

Report of the Supervisory Board



Gordon Riske

Chairman of the Supervisory Board

MTU can look back over a successful year – despite the ongoing challenges caused by the coronavirus pandemic and the impact of the war in Ukraine on energy supply and supply chains. Thanks to its technological edge, balanced portfolio and broad customer base, MTU is well-positioned for continuous growth in the future. The following sections contain the Supervisory Board's report on its activities in fiscal year 2022. The Supervisory Board will continue its close and trustful collaboration with all stakeholders in 2023.

Activities of the Supervisory Board

In this report, the Supervisory Board provides information in accordance with Section 171 (2) of the German Stock Corporation Act (AktG) on its activities in fiscal 2022 and the results of its review of the annual financial statements and consolidated financial statements. In 2022, the Supervisory Board carried out, fully and with due care, the duties of oversight and advice entrusted to it by law, the articles of association, and its own rules of procedure.

It regularly advised the Executive Board on the running of the company, continually supported and monitored the management of the business activities and assured itself that the Executive Board's dealings were proper and lawful. The Supervisory Board was informed and consulted in a direct and timely manner on all decisions of consequence for the company. The Executive Board provided the members of the Supervisory Board with regular, prompt and comprehensive information on the company's situation. The Supervisory Board received written monthly reports on the company's net assets, financial position and results of operations. At its meetings, the Supervisory Board also discussed the business performance of all of MTU's affiliated companies.

The Supervisory Board discussed the strategy and all important projects with the Executive Board. After examination and careful deliberation, the Supervisory Board endorsed the company's strategic orientation with its focus on sustainable and profitable organic and sustainable growth. The Supervisory Board passed resolutions on all transactions for which its approval was required in accordance with the law, the company's articles of association or the Executive Board's rules of procedure after reviewing and discussing them with the Executive Board. Preparatory meetings can also take place without the Executive Board as necessary. Moreover, the Supervisory Board regularly schedules meetings without the Executive Board.

In 2022, as in previous years, the Supervisory Board examined and oversaw the internal control mechanisms at MTU, especially the risk management system, internal auditing and legally compliant corporate governance. It examined these systems with the support of the Audit

Committee and in dialogue with the Executive Board and reached the conclusion that the company has implemented them effectively; in particular there is an effective internal control and risk management system for the accounting process. Furthermore, the Supervisory Board looked extensively at the company's compliance. In addition, the change of auditor for the annual financial statements and consolidated financial statements for fiscal 2023 was the subject of intensive deliberation.

In view of the legal requirements for stock corporations, which impose an obligation to obtain the consent of the Supervisory Board for certain related party transactions, the Supervisory Board adopted an internal procedure to comply with these requirements in 2020. In the reporting period, there were no transactions requiring consent or disclosure.

Meetings of the Supervisory Board

The Supervisory Board held five routine meetings and two extraordinary meetings in 2022. Two meetings were held in hybrid format: some members of the Supervisory Board attended in person while others participated by video conference. The members took part in all meetings, with the exception of one member, who was unable to participate in the two extraordinary meetings. Attendance was therefore 98.5%.

[T2] Supervisory Board members' attendance at meetings of the Supervisory Board and its committees

	No. of meetings attended (incl. committee meetings)	Meetings attended in %
Supervisory Board members		
Gordon Riske (Chairman), since May 5, 2022	7 / 7	100.0
Klaus Eberhardt (Chairman) until May 5, 2022	5 / 5	100.0
Josef Mailer (Deputy Chairman)	18 / 18	100.0
Roberto Armellini, until July 31, 2022	6 / 6	100.0
Dr. Christine Bortenlänger	14 / 14	100.0
Thomas Dautl	7 / 7	100.0
Daniele Frijia, since August 17, 2022	5 / 5	100.0
Dr.-Ing. Jürgen M. Geißinger	10 / 12	83.3
Anita Heimerl	7 / 7	100.0
Heike Madan	14 / 14	100.0
Dr. Rainer Martens	7 / 7	100.0
Dr. Joachim Rauhut	14 / 14	100.0
Univ. Prof. Dr. Marion A. Weissenberger-Eibl	7 / 7	100.0
Michael Winkermann	7 / 7	100.0
Average attendance rate		98.5

At its meeting on March 8, 2022 the Supervisory Board discussed MTU's Annual Report. The Supervisory Board adopted the annual financial statements and the consolidated financial statements and approved the combined management report for the company and the Group for fiscal 2021. In addition, it looked in detail at the allocation of the net profit for 2021 available for distribution and approved the Executive Board's profit distribution proposal. A dividend payment of €2.10 per share eligible for the dividend was therefore proposed to the Annual General Meeting on May 5, 2022. The Supervisory Board approved the non-financial statement for the MTU Group and the company for fiscal 2021. Further, it discussed the appointment of the auditor and submitted a proposal to the Annual General Meeting that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft should be appointed to audit the annual financial statements and consolidated financial statements for fiscal 2022. Other issues examined by the Supervisory Board were the short-term incentive (STI) payable to the members of the Executive Board for 2021 and the definition of financial and non-financial targets for the award of STI payments to Executive Board members for 2022. Furthermore a resolution was adopted on amendment of the Supervisory Board's rules of procedure. The report of the Supervisory Board to the Annual General Meeting and the agenda for the meeting were also agreed on. Furthermore, the Supervisory Board approved the management compensation report and the corporate governance statement.

At its meeting on April 8, 2022, the Supervisory Board looked in detail at the company's situation and the impact of the war in Ukraine on MTU's business. The Executive Board also reported in detail to the Supervisory Board on the preliminary quarterly figures for the first quarter.

At the meeting on May 4, 2022, the Supervisory Board unanimously approved Reiner Winkler's request to rend his period of service as a member of the Executive Board and CEO as of the end of December 31, 2022. Moreover, it unanimously decided to appoint Lars Wagner as CEO of MTU effective January 1, 2023.

As part of its regular sustainability reporting, at the meeting on July 26, 2022, the Executive Board provided extensive information on MTU's progress towards emission-free flying. An important topic in this context was fuel cells in combination with sustainably produced hydrogen. Further, the Supervisory Board discussed in detail the strategic planning presented by the Executive Board. The focus was on key aspects of the planned participation in future engine programs, the plans for sustainable aviation and the proposed investments in MTU's network of companies. Digitalization was also discussed at length.

At an extraordinary meeting on September 28, 2022, the Supervisory Board appointed Dr. Silke Maurer to the Executive Board of MTU for a term of three years starting on February 1, 2023. As the Executive Board member responsible for OEM Operations, she is the company's Chief Operating Officer (COO). The Supervisory Board also resolved on the adjustment of the allocation of responsibilities among the Executive Board members effective February 1, 2023.

At its meeting on October 26, 2022, the Supervisory Board resolved that it would submit a proposal to the Annual General Meeting that KPMG be appointed as the new auditor for the annual financial statements and consolidated financial statements for fiscal 2023. This was preceded by a multi-step tender and selection process, which was performed by the Audit Committee and led to the recommendation on the appointment of KPMG as the auditor. In addition, the Executive Board provided information in a focus report on the strategy, status and outlook for the MRO business and the future development of MTU Maintenance Zhuhai. A summary of the results of the review of the efficiency of the Supervisory Board was presented and it was decided to hold a workshop for the Supervisory Board in February 2023 to work on them.

At the meeting held on December 13, 2022, the Supervisory Board undertook a detailed examination of the operational business plans and budget for 2023. The meeting also included a detailed review and confirmation of the management's compliance with the German Corporate Governance Code. Other topics discussed were MTU's sustainability strategy and the compensation of the Executive Board, especially the status of achievement of the ESG targets set for 2022. As recommended by the Nomination Committee, the Supervisory Board also resolved that at the Annual General Meeting it would put forward Ute Wolf, former Chief Financial Officer of Evonik Industries AG, as a candidate for the Supervisory Board. In addition, the Supervisory Board approved the Executive Board's decision to hold the Annual General Meeting 2023 as a virtual meeting.

At its meetings, the Supervisory Board also discussed the legal requirements and the recommendations of the German Corporate Governance Code regarding Executive Board compensation. The compensation system takes account of sustainability targets and provides for appropriate and motivating compensation.

Between official meetings, the Chairman of the Supervisory Board was regularly briefed on the company's current situation, significant business transactions and important pending decisions. This entailed regular meetings with the Executive Board, including consulting on strategy, the status of planning, the progress of business, the company's risk situation, the risk management system and compliance.

Corporate governance

The Supervisory Board is convinced that MTU's success is based, among other factors, on good corporate governance. For this reason, in 2022 the Supervisory Board once again looked in detail at the application and implementation of the German Corporate Governance Code, based on the current version of April 28, 2022. Furthermore, the Supervisory Board regularly discusses the composition of the Executive Board and Supervisory Board with a view to diversity and the appropriate inclusion of women.

The Supervisory Board's rules of procedure contain binding provisions for dealing with conflicts of interest. Such conflicts must be disclosed and, where appropriate, may result in termination of the member's term of office. This also applies for proposals for election submitted to the Annual General Meeting. There were no conflicts of interest in the reporting period. With the exception of a consulting agreement between a Supervisory Board member and one of the company's suppliers, there were no consulting agreements, contracts for services or similar contractual agreements between members of the Supervisory Board and MTU Aero Engines AG or any of its subsidiaries, or with customers, suppliers, lenders or other third parties in 2022. If there are any discussions or resolutions affecting this supplier in future, the Supervisory Board member concerned will not take part in them. There were no such discussions or resolutions in the reporting period.

The Supervisory Board also undertook a detailed examination of the recommendations of the GCGC on the independence of the members representing the shareholders. The Supervisory Board deems all of its members to be independent. This expressly applies to the employee representatives and to Dr. Rainer Martens, who ceased to be a member of MTU's Executive Board at the end of 2017. Moreover, it applies to Dr. Jürgen M. Geißinger and Dr. Joachim Rauhut, who have been members of the Supervisory Board for more than 12 years. Consequently, all Supervisory Board committees consist exclusively of independent members. The Supervisory Board has set four terms of office as the maximum for membership of the Supervisory Board and considers this to be appropriate for MTU. Members of the Supervisory Board undertake training on their own responsibility, with support from MTU where necessary. MTU may also defray the costs of training. In fiscal 2022, MTU provided support by arranging presentations on Germany's Second Act on Equal Participation of Men and Women in Management Positions (FüPoG II), the German Act on Strengthening Financial Market Integrity (FISG) and on developments in the fields of cybersecurity and artificial intelligence.

In consultation with the Executive Board, the Supervisory Board ensures long-term succession planning for

appointments to the Executive Board. To this end, the Supervisory Board regularly reviews the present term of all Executive Board contracts, taking into account, in all cases, the age of each member and the competency profile of potential candidates.

There is an onboarding process for new members of the Supervisory Board. This gives them a thorough insight into MTU's product portfolio, strategy, corporate governance and how the Supervisory Board works.

The Supervisory Board regularly assesses how effectively the Supervisory Board as a whole and its committees perform their tasks. In 2022, the Supervisory Board conducted a self-assessment of the work in plenary session, with the aid of an external consultant. This took the form of a questionnaire and individual interviews with each Supervisory Board member and the Executive Board. The topics covered included, in particular, strategy, structures and processes, culture, composition, leadership and ESG. Benchmarking against a selected peer group of companies was also used. The results were discussed with the Supervisory Board at a separate workshop. They form the basis for the ongoing development of the work of the Supervisory Board and its profile of skills and expertise as well as for the final assessment by the Supervisory Board, that its work was, and still is, performed efficiently.

In 2022, the Audit Committee also performed another self-assessment. This comprised a questionnaire developed by an external firm of lawyers. The focal areas of this self-assessment were the qualifications and organization of the committee and oversight of financial reporting and auditing, and the internal auditing and risk management system. The Audit Committee also assessed its efficiency as good in 2022.

Cooperation between the Supervisory Board and the Executive Board, and among the members of the Supervisory Board, in the past fiscal year was judged to be very good. No conflicts of interest arose between MTU and any member of its Executive Board or Supervisory Board.

In a joint declaration with the Executive Board dated December 13, 2022, in accordance with the requirements of Section 161 of the German Stock Corporation Act (AktG), the Supervisory Board states that MTU Aero Engines AG complies with all the recommendations of the German Corporate Governance Code (GCGC) in the version dated April 28, 2022. This declaration of conformity is reproduced in this Annual Report in the [section of the management report headed "Corporate governance statement,"](#) together with a more detailed description of the company's corporate governance system. The declaration has also been posted on the [MTU website](#). In addition, the company observes all suggestions made in the German Corporate Governance Code.

Committee meetings

By convention, the Supervisory Board has three committees with equal numbers of employee and shareholder representatives: an Audit Committee, a Personnel Committee and – in compliance with Section 27 (3) of the German Codetermination Act (MitbestG) – a Mediation Committee. Each of these committees presents regular reports on its activities at the plenary meetings of the Supervisory Board.

A Nomination Committee, which meets on an ad hoc basis, has been set up in accordance with the recommendations of the German Corporate Governance Code. The task of the Nomination Committee is to find suitable candidates for election to the Supervisory Board. Its members are Gordon Riske (Chairman, since May 5, 2022) / Klaus Eberhardt (until May 4, 2022) and Dr. Jürgen M. Geißinger. In 2022, the Nomination Committee held one meeting in the form of a video conference.

The Personnel Committee comprises Gordon Riske (Chairman, since May 5, 2022) / Klaus Eberhardt (until May 4, 2022), Dr. Jürgen M. Geißinger and two employee representatives, Josef Mailer and Roberto Armellini (until July 31, 2022) / Danielle Frijia (since August 17, 2022). Among other things, it deals with the employment contracts of Executive Board members, including their compensation and the recommendation of candidates. The Personnel Committee convened four times in 2022, with one meeting held in hybrid format (with some members attending in person while others took part by video link; the total attendance rate at meetings of the committee was 93.8% as one member was unable to attend an extraordinary meeting). Issues examined included the short-term incentive (STI) payable to the members of the Executive Board for 2021, the definition of targets for the award of STI payments to Executive Board members for 2022, including the targets and bandwidths for the ESG criteria, and the recommendation to the Supervisory Board for the appointment and compensation of members of the Executive Board.

The Mediation Committee, whose members are identical with those of the Personnel Committee, did not have to convene in 2022.

The members of the Audit Committee are Dr. Joachim Rauhut (Chairman), Dr. Christine Bortenlänger, Heike Madan and Josef Mailer. It held six routine meetings and one extraordinary meeting in the year under review. Two of the meetings were video conferences and one was held in hybrid format (some members attended in person, others took part via video link). Attendance was 100%.

The Audit Committee focused on reviewing the annual financial statements, the consolidated financial statements and the combined management report, including the

non-financial statement of the MTU Group and MTU Aero Engines AG as well as the company's net assets, financial position and results of operations, and the annual and half-year reports and quarterly statements. In addition, it prepared the Supervisory Board's proposal to the Annual General Meeting on the appointment of the auditor. Further, it was responsible for engaging the auditor, the agreement with the auditor on the audit fees, and for specifying the key areas of focus for the audit of the annual financial statements and consolidated financial statements for 2022.

The Audit Committee oversaw the quality of the audit and the independence of the auditor. To this end, it obtained the auditor's statement of independence in accordance with Section 107 (3) sentence 2 of the German Stock Corporation Act (AktG).

Furthermore, the Audit Committee discussed the additional services provided by the auditor. The procedure for procuring the non-audit services provided by the auditors was reviewed and affirmed and the content and fees for such services in the reporting period were approved on a case-by-case basis.

At four of its seven meetings and through additional direct discussions between the Chairman of the Audit Committee and the auditor, the Audit Committee obtained reports from the auditor on its audit strategy and approach, the audit process, especially its effectiveness and progress, and the results of the audit, and asked critical questions. Moreover, it examined the qualification of the persons engaged to conduct the audit and the auditor's general quality assurance concept and its practical application. During the reporting period, the committee supplemented this with publicly available information on the quality controls performed by the auditor and its competitors.

The committee and other members of the Supervisory Board received the audit reports from Ernst & Young for their deliberations. These documents were reviewed in detail in the presence of the auditor. On this basis, the committee recommended that the Supervisory Board should adopt the financial statements and consolidated financial statements for the fiscal year 2022, and approve the combined management report and the Executive Board's profit distribution proposal.

In accordance with statutory requirements, the Audit Committee monitored the accounting process, the accounting-related internal control and risk management system and the internal auditing system, which it judged to be effective. It oversaw the company's compliance activities and received reports from the internal auditors. The Audit Committee received reports from the heads of

the Corporate Audit and Compliance unit and on related party transactions. No material weaknesses were established in the internal control system for the accounting process or system for early identification of risks.

Other items examined by the Audit Committee were the tender for the audit engagement, including recommending a candidate to the Supervisory Board, the EMIR audit for fiscal 2021, MTU's currency hedging model, aircraft financing and the current status of ongoing campaigns. In addition, the committee obtained an update on the status of non-financial reporting and the organization of accounting and on the ongoing development of the risk management system and the internal control system.

Adoption of the annual financial statements, the approved consolidated financial statements and the management report

The annual financial statements, consolidated financial statements and combined management report of the MTU Group and MTU Aero Engines AG for 2022 were audited by Ernst & Young, Munich, whose appointment was approved by the Annual General Meeting. Ernst & Young issued an unqualified audit opinion. This was signed by Christian Baur and Gerhard Stummer, who have audited MTU since 2021 and 2020, respectively. The audit reports and documents to be reviewed were submitted in good time to all members of the Supervisory Board. The Chairman of the Audit Committee reported to the Supervisory Board on the audit performed by Ernst & Young. On this basis, the Supervisory Board conducted a thorough review of the annual financial statements, consolidated financial statements and the combined management report, including the non-financial statement of the MTU Group and MTU Aero Engines AG for 2022 and the Executive Board's proposal for the distribution of the net profit. The auditor attended the meeting of the Audit Committee of MTU Aero Engines AG on March 14, 2023, and the meeting held by the Supervisory Board on March 21, 2023 to discuss the financial statements, and presented the main findings of the audit. The Supervisory Board reviewed the annual financial statements, consolidated financial statements, combined management report including the non-financial statement, and the profit distribution proposal, and raised no objections. The company's annual financial statements and consolidated financial statements for 2022, as submitted by the Executive Board, were approved at the Supervisory Board's meeting on March 21, 2023. The annual financial statements are therefore adopted. The Supervisory Board agreed to the Executive Board's proposal for the distribution of the net profit after giving due consideration to the interests of the company and its shareholders. A dividend payment of €3.20 per share

eligible for the dividend will therefore be proposed to the Annual General Meeting.

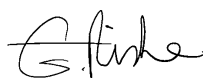
Changes in the governing bodies

With the agreement of the Supervisory Board, the company's CEO, Reiner Winkler, terminated his contract at year-end 2022 for personal reasons. The Supervisory Board thanks Reiner Winkler, who played a key role during more than two decades and has ensured that MTU is now an extremely well-positioned company with excellent future prospects. Lars Winkler, Chief Operating Officer, was appointed unanimously as new CEO effective January 1, 2023. Dr. Silke Maurer became the new Chief Operating Officer (COO) on February 1, 2023.

There were two changes on the Supervisory Board in 2022. On the employees' side there was one change: Roberto Armellini was a member of the Supervisory Board until July 31, 2022; Daniele Frijia has been a member since August 17, 2022. The Supervisory Board thanks Roberto Armellini for his work. On the shareholders' side, as announced in 2020, Klaus Eberhardt stepped down from the Supervisory Board at the end of the company's Annual General Meeting on May 5, 2022. The Supervisory Board thanks Klaus Eberhardt for his many years of service and his enormous commitment. Gordon Riske, former CEO of KION GROUP AG is the new Chairman of the Supervisory Board of MTU Aero Engines AG. He was elected to the Supervisory Board at the company's Annual General Meeting on May 5, 2022 with 97.46% of the votes. The Supervisory Board then elected him as Chairman of the Supervisory Board.

The Supervisory Board would like to thank the Executive Board for its close and constructive collaboration. It would also like to thank all employees and the Works Council for their successful work and enormous commitment in 2022. Moreover, the Supervisory Board is grateful to all MTU's shareholders for the trust they place in the company.

Munich, March 21, 2023



Gordon Riske
Chairman of the Supervisory Board

IT risks

(IT risks, communication risks)

MTU constantly monitors its risk situation in the area of data processing. The two risks considered to be most critical in this field are system crashes due to technical faults and cyberattacks, resulting in the non-availability of systems, unauthorized disclosure of information, or permanent loss of data. In view of the advanced digitalization of all material business processes at MTU, high availability and integrity of IT systems are crucial for smooth business operation. MTU generates, stores and processes extensive data with special confidentiality requirements – not only, but in particular, in the military business.

MTU constantly invests considerable sums in technical and organizational measures to guarantee the availability, confidentiality and integrity of the IT systems used or operated by the company. Nevertheless, it cannot be ruled out that MTU will be confronted with system failures, unauthorized access to confidential information or the loss of data. Every data theft, unauthorized data manipulation or data loss could negatively affect MTU's relationship to present or potential customers. Incidents like this could expose MTU to liability claims by third parties. All in all, MTU considers the IT risks to be manageable, especially in light of the measures taken to control them.

Personnel risks

(Personnel/human resource risks, communication risks)

The quality of MTU's products and services depends to a large extent on the personnel it can recruit and retain, especially engineers and other specialists. MTU seeks to access both young talent and experienced specialists through company training programs, dual-study programs (which combine practical and academic work), attractive working conditions and marketing activities. However, for many key positions within the MTU Group there only a few sources of new staff with the necessary qualifications. The competition for such employees has increased in recent years and could intensify further in the future. Moreover, it is expected that demographic change will greatly exacerbate the shortage of skilled workers and adversely affect the ability to maintain or increase the personnel capacity required for business operations.

In addition to the risk that the MTU might not be able to recruit enough skilled workers, there is a risk of losing staff to other companies. The company is of the opinion that some MTU employees have technological know-how that makes them attractive to competitors or other employers. MTU's success depends on its ability, not simply to employ technically skilled specialists, but also to retain them over the long term, motivate them and support their personal and professional development.

Failure to recruit, retain and drive forward the development of qualified employees could impair MTU's ability to realize its planned business performance.

All in all, MTU considers the human resources risks to be manageable, especially in light of the measures taken to control them.

Risks arising from general, customs and tax legislation

(Compliance risks, governance risks, country risks, business environment risks)

Complex and in some cases conflicting international foreign trade and tax regulations, especially with regard to cross-border trade in goods and services in the industrial and defense sectors, mean that MTU is particularly exposed to violation of legal provisions. To compensate for relevant legal risks, processes that reinforce control are monitored and driven forward by central functions with technical and managerial authority. Identifiable risks arising from pending tax audits, customs audits, export controls and legal proceedings are managed by the central departments with the support of independent external consultants. The focus lies in particular on targeting process weaknesses and compensating for them. All in all, MTU considers the risks arising from general, customs, export control and tax legislation to be manageable, especially in light of the measures taken to control them.

Overall assessment of MTU's risk exposure

Risks in each of the key areas of exposure described above are monitored and continuously evaluated through a risk assessment for the coming fiscal year on the basis of their probability of occurrence and quantified as a deviation relative to the currently applicable operational planning figures. In MTU's risk management process, risks are assigned to one of four probability levels. Based on quantifiable risks (>€5 million) evaluated in the risk management process, for fiscal 2023, MTU derives risk-based earnings exposure based on experience of around €85 million. The OEM segment accounts for around €65

million of this and the MRO segment for the remainder. In addition to the earnings impact, the liquidity impact of the risks is identified, monitored and addressed through the risk management process. In 2023, the identified risk factors could reduce liquidity by approximately €180 million. However, this would be covered by available cash and cash equivalents and by credit lines that have not been drawn down. €131 million of this amount relates to the OEM segment.

Both segments' risk exposure principally comprises market and program risks. In the OEM segment, the market and program risks relate to risk-and-revenue-sharing contracts with OEM partners and include the risk of adverse effects from the development of the business if capacities and the supply of parts required to meet higher maintenance requirements for the GTF fleet cannot be increased sufficiently fast. Similarly, there is uncertainty regarding the export of military equipment. In the MRO segment, further demand effects in connection with the forecast market recovery have to be taken into account as further risk drivers. The estimated impact of the ongoing Covid-19 pandemic on business development in 2023 has been taken into consideration in the segment planning.

Apart from the risks quantified above, MTU monitors and manages further risks associated with development, production, maintenance and procurement that were not quantifiable as of the reporting date. At present, the Executive Board does not see any risks that could jeopardize MTU's status as a going concern. All in all, the Executive Board considers the risk situation to be manageable, especially in light of the risk management system and the measures taken to control the risks.

Opportunity report

The integrated opportunity and risk management system is embedded in the value-oriented management of the Group and its organizational structures and is based on the leading international standard, the COSO II Enterprise Risk Management Framework.

Market and program opportunities

Basic research and ongoing development of engine technologies, followed by their deployment in end products, have made MTU one of the world's leading manufacturers of engine components. MTU's new products lead the field in terms of efficiency because they save fuel and reduce emissions, noise and costs. MTU has achieved market success with the Pratt & Whitney GTF™ engine family, which it develops in partnership

with Pratt & Whitney. The A320neo, Airbus A220 and Embraer E190-E2 with GTF engines are already being used successfully in scheduled service. Since 2018, the PW800 engine family, developed in cooperation with Pratt & Whitney Canada, which is based on the same core engine as the GTF, has powered premium manufacturer Gulfstream's new generation of business jets. In order to balance out its engine portfolio in the long-haul segment, MTU has participated in the development of the GE9X, which will be the sole engine for the Boeing 777X. Thanks to this balanced portfolio, MTU expects to benefit in the decades ahead from the predicted growth in all present market segments: the regional jet, narrowbody and widebody segments. The expected growth relates to both commercial series and new components business and the spare parts and aftermarket business, which should benefit, in particular, from the business performance of the V2500 engine programs and successively from the GTF program family.

Among its customers in the military sector, MTU has established a reputation as a highly qualified partner with comprehensive system know-how in product development, manufacturing and maintenance. In particular by driving forward its military-engine maintenance services with the German air force, MTU sees chances to strengthen its ties with Germany's armed forces.

In addition, the official start of the FCAS program in the reporting period and additional new components and aftermarket business – especially for the EJ200 engine for the Eurofighter and the TP400-D6 for the A400M military transporter – open up further business opportunities with national and international customers. These will doubtless receive a further boost from the increase in international defense budgets resulting from the geopolitical developments in the reporting period.

Driven in particular by the T408 engine, the military-program partnership with GE Aerospace could generate further opportunities to participate in transatlantic programs in the future.

The development of the maintenance business in the aviation industry, in which MRO services are increasingly being offered together with engine sales contracts, gives MTU the opportunity, as a consortium partner, to develop customer loyalty in the commercial maintenance segment and soften the impact of risks associated with the spare parts market. This integrated approach to MRO enables program partners to become members of an MRO network, giving them access to the entire volume of

MRO work associated with an engine series, in accordance with their share in the program. There is a variety of models for participating. For instance, partners in the MRO network might only perform repairs on their own components, or be allocated a quota of complete shop visits corresponding to their program share. Membership in an MRO network offers more moderate margins than operating as an independent MRO provider.

The independent MRO market for engines such as the GE90 and V2500 continues to offer long-term prospects for MRO providers to participate in this steadily growing market. In particular, the increase in the number of aircraft no longer tied to the OEMs offers independent MRO providers like MTU the opportunity to gain new customers and to assume responsibility for managing the maintenance of large fleets.

Continued investment in automation and the focused increase in maintenance capacity, for instance through the establishment of MTU Maintenance Serbia d. o. o. and EME Aero Sp. z. o. o., will enable MTU to meet the high demand in both the OEM and MRO segments cost-effectively in the long term.

Through MTU Maintenance Lease Services B. V., Amsterdam, Netherlands, MS Engine Leasing LLC, Rocky Hill, CT, USA, and the partner companies in the PW1100G-JM MRO network, MTU aims to extend its activities in the lucrative leasing business and increase the scope of services provided in the aftermarket.

Research and development opportunities

The risk report describes the risks associated with research and development and manufacturing, but MTU's ongoing technology and development activities also open up new business opportunities. For example, ongoing development of products and the related manufacturing technologies and, in particular, intensive involvement in developing innovative propulsion concepts in collaboration with industrial, public-sector and scientific partners, pave the way for MTU to secure a position as a strategic partner in future engine programs. This could help ensure a balanced portfolio of engines and new propulsion concepts at different life cycle phases both in the series and new components business and in the spare parts and aftermarket business. Attention should be drawn to MTU's participation in the FCAS program in the reporting period as this can be regarded as an important driver of the ongoing development MTU's technological expertise for the aviation sector.

The risk report refers to the challenges involved in ramping up new or relatively new programs; here too, the challenges can be transformed into opportunities. Production processes and systems can be optimized, for example through the use of digital twins, predictive simulation (ICM2E), process data management and the forecasts derived from this, and new, cutting-edge manufacturing technologies and processes can be introduced. The risk analyses undertaken to secure the ramp-up of production, backed up by the MRL process and design or process FMEA, result in timely identification of potential problems and the related lasting process improvements. The effects of these improvements are not only felt in new programs; they can also be transposed to existing ones. That leads, for example, to further cost reductions and enhanced delivery reliability. The spread of additive manufacturing techniques (3D printing of components) opens up new possibilities for application-optimized component design and cost benefits in their production.

Through continuous improvements towards operational excellence, methods, processes and leadership behavior are constantly being developed as part of Lean Management@MTU. This results in increased transparency, a focus on value creation, support in achieving ambitious targets, and faster and more sustainable problem-solving and approaches to improvement. Improved preventive approaches, a faster response to deviations from plan and sustainable and structured solutions to problems enable the company to put in place stable processes and optimize resource deployment. For further information, please refer to the section headed [“Research and development.”](#)

Other opportunities

As a large part of the company's revenue comes from contracts invoiced in U.S. dollars, especially in the commercial new engines and series business (OEM) and the commercial spare parts and aftermarket business (OEM, MRO), a strengthening of the U.S. dollar against the euro would improve MTU's earnings. If there is a stabilization or short-term drop in inflation, especially in the areas of energy and raw material prices, this would have a positive effect on MTU's cost structure and hence on its business results.

See the [Risk report](#) for information on how the opportunities identified can be exploited and the associated risks avoided.

Overall assessment of opportunities

Analogously to the risk situation, as of December 31, 2022, there had not been any significant change in the opportunities compared with the previous year. It is conceivable that business could develop more favorably than is anticipated in the outlook for the 2023 fiscal year as a result of a more rapid market recovery. MTU has taken all the organizational measures necessary to recognize potential opportunities in good time and respond to them adequately. MTU applies the same methods in its assessment of specific opportunities as it does when evaluating risks. As a conservative approach is taken to the identification of risks and opportunities, the opportunities are necessarily low compared with the risks.

Based on the opportunities identified, MTU anticipates that the market and program-related earnings opportunities in 2023 are around €33 million, with the OEM accounting for €30 million of this. The liquidity-related opportunities amount to €50 million, with €45 million of this attributable to the OEM segment. Opportunities to extend MTU's range of products and services may initially lead to a financial burden. In view of the long cycles involved in the business model, these will only generate positive earnings in subsequent fiscal years. MTU does not currently foresee any fundamental changes in its opportunities.

Main features of the internal control and risk management system

Internal control and risk management system

MTU understands an Internal Control System (ICS) to be the principles, procedures and measures introduced at the company by its management that are aimed at the organizational implementation of management decisions.

The risk management system (RMS) is a continuous and systematic process that has to be applied uniformly throughout the Group to ensure early identification, evaluation, management, monitoring and reporting of risks. The overriding objective is to safeguard the existence of the company and its future success.

The ICS and RMS are based on the globally recognized and established framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO I) and the applicable requirements and basic elements of the audit standards issued by the German Institute of Public Auditors (IDW PS 981 and 982).

The Executive Board of MTU bears overall responsibility for establishing the ICS and RMS. They are aligned to the business model and specific requirements of the MTU Group and are an important element in its comprehensive approach to corporate governance. This comprises a framework for creating sustainable value for shareholders, customers, employees and society.

All MTU entities are included in the ICS and RMS. The local management of each entity is responsible for realizing an appropriate and effective ICS and RMS, based on the Group-wide requirements, and is supported in this by the central divisions.

The Risk Management Board, which is comprised of MTU's highest risk manager and selected heads of various functional areas, is an overarching decision-making body that examines aspects of risk management, discusses and takes decisions on reported risks or those that have to be reported to the Executive Board, and oversees the functioning of the risk management system.

MTU's internal audit function, which is process-independent, plays an important role in checking the effectiveness of, and improving, the ICS and RMS. It regularly assesses, and helps to enhance, the controlling and monitoring systems. It is also considered to have an advisory function, contributing to improving business processes and, ultimately, the effectiveness of the ICS. The rules of procedure of the internal audit function comply with national and international requirements as laid down

by the Deutsches Institut für Interne Revision and the Institute of Internal Auditors. The internal audit function is also bound by the code of professional ethics. The administrative standards of the internal audit function are accessible to all employees on MTU's intranet.

The Executive Board regularly assess the ICS and RMS at the end of each fiscal year. In 2022, this assessment was based on the analyses and audits performed by the relevant units, Internal Audit and external consultants during the reporting period. The findings were discussed in detail at meetings of the Executive Board and the Audit Committee and measures were introduced for continuous optimization, especially to harmonize the documentation. Based on this, the Executive Board did not identify any indication that the ICS or RMS was inappropriate or ineffective as of December 31, 2022.

The Audit Committee of the Supervisory Board discusses risk management and the audits by the internal audit function. In accordance with Section 107 (3) of the German Stock Corporation Act (AktG), as amended by the German Accounting Law Modernization Act (Bil-MoG), it is responsible for monitoring the effectiveness of the RMS, the ICS, the internal auditing systems, the financial reporting process and the audit of the financial statements.

Compliance Management System

The ICS and RMS also include a compliance management system (CMS), which is aligned to the company's risk situation.

MTU's compliance management system is based on the requirements of the IDW AsS 980 assurance standard published by the Institute of Public Auditors in Germany and the Good Practice Guidance on Internal Controls, Ethics, and Compliance issued by the Organisation for Economic Co-operation and Development (OECD).

As the highest decision-making authority, the CEO bears the responsibility for the company's business ethics and anti-corruption policy. The central functions responsible for ensuring compliance are a Group-wide Compliance Officer and the Compliance Board.

MTU has implemented a number of measures with regard to its organizational structures and processes to minimize these risks and to safeguard compliance. In particular, central offices with managerial authority have been set up to monitor and enforce compliance with laws and regulations in the individual divisions (for instance, the Quality division is responsible for compliance with aviation authority regulations, while the Environmental Protection/Occupational Health and Safety division ensures that environmental protection regulations are adhered to). Above and beyond that, measures have been put in place at the company level to minimize the risks associated with compliance issues:

The corporate culture at MTU is characterized by trust and mutual respect. The observance of legal and ethical rules and principles plays a central role in this respect. They are defined in a Code of Conduct, which embodies MTU's corporate culture and reflects its resolve to comply strictly with the relevant laws and internal regulations. It is a Group-wide guide to ethical business relations.

The Compliance Officer submits quarterly reports to the Executive Board and the Supervisory Board's Audit Committee, which in turn reports to the plenary meetings of the Supervisory Board. The Supervisory Board's Audit Committee oversees the Executive Board's compliance activities. The company has established a global whistleblower system that allows employees and external stakeholders to report suspected cases of misconduct confidentially to the Compliance Officer.

MTU strives to continuously develop its compliance system. That includes raising employees' awareness of compliance-related matters.

Description of the principal features of the accounting-related ICS and RMS

The current recommendations of German Accounting Standard (GAS) 20 have been applied in this section of the combined management report concerning the main features of the accounting-related internal control and risk management system.

Objectives and components

MTU's Executive Board, Supervisory Board and Audit Committee attach the greatest importance to ensuring the regularity, accuracy and reliability of MTU's financial reporting. The accounting-related internal control and risk management system applicable for the MTU Group's financial statements helps ensure systematic compliance with these internal and external accounting requirements.

- / The accounting-related risk management system (RMS) is an integral part of the Group's company-wide risk management system. It forms the basis for the uniform and appropriate handling of risks and for communicating them within the Group. The risks inherent in the Group's financial reporting are among the corporate risks to be monitored as a whole.
- / The design of the accounting-related internal control system (ICS) at MTU meets the requirements of the German Accounting Law Modernization Act (BilMoG), the definition provided by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer e.V. – IDW), the internationally recognized and established framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO I), and the features specific to MTU. MTU understands an ICS to be the principles, procedures and measures introduced at the company by its management that are aimed at the organizational implementation of management decisions:
 - to safeguard the effectiveness and economic efficiency of business operations – which includes protecting the company's assets,
 - to ensure the regularity and reliability of internal and external accounting, and
 - to comply with statutory regulations relevant to the company.

Main features

- / MTU has a clearly defined management and corporate structure. Key cross-organizational functions are coordinated centrally by the Group accounting department. At the same time, the subsidiaries have sufficient independence and are responsible for financial reporting.
- / Appropriate guidelines (e.g., accounting principles / financial reporting guidelines) are in place and are updated as required. The Group accounting department is the central point of contact for questions on financial reporting at Group level or at individual subsidiaries and joint ventures and has the right to issue instructions within its area of responsibility.
- / Preparation and quality assurance for the financial data communicated by the Group companies for inclusion in the consolidated financial statements are undertaken on a decentralized basis by the respective finance departments on the basis of the Group-wide reporting guidelines.
- / As a supplementary control measure, (plausibility) and quality control checks on the reported data are carried out by the Group accounting department and during the consolidation process for the consolidated financial statements.
- / To safeguard and enhance the integrity and responsibility of all employees, including with respect to financial reporting, all employees are required to give an undertaking that they will observe the Group-wide Code of Conduct and the applicable internal regulations (e.g., the financial reporting guidelines).
- / The (professional) qualifications of staff employed in the finance function are regarded as important for the quality of the Group's accounting process and are monitored and driven forward by the management team. The departments and other organizational units involved in the accounting process are suitably equipped and regularly trained both in quantitative and qualitative terms. In this context, the structure and workflows are regularly reviewed with the support of external consultants and by comparison with peer group companies.

- / The IT systems are protected against unauthorized access by appropriate installations. As far as possible, standard software is for financial reporting. The accounting-related IT systems and processes (e.g., IT general controls) undergo regular internal and external reviews based on an extensive concept.
- / Appropriate and effective risk-mitigating controls have been identified and realized accounting-related processes. Examples are standardized reporting formats, IT controls, systematic checks on forecast financial information, an LoA approval concept for quality assurance of book-keeping and financial reporting information.
- / The consolidated financial statements and all significant financial data submitted by Group companies for inclusion in the consolidated financial statements are audited annually by the Group's external auditor. The same auditor also reviews the condensed consolidated financial statements and interim Group management report in the half-year financial report. This is supplemented by an external audit or assurance review of the separate financial statements compiled by the material Group companies.
- / The financial reporting and accounting-related ICS and RMS are regularly audited by the internal audit department. In addition, they are overseen by the Audit Committee.
- / The sustainability-related information for the management report, especially the non-financial statement, are compiled and reviewed on a decentralized basis by the responsible departments at MTU's locations in accordance with the applicable Group-wide guidelines. Supplementary (plausibility) checks and other quality assurance processes are performed on the reporting data and their aggregation or consolidation by a central CR organization, which is overseen by an interdisciplinary CR Board.
- / For extended, independent quality assurance of the sustainability-related information in the management report, especially the non-financial statement, a (limited assurance) review is performed by the external auditor.

As a result of this process, for 2022, nine topics were defined as relevant for the non-financial statement in accordance with the German CSR Directive Implementation Act (CSR-RUG). CSR-RUG requires the provision of relevant non-financial information on the business performance, operating results and position of the Group. Information is also required on the impact of its business activities on the following aspects: environmental matters, employee matters, social matters, human rights, combating corruption as well as possible additional aspects. As one such additional aspect, the non-financial statement contains information on product quality and flight safety. The non-financial statement contains one change in the key topics relating to the reporting period: Energy management has been given a higher weighting and merged into "Climate protection at the production locations" because CO₂ emissions from the operation of MTU's sites (Scope 1 and 2 emissions) mainly result from the use of energy. The materiality evaluation of the topics was discussed and confirmed by the Supervisory Board's Audit Committee.

[T38] Contents of the non-financial statement

Aspect in accordance with the German CSR Directive Implementation Act (CSR-RUG)	Key topics for MTU
Additional aspect	Product quality and flight safety
Environmental matters	Climate impact of aircraft engines Climate change mitigation at the production sites
Combating bribery and corruption	Prevention of bribery and corruption
Employee matters	Occupational safety Employee development
Respect for human rights	Respecting the human rights of employees Respect for human rights in the supply chain Responsible international trade

Under the CSR-RUG definition of materiality, no relevant topics have been identified for the aspect of social matters.

Involving stakeholders

MTU is also engaged in dialogue with external stakeholders regarding environmental and social impacts. Stakeholders can give feedback on MTU's sustainability management via an online survey. There are also personal and anonymous reporting channels that stakeholders can use to submit complaints and grievances to the

company. The Munich, Hanover and Ludwigsfelde sites provide information on their environmental impact and activities in annual environmental declarations.

MTU is committed to the global sustainability initiative, UN Global Compact, and its ten principles including respect for human rights, fair working conditions, protecting the environment and fighting corruption. In addition, the company is represented on relevant initiatives such as the TRACE International anti-corruption initiative.

Risk management for non-financial topics

Risk identification and evaluation for the topics covered by the non-financial statement are based on MTU's established opportunity and risk management. The potential risks to the environment, society and employees resulting from MTU's business activities are compiled and evaluated quarterly by the responsible staff in the departments and the CR Board analogously to the established opportunity and risk process, taking into account, in each case, the probability of occurrence and impact of the risk. In this process, the risk inventory is reviewed for new material topics and aspects.

To supplement the risk management process, MTU has established a compliance system with a separate reporting line. It is organized and managed by the Compliance Officer.

The risk analysis did not reveal any reportable risks with a high probability of having a severe negative impact on the identified non-financial topics.

Product quality and flight safety

Quality and safety are of paramount importance in aviation and the corresponding framework conditions are strictly regulated. Legal requirements for the safe operation of flights are closely monitored by the aviation authorities. This is reflected in the high importance MTU places on product quality and flight safety. The company has to comply with the legal requirements imposed upon it as a development, manufacturing and maintenance organization in the aviation industry. MTU continuously evaluates the regulatory requirements for its business activities in order to obtain or keep the required licenses, approvals and certifications from the aviation authorities.

A Group-wide integrated management system (IMS) ensures compliance with regulatory requirements and internal regulations as well as clear assignment of responsibilities within the company. One principle of the IMS policy is that "Safety takes priority in what we do." The basic framework is enshrined in a management manual that is binding for all employees and managers across the Group. Corporate Quality is a separate orga-

nizational unit directly subordinate to the Chief Operating Officer (COO). It reports quarterly to the Executive Board on quality aspects and flight-related incidents. In accordance with the International Civil Aviation Organization (ICAO) standard, the IMS includes a specific safety management process, which defines how to handle safety-related incidents at MTU's locations and in air traffic. Appropriate organizational structures and responsibilities, such as a Flight Safety Board and a Flight Safety Manager, have also been established. High quality standards, together with product safety and reliability, are important corporate objectives that are enshrined in the MTU Principles. MTU's Quality Vision 2025 also focuses on faultless quality, product safety in flight, and high customer satisfaction.

Extensive testing and monitoring processes throughout the value chain

The strict regulatory quality and safety requirements must be complied with throughout the entire product lifecycle of an engine. MTU has therefore implemented processes designed to meet these requirements. For example, the aviation sector has strict rules governing documentation in order to verify the airworthiness of engines and their components. There must be no gaps in documentation over the entire product lifecycle. To ensure compliance with quality and safety requirements, MTU has implemented comprehensive testing and monitoring processes throughout the entire value chain. Components undergo thorough testing, based on their criticality, and are monitored in the production process.

Annual internal audits and quality audits by customers and authorities provide evidence that MTU meets uniformly high standards and is in conformance with regulatory requirements. MTU uses supplier audits to monitor suppliers' compliance with sector-specific requirements. The audits are managed on a site-specific basis. The implementation of MTU's IMS at the individual sites is validated and certified by independent and accredited external auditors.

An attractive partner thanks to high quality and performance

MTU continuously monitors quality and, where necessary, initiates appropriate measures to achieve effective improvements. Providing customers and partners with safe and high-quality products and services helps to keep MTU's business competitive. "We increase the satisfaction of our

customers" remained an overarching corporate objective for 2022, as it was in previous years. The sub-targets have been specified with a view to safeguarding the high performance and quality of its products so that MTU remains an attractive partner for its stakeholders. The targets are implemented through initiatives with a long-term focus, which are realized on a continuous basis.

A defined process is in place to ensure that all customer complaints about sub-standard quality of MTU products are followed up and analyzed, and that appropriate measures are defined and implemented to effectively eliminate the root cause. The success of these measures is closely monitored. Customer complaints are evaluated at site level. The number of customer complaints increased at two sites in 2022 but at the majority of sites it was lower or unchanged compared with the previous year.

Ongoing cross-site quality initiatives

MTU is continuously developing its quality management system and regularly takes up suggestions arising, for example, from its collaboration in the international Aerospace Engine Supplier Quality (AESQ) Group and regular site-based and cross-site communication between quality managers. Continuous development focuses first and foremost on the set of rules and internal quality reporting and, especially, the digitalization of quality processes. In addition, regular site-specific training on quality aspects is organized for managers and employees. For example, new employees are required to complete a mandatory training module on the IMS.

MTU has various initiatives designed to continuously improve product and process quality and support revenue growth following the pandemic-induced downturn:

- / The "Passion for Quality" campaign launched as part of the quality vision aims to make the contribution made by employees to quality visible in all units and to strengthen quality awareness (Munich, Rzeszów, Hanover and Ludwigsfelde sites)
- / The "MRO network development" project is standardizing core processes in the commercial engine maintenance business across all MRO locations on the basis of best practices
- / In the "AS13100 implementation" project, MTU is implementing new sector-wide standards developed jointly in the AESQ and enhanced quality management standards (Munich, Rzeszów)

MTU were also approved. The primary focus is on improving the efficiency of components and materials and on digitalization.

As described in Claire, evolutionary technology development is not sufficient to achieve climate neutrality by 2050. Revolutionary propulsion concepts are needed. The concept favored by MTU is the water-enhanced turbofan (WET), which harnesses energy from exhaust emissions from the engine. Water is vaporized by a vaporizer and injected into the combustion chamber. The water required for this is obtained from the exhaust emissions via a condenser. This wet combustion concept brings a massive reduction in emissions of nitrogen oxides. At the same time, it greatly reduces fuel consumption, CO₂ emissions and the formation of condensation trails. A milestone for the WET concept in the reporting period was the approval of the SWITCH application for funding under the European Commission's Clean Aviation research program. Within SWITCH, MTU will lead a consortium including prestigious industrial partners such as Pratt & Whitney, Airbus, Collins Aerospace and GKN Aerospace. This consortium will work on the development of innovative WET technologies and hybrid-electric technologies.

Complete electrification of the powertrain is another possibility for a revolutionary propulsion concept. MTU refers to this as the flying fuel cell. Initially, it could be used for regional short-haul flights. This propulsion system does not generate CO₂, NOx or particulate emissions. MTU has obtained support for this research, in particular in the third round of applications for the national aviation research program – several project applications relating to the development of a system that is optimized for aircraft were approved.

Climate change mitigation at the production sites

MTU aims to continuously reduce greenhouse gas emissions in development, production and maintenance activities at its facilities in order to make a contribution to global climate protection, based on the targets of the Paris Agreement. In 2021, MTU introduced an ecoRoad-map at its headquarters in Munich. This was rolled out to all its production sites in Europe (Munich, Hanover, Ludwigsfelde, Rzeszów) in 2022 as MTU Green Europe. The objective of Green Europe is to reduce MTU's CO₂ footprint (measured by material Scope 1 and 2 emissions) by 60% by 2030 compared with the reference base (2019) by introducing sustainable measures, extending in-house emissions-free energy generation and stepping up the use of green energy. In addition, it applies the gold standard to compensate for unavoidable CO₂ emissions

at the Munich location. As a result, operation of this location has been climate-neutral since 2021. Integration of the production sites in Canada and Serbia (which started operating in December 2022) in 2023 is currently being considered.

The Executive Board bears responsibility for Group-wide environmental protection at operational level. Standards are implemented through an environmental management system that defines processes, responsibilities and targets at site level. Environmental protection is part of MTU's integrated management system (IMS). The environmental protection criteria apply for all business units and processes and are implemented through process workflows and special company standards. The minimum standard for the operation of machines and facilities such as test stations is set by national legislation and secondary regulations. Environmental and climate protection data are reported to the Executive Board through the quarterly IMS report. Since 2022, this has included energy consumption (relative to production hours) at the fully consolidated production sites in Munich, Hanover, Ludwigsfelde, Rzeszów and Vancouver. As part of Green Europe, the Executive Board and the Steering Committee receive regular reports on CO₂ emissions reduction in the operation of the Munich, Hanover, Ludwigsfelde and Rzeszów sites, based on maximum residual emissions and CO₂ avoided as a result of sustainability measures.

Environmental and climate protection are also an integral part of its global Code of Conduct. Here, the company sets out its commitment to an integrated approach, with environmental and climate protection included in business decisions. Environmental responsibility is explicitly set out in the MTU Principles in the section "Environment and society." Furthermore, MTU expects environmentally conscious action from its suppliers. These expectations are set out in a binding code of conduct.

Employees are actively included in environmental protection through information campaigns and training, for example, to encourage them to save energy at work. These outreach measures include the onboarding process for new employees, an environmental action day for apprentices (Munich location) and short information videos with tips on environmental protection in daily life. MTU's support for its employees environment and climate awareness is an integral part of the Code of Conduct.

Corporate environmental production is organized on a decentralized basis and climate protection is included in the assessment of environmental impacts. Local departments at all production sites are responsible for implementing the relevant measures. The site management

In the period under review, CO₂eq emissions from the MTU Group's production sites totaled 47,125 metric tons (2021: 55,525). Scope 1 emissions were 37,738 metric tons of CO₂eq (2021: 42,994 metric tons). Scope 2 emissions were 9,387 metric tons of CO₂eq (2021: 12,531 metric tons). Both Scope 1 and Scope 2 CO₂ emissions at the Munich site are decreasing. The reductions in the Group and at headquarters in Munich were attributable to the Green Europe climate strategy. MTU undertook high-quality offsetting of the remaining Scope 1 and 2 CO₂eq emissions in Munich using the gold standard, so this location was climate-neutral for the first time at the end of 2022.

Reducing CO₂ is an important ESG target

The high priority given to climate protection is also shown by the fact that reducing CO₂ emissions is an important environmental, social and governance (ESG) target. [The ESG-related KPI CO₂ affects the variable compensation of the Executive Board and senior executives. Target achievement is based on Europe-wide implementation of the climate-protection strategy for emissions from the European production sites in Munich, Hanover, Ludwigsfelde and Rzeszów. Measurement of target achievement is based on the remaining CO₂ emissions as "maximum remaining CO₂ emissions" (calculated using the currently valid emissions factors) and "CO₂ abatement through sustainable measures" (calculated using the 2019 emissions factors), taking 2019 as the baseline. The twelve-month performance period used for this is December 1, 2021 through November 30, 2022 and thus differs from the reporting period. The outcome was 44,246 metric tons CO₂, which was below the target level of 54,000 metric tons thanks to consistent action to reduce CO₂ emissions and the purchase of green electricity. The target for abatement through sustainable measures was achieved with a reduction of 2,000 metric tons (target: 1,747 metric tons).

Energy consumption 2022

CO₂eq emissions from production and maintenance activities (Scope 1 and 2) mainly result from the energy consumption required to operate the facilities.

[T40] Energy consumption in mWh

	2022	2021
Scope 1		
Group	169,712	194,471
MTU AG	86,581	114,111
Scope 2		
Group	135,647	128,496
MTU AG	81,614	76,880
Total		
Group	305,359	322,967
MTU AG	168,195	190,991

Scope 1 energy consumption results from the direct consumption of kerosene, natural gas and fuels for mobility (excluding Canada). Scope 2 energy consumption is attributable to the consumption of purchased energy (electricity and district heating). Other energy consumption (e.g. other fuels) is not reported because its contribution to total consumption by the MTU Group is not material. AG = Munich location, Group = fully consolidated production sites; the Nova Pazova production site in Serbia is not included in the report because there were no production operations there in 2022. Energy consumption in external testing of engines and industrial gas turbines was 1,249 MWh; SAF combustion during testing at the Hanover location was 384 MWh. This energy consumption is not included in the data in the table. The consumption data presented are refer to the periods December 2021 through November 2022 and December 2020 through November 2021; some figures for November are estimates (based on the prior-year figures).

In the year under review, the MTU Group consumed a total of 305,359 kilowatt hours energy (Scope 1 and 2) at its production sites (2021: 322,967) and 168,195 kilowatt hours at its production site in Munich (2021: 190,992). The increase in Scope 2 energy consumption in Munich site was mainly attributable to purchased electricity, partly due to prolonged shutdown of the power plant at this site.

Prevention of bribery and corruption

MMTU's long-term business success is based on compliance with the applicable laws and regulations and the company's own internal guidelines. MTU condemns corruption of any kind and all other forms of white-collar crime. A Group-wide Code of Conduct requires employees and management to act with responsibility and integrity and to comply with the law and in-house regulations. The MTU Principles foster consistency, reliability and integrity in MTU's activities. Further regulations such as the MTU standard on donations, sponsorship and customer events contain further details and also help prevent corruption.

As the highest decision-making authority, the CEO bears the responsibility for the company's business ethics and anti-corruption policy. The central functions responsible for ensuring compliance are a Group-wide Compliance Officer and the Compliance Board. The Compliance Officer is responsible, in particular, for ongoing development of MTU's established compliance system to prevent corruption. He works in close consultation with the Compliance Board. The Compliance Board holds both regular and ad-hoc meetings at the invitation of the Compliance Officer. The Compliance Officer submits quarterly reports to the Executive Board and the Supervisory Board's Audit Committee, which in turn reports to the plenary meetings of the Supervisory Board. The Supervisory Board's Audit Committee oversees the Executive Board's compliance activities. In addition, the Compliance Officer has a regular direct reporting line to the CEO.

The company has established a global whistleblower system that allows employees and external stakeholders to report suspected cases of misconduct confidentially to the Compliance Officer. As well as the scope to seek personal contact, the web-based iTrust system can be used to submit reports anonymously. The Compliance Officer examines all allegations received and manages the necessary measures if they prove founded.

Zero tolerance of bribery and corruption

MTU's goal is to prevent bribery and corruption throughout the Group (principle of zero tolerance). To minimize corruption risks, all sales-related consultancy contracts are reviewed by the Compliance Officer, where relevant with the assistance of external service providers, before they are concluded or renewed. The Corporate Audit unit examines the legal conformity of business processes and compliance with internal guidelines through regular audits.

There were no confirmed cases of corruption in the reporting period.

External standards and memberships

MTU's compliance management system is based on the requirements of assurance standard IDW AsS 980 published by the Institute of Public Auditors in Germany and the Good Practice Guidance on Internal Controls, Ethics, and Compliance issued by the Organisation for Economic Co-operation and Development (OECD). It has also signed the standards issued by the Aerospace and Defence Industries Association of Europe (ASD), which aim to prevent bribery and corruption and encourage

fair and equal competition. In Germany, this initiative is led by the German Aerospace Industries Association (BDLI). Moreover, these standards are a binding element of contracts with sales consultants.

Continuous development of the compliance system

MTU strives to continuously develop its compliance system. That includes raising employees' awareness of compliance-related matters, for example, with the aid of training materials on the Code of Conduct. Training with these new training materials, which were introduced in 2021, continued in the reporting period. 3,131 employees had taken part by year-end 2022. In addition, mandatory anti-corruption training is regularly held for managers and employees in specific functions such as sales. In the reporting period, routine corruption prevention training was organized for relevant employees in maintenance sales.

Occupational safety

MTU places a great deal of importance on the safety of its employees. Employee health and safety are included in the Group-wide Code of Conduct as key principles of corporate social responsibility. The Code of Conduct also specifies that workplaces must meet statutory and generally recognized industrial health and safety standards. In addition, MTU has an internal standard that contains generally valid parameters, rules and definitions of performance indicators. Quarterly Group-wide reporting to the Executive Board is established. Occupational safety is organized on a decentralized basis at MTU and the sites are responsible for implementing the relevant requirements. At the company's production sites, occupational safety is the responsibility of the site management and occupational safety officers are appointed at management level. The responsible local departments implement site-specific occupational safety requirements and report regularly to the site management. The company's production sites in Germany, Poland and Canada have local occupational safety committees, which include representatives of the workforce.

Occupational safety is part of MTU's integrated management system (IMS) and is regularly reviewed and driven forward. At the European production sites, workplace regulations that are mandatory for all employees contain important safety rules pertaining to accident prevention, fire protection and what to do in the event of workplace or commuting accidents.

A code of conduct for suppliers is in place to cover the upstream value chain. MTU's suppliers are required to give an undertaking that they will comply with this Code of Conduct for MTU Suppliers, which is based on the ten principles of the UN Global Compact and the core labor standards of the International Labour Organization (ILO). The Code of Conduct requires suppliers to respect and apply human rights, and to make sure that they are not complicit in human rights violations. In particular, it requires observance of labor standards relating to freedom of association, the right to collective bargaining, the ban on forced and child labor, equal pay regardless of gender and the equal treatment of employees. MTU also expects its suppliers to obtain a corresponding undertaking from sub-suppliers and reserves the right to terminate any contract with a supplier without notice if the supplier uses child labor in the production process for its deliveries. In addition, these principles of behavior are contained in the general business conditions and the contractual documents for suppliers.

Suppliers to the sites in Germany, Poland and Canada and the subsidiary MTU Aero Engines North America are subject to a regular risk analysis. This takes account of MTU-specific product groups and the countries where they are sourced, based on the evaluation in the Walk Free Foundation's Global Slavery Index. This risk analysis is integrated into the established risk process for suppliers. As a further step, there are plans to monitor significant suppliers' compliance with sustainability criteria. For this purpose, MTU has established and started to roll out an ESG assessment tool (ESG = environmental, social, governance). A pilot project to monitor the sustainability performance of OEM suppliers has started. In addition, at MTU Maintenance, a structured supplier evaluation is performed twice a year for suppliers to the German sites.

Various measures are used to achieve the goal of ensuring that human rights are respected in the supply chain. These apply, above all, to the procurement of tantalum, tin, gold and tungsten, which are used in some MTU components. Procurement of these minerals can be problematic because some of them come from Central African mines where the profits may be used specifically to fund armed conflicts that violate human rights. MTU strives to ensure a sustainable and transparent value chain without these "conflict minerals." The company does not procure minerals directly but they enter production and pre-production via the global, multi-step supply chain. The general conditions of business and the templates for contracts with MTU suppliers require information on the origin of minerals. This information is compiled using

the EICC/GeSI Conflict Minerals Reporting Template. MTU makes it compulsory for relevant suppliers of components containing minerals declared in the Dodd-Frank Act to provide information once a year on the origin of minerals and specifies that minerals may only be procured from certified mines and smelters (compliant smelter list) in order to ensure that the value chain does not contain conflict minerals. Based on its survey in 2022, MTU has no indication that components from its suppliers contain conflict minerals.

Moreover, in the reporting period there were no reported indications that suppliers had violated the human rights provisions of the Code of Conduct for MTU Suppliers. Furthermore, MTU did not have to terminate its relationship with any suppliers as a result of breaches of human rights.

The German Act on Corporate Due Diligence Obligations in the Supply Chain (LkSG) will apply to MTU Aero Engines AG from 2023. In the reporting period, an interdisciplinary project team started to prepare for its implementation.

Responsible international trade

Trade compliance plays a vital role for MTU. One important goal here is to avoid violations of human rights. The provisions of international trade legislation apply to all business units and Group companies, including their employees. Customs and export control laws govern which products, services and technical data MTU is permitted to sell or pass on to whom, for what purpose and where. Compliance with customs legislation and international trade regulations is explicitly stipulated in MTU's Code of Conduct.

Export control law prohibits doing business with specific countries or individuals, and the supply of sensitive goods, transfer of advanced technologies, and provision of military services without explicit authorization by the respective official bodies. This is intended, in particular, to prevent the proliferation of nuclear, biological and chemical weapons, to prevent the supply of military goods or goods that can be used for military purposes to crisis regions, to prevent support for blacklisted individuals and activities that violate human rights, and to protect sovereign security interests. Under customs regulations, MTU is required to provide a precise description, detailed itemization and accurate declaration of the value of all goods intended for import or export. What is more, anti-boycott laws may prohibit individuals and entities from participating in other countries' economic boycotts and restrict the dissemination of information relating to business activities or individuals.

To ensure international trade regulations are implemented throughout the Group, MTU has set up a central international trade department (functional responsibility and supervisory authority for export control, coordination of customs regulations), which draws on the support of external consultants where necessary. To ensure compliance with international trade regulations, harmonized process standards have been introduced Group-wide. These verify conformity with export control regulations and required authorizations prior to the dispatch of documents and components. The head of the international trade department reports disciplinarily to the head of purchasing and has a direct duty to report to the Executive Board member responsible for exports.

In the reporting period, MTU continued compulsory training of all employees affected by export control regulations, which has been based on a new training concept since 2020. The Internal Compliance Program (ICP) was revised to bring it into line with the legal framework applicable for the reporting period.

Disclosures on the EU taxonomy

Background

A key objective of the EU Action Plan for Financing Sustainable Growth is to reorient capital flows towards sustainable investment. In light of this, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (subsequently referred to as the EU Taxonomy Regulation) came into effect in mid-2020. This Regulation contains a uniform and legally binding classification system defining which economic activities are deemed to be “environmentally sustainable” in the EU. The results of this classification have to be reported annually on a company-specific basis.

Article 9 of the EU Taxonomy Regulation sets out the following six environmental objectives:

- a) Climate change mitigation;
- b) Climate change adaptation;
- c) Sustainable use and protection of water and marine resources;
- d) Transition to a circular economy;
- e) Pollution prevention and control;
- f) Protection and restoration of biodiversity and ecosystems.

To supplement the requirements on sustainable economic activities within the meaning of the Taxonomy Regulation, the EU Commission has issued delegated acts. Delegated Regulation (EU) 2021/2139 of June 4, 2021 on the technical screening criteria (Del. Reg. TS) for the environmental objectives “Climate change mitigation” and “Climate change adaptation” sets out the technical screening criteria to be used to assess the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and determine whether that economic activity does no significant harm to any of the other environmental objectives. By contrast Delegated Regulation (EU) 2021/2178 of July 6, 2021 specifying the content and presentation of information to be disclosed (Del. Reg. C&P) addresses the content and presentation of the information to be disclosed with respect to environmentally sustainable economic activities and the methodology to comply with the disclosure obligation.

With regard to the classification of an economic activity as “environmentally sustainable” within the meaning of the EU taxonomy, a distinction has to be drawn between those activities that are taxonomy-eligible and those that are taxonomy-aligned. Only those economic activities that are described in the delegated acts on technical screening criteria are deemed to be taxonomy-eligible.

If an economic activity is classified as taxonomy-eligible, the next step is to evaluate whether it makes a substantial contribution to one of the environmental objectives and does no significant harm to another environmental objective and is undertaken in compliance with minimum safeguards in accordance with OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO core labor standards and the International Bill of Human Rights. If all of these criteria are met, the economic activity can be classified as taxonomy-aligned.

In view of the obligation to publish a non-financial statement, MTU is required to apply the rules set out in the Taxonomy Regulation. In accordance with Section 315e (1) HGB, the consolidated financial statements of MTU as of December 31, 2022, have been drawn up using the IFRSs.

In the 2021 reporting period, mandatory disclosures were only required on the taxonomy-eligible proportion of turnover, capital expenditures (CapEx) and operating expenditures (OpEx) associated with the two environmental objectives “climate change mitigation” and “climate change adaptation.”

Building on this, for 2022, MTU is required to make further disclosures on taxonomy alignment. Since the plans to extend the EU Taxonomy by issuing delegated acts for the remaining four environmental objectives in 2022 were postponed, the mandatory reporting still relates only to the first two environmental objectives.

The delegated acts published to date on these two environmental objectives do not contain a separate economic activity in connection with the “manufacture of aircraft and their components.” Consequently, the treatment of the entire aviation sector has not yet been conclusively addressed. For this reason, in addition to the mandatory disclosures, for the 2022 reporting period, MTU is therefore publishing voluntary, unaudited disclosures based on the information published by the Platform for Sustainable Finance “TECHNICAL WORKING GROUP PART B – Annex: Technical Screening Criteria” on the corresponding requirements for the aviation industry.

The amounts used to calculate the turnover, CapEx and OpEx KPIs are therefore based on the corresponding figures reported in the consolidated financial statements. If capital expenditures and operating expenditures cannot be allocated to a single engine, allocation keys are applied. The data basis for the allocation keys is the proportion of taxonomy-eligible and taxonomy-aligned turnover. In principle, all consolidated companies in the MTU Group are included in the calculation.

The disclosure of taxonomy-eligible and taxonomy-aligned turnover / capital expenditures (CapEx) / operating expenditures (OpEx) as a proportion of the respective total amounts for the MTU Group for the fiscal year 2022 is based on a full analysis of the Group's business activities.

Key performance indicators (KPIs)

[T42] EU-Taxonomy KPI's

in percent	Taxonomy aligned	Taxonomy eligible, but not aligned	Taxonomy non-eligible
Turnover		10	90
CapEx	2	31	67
OpEx	25	28	48

Turnover KPI

The turnover KPI comprises turnover from taxonomy-eligible or taxonomy-aligned economic activities in a fiscal year as a proportion of total turnover in the fiscal year. The basis for calculating the turnover KPI is the net revenue generated by goods and services, including intangibles, in accordance with IAS 1.82(a).

The denominator used to calculate this KPI is the total revenue of €5,330 million in 2022, as reported in the MTU Group's income statement for the fiscal year. This is examined across all Group subsidiaries to identify whether it was generated by taxonomy-eligible economic activities as defined in Annex I (contributes substantially to climate change mitigation) and Annex II (contributes substantially to climate change adaptation) to Delegated Regulation 2021/2139 to the Taxonomy Regulation.

Based on the current status of the regulations, for the economic objective "climate change mitigation," the economic activity 3.6 "Manufacture of other low carbon technologies" was identified as a material revenue-generating economic activity of the MTU Group within the meaning of the delegated act. On this basis, MTU classifies as taxonomy-eligible those revenues corresponding to this economic activity that are geared to achieving a considerable reduction in greenhouse gas emissions in other sectors of the economy.

Revenue from the production of especially low-carbon engine technologies designed to contribute to a considerable reduction in greenhouse gas emissions in the aviation industry falls within the scope of this definition. This analysis of activities geared to a considerable reduction in greenhouse gas emissions took into account customary product life cycles for the respective model types and a comparison of alternative technologies, generally previous technologies, that are currently found on the market. A CO₂ reduction of 10% or more is regarded as a considerable reduction. In 2022, taxonomy-eligible turnover was therefore €515 million.

Based on a detailed analysis, a taxonomy-eligible turnover KPI of 10% and a taxonomy-aligned turnover KPI of 0% are derived. MTU's turnover is not taxonomy-aligned because, as of the reporting date, it did not meet the criteria a substantial contribution to economic activity "3.6 Manufacture of other low carbon technologies."

The increase in the taxonomy-eligible turnover KPI from 8% in the previous year to 10% in the reporting period is attributable to increased sales of the most recent generation of engines.

For more detailed information on the turnover KPIs, please see the corresponding table at the end of this section.

MTU is continuing to pursue its goal of increasing the number of women on all levels. Every area of the company is called upon to work actively toward achieving this corporate objective. The measures focus on recruiting more female potentials and providing more intensive support for female employees during their careers. To this end, MTU invests extensively in the development of its female employees and is involved in mentoring programs and a variety of initiatives. In addition, MTU has an active network for women, with Lars Wagner, CEO, as its advocate, and extensive measures to improve work-life balance, including flexible working hours, support services for families, and scope for teleworking. A full description of diversity management at MTU Aero Engines AG can be found in the current [Sustainability report](#).

Financial reporting

MTU prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRSs). The Executive Board is responsible for this. Financial reporting comprises, in particular, the consolidated financial statements and the Group management report (including the non-financial statement). In addition, the financial reporting and the audit include sustainability reporting, together with the audit thereof. The annual financial statements of MTU Aero Engines AG are compiled in accordance with the provisions of the German Commercial Code (HGB). An internal control system, coupled with the application of uniform accounting policies, ensures that the results of operations, financial position, net assets and cash flows of all Group companies are accurately presented. In addition, MTU has a differentiated system in place to identify and monitor business and financial risks.

Risk management and control system

The Executive Board is responsible for ensuring that an appropriate risk management and control system is in place. This system is described in the section headed [“Internal control and risk management system.”](#) The Executive Board reports to the Supervisory Board in a regular and timely manner on existing opportunities and risks, and how they are developing. The Audit Committee of the Supervisory Board discusses risk management. In accordance with Section 107 (3) of the German Stock Corporation Act (AktG), the Audit Committee is explicitly responsible for monitoring the effectiveness of the risk management system, the internal control and auditing systems, the financial reporting process and the audit of the financial statements, and in particular, for assessing the auditors' independence.

Compliance

The corporate culture at MTU is characterized by trust and mutual respect. The observance of legal and ethical rules and principles plays a central role in this respect. These and other aspects of compliance, such as the responsible handling of insider information, are documented in a Code of Conduct, which was revised, agreed and introduced jointly by the Executive Board and the Group Works Council in 2020. This Code of Conduct embodies MTU's corporate culture and reflects its resolve to comply strictly with the relevant laws and internal regulations. It is a Group-wide guide to ethical business relations.

Nevertheless, the risk can never be entirely ruled out that unauthorized behavior of isolated individuals might lead to contravention of the law. MTU does everything in its power to minimize this risk as far as possible, and is committed to preventing acts of misconduct, such as corruption, in the first place through corresponding rules and regular and targeted training, and to uncovering and pursuing any such acts.

Compliance is an important aspect of all management functions at MTU. For example, all managers must check that every member of their staff is familiar with the Code of Conduct and abides by its rules. Reinforcement is provided by internal training.

The central contact for all compliance-related matters in the company is the Compliance Officer, who is a member of the corporate management and reports directly to the Executive Board. The duties of the Compliance Officer focus, first and foremost, on preventing corruption and failure to comply with cartel and insider regulations. The Compliance Officer advises the Executive Board, managers and the managing directors of the individual sites. He draws up training concepts and guidelines and makes recommendations on compliance checks. In addition, the Compliance Officer leads investigations into cases of suspected non-compliance and coordinates the measures taken. Furthermore, he acts as ombudsman. Both employees and third parties such as customers and suppliers can report suspected non-compliance issues to the Compliance Officer confidentially. As well as contacting him personally, they have access to iTrust, a web-based whistleblower system that also allows anonymous reports.

Reports on the Compliance Officer's activities are presented to the Supervisory Board's Audit Committee. The Audit Committee then informs the plenary meetings of the Supervisory Board via a summary of its own meetings. It supervises the Executive Board's compliance activities, including monitoring the measures and training programs implemented by the Compliance Officer and proposing revisions to the compliance rules.

Extensive information, Annual General Meeting, Directors' Dealings

In keeping with the principles of good corporate governance, MTU continually provides extensive and timely information on the company's activities and any major developments in its business situation for shareholders, shareholder associations, financial analysts, the media and other interested parties. MTU strives to ensure that all stakeholders are kept informed in equal measure. Within reason, the Chairman of the Supervisory Board is also prepared to meet with investors to talk about topics specific to the Supervisory Board. The company publishes an extensive range of information on its website at www.mtu.de. It publishes quarterly information on its business activities. Any new developments likely to have a significant impact on the MTU share price are disclosed in the form of ad-hoc releases in accordance with statutory requirements.

Information is also posted on the MTU website whenever members of the Executive Board or Supervisory Board or related persons have purchased or sold MTU shares, debt instruments or share-based derivatives. Section 19 of the European Market Abuse Regulation stipulates that these persons must disclose such transactions if their value in a single calendar year reaches or exceeds €20,000. The total number of shares in MTU Aero Engines AG, Munich, held by members of the company's Executive Board and Supervisory Board as of December 31, 2022, was less than 1% of the company's capital stock.

In the interests of the health of shareholders and employees of MTU, the Executive Board decided, with the consent of the Supervisory Board, to hold the Annual General Meetings in 2020, 2021 and 2022 remotely, without physical attendance by shareholders or their proxies, as permitted by the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the Covid-19 Pandemic (GesRua-COVBeKG) and the legal ordinance issued by the Federal Ministry of Justice and Consumer Protection, which came into force on October 29, 2020. At an extraordinary session on September 7, 2021, the German Bundestag resolved to further extend the Covid-19 emergency legislation. Joint stock companies were therefore permitted to hold their Annual General Meeting virtually until August 31, 2022. In view of the ongoing coronavirus pandemic and the spread of the highly infectious omicron mutation of the virus, MTU decided that the 2022 Annual General Meeting would also be held virtually. In addition, given the highly international shareholder structure, MTU considers a modern format for its Annual General Meeting to be appropriate as it enables global participation of share-

holders without the need to travel or observe contact restrictions and therefore enables them to exercise their rights as shareholders and to follow the entire Annual General Meeting, including the general discussion, as a live video and audio stream. In 2022, shareholders were able to email their questions to the company at the latest one day before the Annual General Meeting.

The company supports the exercise of shareholder rights and proxy voting by its shareholders in part by providing voting representatives who exercise voting rights in accordance with instructions received from individual shareholders. Shareholders also have the option of absentee voting. Shareholders can use electronic means to authorize proxies and provide voting instructions to the company's voting representatives up to the beginning of the Annual General Meeting.

Legislation on the introduction of virtual annual general meetings at joint stock companies came into force on July 27, 2022. Joint stock companies can now choose whether a virtual format is preferable to an in-person meeting or whether a hybrid format is an alternative. MTU has decided to hold its Annual General Meeting in 2023 as a virtual Annual General Meeting.