increasing the value of the company on a systematic and sustainable basis.

The law on stock corporations, capital market law and the right of co-determination, the company's Articles of Association and the German Corporate Governance Code, which is based on internationally recognized standards, form the basis for the organization of management and monitoring at the company, with the aim of making structures transparent and thus strengthening the trust of national and international investors, business partners, analysts, media, employees and the public in Rheinmetall AG's business policy, management and supervision and securing it in the long term.

### Declaration of conformity in accordance with section 161 AktG

The implementation of the recommendations of the German Corporate Governance Code at the Rheinmetall Group was discussed at the Supervisory Board meeting on August 18, 2022. The Executive Board and the Supervisory Board issued the following "Joint declaration of the Executive Board and the Supervisory Board in accordance with section 161 of the German Stock Corporation Act (AktG) on the recommendations of the Government Commission on the German Corporate Governance Code" which can be found – together with older versions – on the company's website under Company – Corporate Governance – Declaration of Conformity.

"In August 2021, the Executive and Supervisory Boards of Rheinmetall AG issued the last declaration of conformity with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated December 16, 2019, published in the Federal Gazette on May 20, 2020, in accordance with section 161 of the German Stock Corporation Act ("2019 Code"). On June 27, 2022, the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on April 28, 2022 were published in the Federal Gazette (2022 Code). The following declaration refers, insofar as it relates to the past, to the recommendations of the 2019 Code and, insofar as it relates to the present and future, to the recommendations of the 2022 Code.

Since issuing the last declaration of conformity, Rheinmetall AG has complied with the recommendations of the Code with the exceptions described below and will comply with them in the future with the exceptions described below:

The recommendation in section B.5 of the Code is not fully followed. This specifies that an age limit should be set for Executive Board members and stated in the corporate governance statement. The employment contracts with the Executive Board members stipulate an age limit such that the contract shall end, without needing to be terminated, at the end of the month in which the Executive Board member reaches the standard retirement age under the statutory pension scheme or at the time when they draw a statutory retirement pension (sections 35 – 42 of the German Social Security Code (SGB) VI), for whatever legal reason, before reaching the standard retirement age. The CFO Helmut P. Merch would thus originally have left his position as of December 31, 2021. However, his employment contract has been extended temporarily until December 31, 2022. A clause on the standard age limit was not included in his new employment contract due to its temporary nature. Mr. Merch will thus leave the Executive Board as of December 31, 2022 at the age of 66. From the company's point of view, this individual deviation from recommendation B.5 of the Code is in the company's interests. Due to the recently implemented strategic realignment of the Group and the associated start of corporate restructuring, it is in the company's interests for Mr. Merch to continue supporting this corporate restructuring with his many years of experience in the Group and on the Executive Board.

Düsseldorf, August 2022

Rheinmetall Aktiengesellschaft

The Executive Board

The Supervisory Board"

Contents not reviewed by the auditor



There are some recommendations of the German Corporate Governance Code that Rheinmetall does not implement: Pursuant to recommendation A.8 of the GCGC, in the event of a takeover offer, the Executive Board should convene an Extraordinary General Meeting at which the shareholders will discuss the offer and possibly adopt corporate law measures. Convening a General Meeting is an organizational challenge for large listed companies – even taking into account the shorter deadlines provided for in the German Securities Acquisitions and Takeover Act (WpÜG). It is questionable whether the level of effort involved is even justified in such cases where there are no relevant resolutions put forward for the General Meeting. Convening an Extraordinary General Meeting should therefore be reserved for appropriate cases only.

According to recommendation D.8 sentence 2, second clause of the GCGC (2019 version), participation in meetings of the Supervisory Board and its committees by telephone or video conference should not be the rule. It is general practice at Rheinmetall AG to attend these meetings in person. Participation by telephone is reserved for exceptional circumstances only. Owing to the exceptional circumstances triggered by the COVID-19 pandemic, several meetings of the Supervisory Board and its committees were held by telephone or video conference in fiscal 2022.

### **Description of the working methods of the Executive Board and Supervisory Board**

With its Executive Board and Supervisory Board, Rheinmetall AG has a two-tier management and monitoring structure. Both bodies are responsible for and obligated to operate in the interests of the shareholders and the well-being of the company. They work together closely and trustfully in the interests of Rheinmetall.

The Supervisory Board and its committees have adopted rules of procedure that set forth, among other things, the supply of information to the Supervisory Board by the Executive Board. In accordance with recommendation D.1 of the GCGC, the Rules of Procedure of the Supervisory Board have been made permanently available to the public on the company's website.

The Executive Board reports in the meetings of the Supervisory Board and committees. The chairs of the Executive Board and Supervisory Board also maintain regular contact between the scheduled meetings and discuss issues relating to strategy, business development, planning, risk management and compliance within the company.

Based on the referral to the internal control and risk management system and the reporting of the Internal Audit function, the Executive Board is not aware of any relevant circumstances up to the time of preparation that speak against the appropriateness and effectiveness of these systems in their entirety.<sup>1</sup>

### **Remuneration system and remuneration of Executive Board members**

The remuneration system for Rheinmetall AG's Executive Board members was last approved by the 2021 Annual General Meeting with 92.61% votes in favor. The remuneration report for fiscal 2021, which was prepared and audited in accordance with section 162 of the German Stock Corporation Act, was approved by the 2022 Annual General Meeting with 91.09% votes in favor. This can be found in the section of the same name of this annual report. In addition, the remuneration report including the auditor's report, the applicable remuneration system and the last remuneration resolution of the Annual General Meeting are published on our website.

<sup>1</sup> The information in this paragraph is not part of the management report.



The employee representatives are elected by the workforce of the domestic companies/factories of the Rheinmetall Group through delegates in a delegates meeting for a period of five years in each case. These are two trade union representatives, five employee representatives and one representative of the managerial staff.

When members are proposed for election to the Supervisory Board, attention is paid to their professional qualifications and personal skills, as well as to legal regulations (in particular the gender quota) and the recommendations of the GCGC. The Supervisory Board members have the same rights and obligations, are required to perform their mandate in the best interests of the company and are not bound by any orders or instructions.

The Supervisory Board must be filled with persons who provide a balanced mix of all the qualifications, knowledge, skills and personal characteristics needed for the supervision of a capital market-oriented, large and globally active technology company.

The members of the Supervisory Board should possess, individually and collectively, the necessary prerequisites and experience, which are appropriate to the type, scope and complexity of the business as well as the risk structure of the company so that they can act as constructive supervisors and competent advisors to the Executive Board. Based on the referral to the internal control and risk management system and the reporting of the Internal Auditing function, the Executive Board is not aware of any relevant circumstances up to the time of preparation that speak against the appropriateness and effectiveness of these systems in their entirety.<sup>1</sup>

New members of the Supervisory Board familiarize themselves with the company's business activities while preparing for their mandate on the Supervisory Board. By consulting written documentation and talking to other members of the Supervisory Board and Executive Board, they can familiarize themselves with the relevant issues and learn about the working methods of the Supervisory Board and its committees.

To ensure the prevention of potential conflicts of interest, the Supervisory Board does not include any members who hold board positions or perform advisory activities for key competitors of Rheinmetall AG and its Group companies. Former Executive Board members of Rheinmetall AG are not represented on the Supervisory Board.

According to the rules of the German Corporate Governance Code, a person is considered to be independent above all if they have no business or personal relationship with Rheinmetall AG or its bodies, a controlling shareholder or any company associated with it that could constitute a significant or longer-term conflict of interest. According to the assessment of the shareholder representatives in the Supervisory Board, on the shareholder side the Supervisory Board has a sufficient number of independent members. Even though Ulrich Grillo and Professor Susanne Hannemann formerly held management positions in the Rheinmetall Group (1993–2001 and 2003–2007 respectively), on the shareholder side the Supervisory Board considers these two Supervisory Board members to be independent due to their now many years of work outside the Group. Professor Andreas Georgi is also considered to be independent. He may have been a member of the Supervisory Board for more than twelve years, but since his appointment in May 2017 to the position of Chair of the Audit Committee, he has, in the view of the members of the Supervisory Board, continued to provide highly professional support for the work of the Executive Board with his critical judgment skills and, as a sparring partner to the Executive Board, compellingly represents the interests of the shareholders through his farsightedness and sound judgment. The experience and expertise obtained through his former position as a member of the Executive Board of Dresdner Bank AG and his current position as a professor specializing in corporate management and control problems at the Ludwig-Maximilians-Universität Munich also serve him well. The professional, specialized qualifications more than outweigh any doubts concerning his independence due to the mere length of service. Professor Andreas Georgi was a member of the Audit Committee as Chair until May 10, 2022. As of May 10, 2022, he is no longer a member of the Audit Committee. Professor Susanne Hannemann has chaired the committee since then. As such, all shareholder representatives on the Supervisory Board are considered to be independent. The composition of the Supervisory Board and the terms of office of its members are outlined in the "Letter to shareholders" section in the Supervisory Board report.

Contents not reviewed by the auditor



### Working methods of the Supervisory Board

The Supervisory Board performs its activities in accordance with statutory provisions, the Articles of Association of Rheinmetall AG and its Rules of Procedure. The main contents of the Rules of Procedure, which are published on the company's website, concern the composition, tasks and responsibilities of the Supervisory Board, the convention, preparation and chairing of meetings, the rules pertaining to committees and quorum requirements. The Chair of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the Board externally. Each year, he explains the activities of the Supervisory Board and its committees in the report of the Supervisory Board printed within the annual report and orally at the Annual General Meeting.

The Supervisory Board advises the Executive Board on the management of the company and monitors its management activities. The Chair of the Supervisory Board is elected from among its members. Supervisory Board meetings are held in accordance with the provisions of the German Stock Corporation Act (AktG). As a general rule, four Supervisory Board meetings take place each calendar year, which are attended by members of the Executive Board unless otherwise stipulated by the Chair of the Supervisory Board. Resolutions may be passed in writing, by telex (fax or e-mail) or by telephone. The Supervisory Board passes its resolutions by means of a simple majority of members participating in the passing of the resolution. In the event of a tied vote, the Chair of the Supervisory Board has the casting vote.

The Supervisory Board of Rheinmetall AG reviews the efficiency of its activities at regular intervals either internally or with the support of external consultants, as required by the provisions of the German Corporate Governance Code. Here, the working methods of the Supervisory Board and its committees, the routing of information from the Executive Board to the Supervisory Board and the interaction of the two boards is discussed and evaluated. The plenary assembly debates possible improvements in an open discussion and decides on any measures.

The Supervisory Board also governs the remuneration of the Executive Board members. Details of Executive Board remuneration can be found in the remuneration report.

The remuneration of the Supervisory Board members is determined by the Annual General Meeting. It was most recently approved by the Annual General Meeting on May 11, 2021, with a majority of 99.75% of the share capital represented at the Annual General Meeting. The remuneration attributable to the individual members is presented in the remuneration report.

No consultancy agreements or other service contracts existed between members of the Supervisory Board and Rheinmetall AG during the period under review.

### Structure and working methods of the Supervisory Board's committees

In compliance with legislation and commercial interests, the Supervisory Board has created five committees to perform its control and monitoring tasks efficiently. In doing so, it pursues the aim of making its work more efficient by having complex, time-consuming matters requiring extensive discussion dealt with in smaller groups and prepared for the entire Supervisory Board in the same way as proposed resolutions for decision by the Supervisory Board as a whole. In individual cases, the committees also have decision-making powers if these have been transferred by the Supervisory Board. The meetings are convened by the committee chair.

With the exception of the Nomination Committee, which consists of three solely shareholder representatives, the committees are based on joint representation and have an equal number of shareholder and employee representatives.

Each of these committees has adopted rules of procedure that set forth their composition, their responsibilities and rules of procedure for resolutions in these bodies.

Contents not reviewed by the auditor





**Strategy and ESG Committee** – The Strategy Committee formed following the Annual General Meeting at the constituent meeting of the Supervisory Board on May 9, 2017 was expanded to include aspects relating to the area of Environmental, Social and Governance (ESG) by resolution of the Supervisory Board on May 10, 2022 and renamed the Strategy and ESG Committee. The committee deals with the strategic prospects, focus and development of the Rheinmetall Group. It discusses the principles for the Rheinmetall Group's overall strategy including the business policy and corporate orientation of the company and its divisions with the Executive Board and addresses significant, specific strategic programs and measures. The committee advises and monitors the Executive Board with regard to determining business strategies for sustainable development of the company and to establishing processes for planning, implementing, assessing and adjusting strategies. As part of this, it also deals in particular with aspects relating to ESG.

As of December 31, 2022, the following people were members of the Strategy and ESG Committee: Ulrich Grillo (Chair), Dr. Klaus Draeger, Professor Sahin Albayrak, Dr. Britta Giesen, Dr. Daniel Hay, Dagmar Muth, Sven Schmidt and Reinhard Müller. Dr. Giesen was also nominated as ESG representative on the Supervisory Board.

**Audit Committee** – The Audit Committee has the task of supporting the Supervisory Board when performing its supervisory functions. It looks in particular at the consolidated and single-entity financial statements, sustainability reporting and quarterly financial statements, and – in addition to the accounting process – the adequacy and effectiveness of the internal control system, internal auditing, the risk management system and the compliance management system, including relevant IT security aspects. In addition to the qualifications and independence of the auditor, the Audit Committee checks the services performed by the auditor in terms of the quality and effectiveness of the audit and is responsible for issuing the audit engagement to the auditor, determining the focal points of the audit and agreeing the fees.

In accordance with the Stock Corporation Act, at least one member of the Supervisory Board must also sit on the Audit Committee, acting as a financial expert in the areas of accounting and auditing. With Professor Andreas Georgi (until May 10, 2022), Professor Susanne Hannemann and Louise Öfverström (from May 10, 2022), two members of the Audit Committee possess specialized knowledge and experience in the application of accounting principles and internal control processes. In accordance with the German Corporate Governance Code, the Chair of the Audit Committee is to possess extensive knowledge and experience in the application of accounting principles and internal control processes and know the details of the audit. They are also to be independent and not a former Executive Board member whose tenure ended fewer than two years prior. Professor Andreas Georgi was Chair until May 10, 2022 and met these requirements. Professor Susanne Hannemann has been Chair since May 10, 2022. She also meets these requirements.

As of December 31, 2022, the Audit Committee comprised the following members: Professor Susanne Hannemann (Chair), Ulrich Grillo, Louise Öfverström, Ralf Bolm, Dr. Daniel Hay and Sven Schmidt.

**Personnel Committee** – Tasks that are the responsibility of this committee include selecting suitable candidates to fill Executive Board positions, making preparations for the appointment and withdrawal of Executive Board members and concluding, amending and terminating employment contracts for members of the Executive Board and other agreements with them. It is also responsible for appraising the performance of the Executive Board, regularly examining the amount, suitability and customary level of Executive Board remuneration and overseeing the structure of the Executive Board remuneration system.

As of December 31, 2022, the Personnel Committee comprised the following members: Ulrich Grillo (Chair), Professor Andreas Georgi, Dr. Daniel Hay and Reinhard Müller.

**Nomination Committee** – The Nomination Committee submits recommendations to the shareholder representatives on the Supervisory Board for the nomination of shareholder representative candidates for election to the Supervisory Board by the Annual General Meeting.

Contents not reviewed by the auditor



## Compliance

An essential requirement for sustainable economic success is consistent attention to comprehensive compliance. This also includes integrity in dealings with employees, business partners, shareholders and the public, which is expressed through exemplary conduct.

Compliance includes all instruments, guidelines and measures that ensure procedures in the companies of the Rheinmetall Group comply with country-specific legislation, general legal conditions, regulatory provisions and the company's internal directives and that ensure conduct is based on values and conforms to the law and regulations.

Compliance activities focus on corruption prevention (business partner audit; investigation; policy management) and data protection. The function of the Chief Compliance Officer is performed by Michael Salzmann, Düsseldorf.

Additional statements on compliance in the Rheinmetall Group are provided in the section "Non-financial statement – compliance."

## Accounting and auditing

Rheinmetall AG prepares the single-entity financial statements that are relevant for the dividend payment in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act. The company's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union and in accordance with the supplementary provisions of section 315e(1) of the German Commercial Code. Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Düsseldorf branch, was elected by the Annual General Meeting on May 10, 2022, to audit the single-entity and consolidated financial statements for 2022. The Audit Committee had previously satisfied itself that the auditor was independent.

## Transparency in reporting

In a time in which markets are interconnected and the flow of information is becoming increasingly globalized, communications and the quality of information are becoming more and more important to the company's success. Rheinmetall AG communicates openly, actively and in detail. Investors, potential investors, customers, employees, lenders, business partners, analysts and interested members of the public are informed regularly, promptly and without discrimination of the company's economic and financial situation, key developments, significant changes in business and any facts of relevance to valuation on the Internet at [www.rheinmetall.com](http://www.rheinmetall.com).

Facts and circumstances that may influence the share price on the stock market are published immediately in ad hoc notifications in accordance with the legal regulations. On February 11, 2022, Rheinmetall published a record operating result based on preliminary figures, an operating margin of 10.5% and cash flow well above the target range. Based on preliminary figures, Rheinmetall AG generated an operating result of €595 million in fiscal 2021, exceeding the corresponding figure from the previous year by €149 million or around 33% (previous year's figure adjusted for discontinued operations in accordance with IFRS 5: €446 million). The full-year operating result was therefore also higher than current capital market expectations, which – based on the mean of the latest consensus estimates of financial analysts compiled by Vara-Research on February 11, 2022 – were for an operating result of €570 million. The operating margin of an expected 10.5% was thus above the most recently forecast margin of around 10%. This was due in particular to the good earnings performance in the fourth quarter of 2021, which closed with an operating margin of 16.4%, clearly exceeding the high prior-year figure of 13.7%. The capital market expected a margin of only 14.5% for the fourth quarter of 2021. The renewed improvement in profitability was mainly due to strict cost management and a favorable product mix. In addition, operating free cash flow in fiscal 2021 significantly exceeded expectations and was above the target range of 3% to 5% of sales.

Contents not reviewed by the auditor